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A COMPARATIVE ANALYSIS OF PUBLIC FINANCIAL MANAGEMENT IN MALAWI AND SOUTH AFRICA USING THE PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY ASSESSMENT FRAMEWORK

by

Perekamoyo Tawulayi Kayira Matala-banda

Thesis presented in partial fulfilment of the requirements for the degree Masters in Public Administration in the faculty of Management Science at Stellenbosch University

Supervisor: Dr Dirk Brand

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DECLARATION

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ABSTRACT

Using the 2011 Public Expenditure Financial Accountability (PEFA) framework the study conducts a comparative analysis of the Public financial management of Malawi and South Africa. The study analyses and discusses data from PEFA reports of 2008, 2011, and 2018 for Malawi and reports from 2008 and 2014 for South Africa to make qualitative comparisons and assess performance trends. The comparative analysis reveals that South Africa's performance is much better than that of Malawi. The study highlights that weak public expenditure management practices and weak external audit, and scrutiny practices are some of the persistent shortfalls of the Malawian PFM system when measuring against the PEFA framework. Besides the obvious differences in socioeconomic factors, the study also reveals that coordination failures, capacity constraints, and political interference are some of the underlying dynamics affecting the quality of public financial management in both countries.

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OPSOMMING

Die studie doen 'n vergelykende ontleding van die Openbare Finansiële Bestuur van Malawi en Suid-Afrika en gebruik die 2011 Openbare Uitgawe Finansiële Verantwoordbaarheid (PEFA)-raamwerk. Die studie ontleed en bespreek data van PEFA-verslae van 2008, 2011 en 2018 vir Malawi en verslae van 2008 en 2014 vir Suid-Afrika om kwalitatiewe vergelykings te tref en prestasieneigings te assesseer. Die vergelykende ontleding toon dat Suid-Afrika se prestasie baie beter is as dié van Malawi. Die studie beklemtoon dat swak openbare bestedingsbestuurspraktyke en swak eksterne oudit- en ondersoekpraktyke sommige van die voortdurende tekortkominge van die Malawiese PFM-stelsel is wanneer dit aan die PEFA-raamwerk gemeet word. Benewens die ooglopende verskille in sosio-ekonomiese faktore onthul die studie ook dat koördineringsmislukkings, kapasiteitsbeperkings en politieke inmenging van die onderliggende dinamika is wat die kwaliteit van bestuur van openbare finansies in beide lande beïnvloed.

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
AG	Auditor-general
DORA	Division of Revenue Act
FFC	Financial and Fiscal Commission
GoM	Government of Malawi
IFMIS	Integrated Financial Management Information System
HIPC	Heavily Indebted Poor Countries
MDA	Ministries, Departments, Agencies
MOF	Ministry of Finance (MOF)
MRA	Malawi Revenue Authority (MRA)
MTEF	Medium-Term Expenditure Framework
NAO	National Audit Office
ORT	Other Recurrent Transactions
PAC	Public Accounts Committee (PAC)
PEFA	Public Expenditure and Financial Accountability (PEFA)
PFMA	Public financial management Act
PEM	Public Expenditure Management
PFM	Public financial management (PFM)
PSIP	Public Sector Investment Programme (PSIP)
RBM	Reserve Bank of Malawi (RBM)
SA	South Africa
SARB	South African Reserve Bank
SITA	State Information and Technology Agency

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CHAPTER 1
INTRODUCTION

1.1 Background

The government of Malawi has incurred budget deficits since 1990. The deficits were the aftereffect of the end of the cold war in 1989. The end of the war resulted in countries like Malawi losing their geopolitical importance which resulted in the withdrawal of development aid by most Western countries. The development had drastic effects on the Malawian fiscus and the economy because 40% of the government budget was funded by the donors and only 60% was funded by the government itself (Chinsinga, 2007:358).

In response to the deficits in the early 1990s, the Government of Malawi undertook budget reforms. Simwaka (2006:3) states that among other goals, the reforms were aimed at ensuring greater parliamentary participation in the budget process in line with the prevailing political landscape of democracy. Additionally, the reforms were aimed at improving resource planning and budgeting to stabilise the budget deficit and improve the strategic prioritisation of resource allocation. The third aim was to achieve control over public spending, thus ensuring oversight and compliance with prescribed budget priorities. Lastly, the reforms were also intended to improve aid and debt management (Ngwira et al., 2004:12).

Despite the numerous efforts toward reforming the budget process and debt sustainability, financing of fiscal deficits through domestic resources has led to the accumulation of domestic debt. The budget deficit in the first half of the year 2020/2021 amounted to MK 350.9 billion, representing 3.3% of the GDP, 0.7% higher than the targeted deficit of MK 348.4 billion (UNICEF Malawi, 2021:1). The slight increase in the deficit was attributed to the restriction of government operations due to the Covid-19 pandemic (UNICEF Malawi, 2021:7). Before that, the country had missed the 2018/2019 mid-year fiscal deficit target by 1% of the GDP. The 1% variance was ascribed to expenditure overruns on generic goods and services (World Bank, 2019:10). As of the first half of FY2022/23, the fiscal deficit widened to 4.3% of GDP compared to the mid-year target of 3.5% of GDP. Domestic debt increased from 21.9% of GDP in 2020 to 31.2% of GDP in 2021. According to the Malawi Economic Monitor (World Bank, 2022:9), the fiscal deficit was expected to widen further to 8.6%. The World Bank (2022:9) warned of the unsustainable levels of public debt; that public debt increased from 54.8% of

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GDP in 2020 to 64% of GDP in 2021. It further highlights that Malawi's public debt was expected to increase further to 76.6% in 2022.

Like Malawi, South Africa has made efforts to reform the public financial management systems since its transition to democracy in 1994. Among the several reasons for reforming the public financial management systems, Fölscher and Cole (2006:2–3) state that the budget reforms were undertaken because South Africa's national budgets lacked linkages between policy, budgeting, and implementation, which resulted in uncertainties. Fölscher and Cole (2006:2–3) further highlighted that there was a lack of information to inform the budget process and to reduce fiscal risk as well as promote accountability. According to the 2022 medium-term budget statement (2022:3), the South African National Treasury was in a bid to reduce fiduciary risks by stabilising the budget deficit and the gross loan debt. The National Treasury highlighted that gross loan debt was expected to stabilise at 71.4% of GDP in 2022/23 while the consolidated budget deficit was at 4.9% of the GDP in 2022/23 which it hoped would stabilise to 3.2% of GDP in 2025/26.

Erlandsson and Durevall (2004:10) highlighted that the most pertinent evidence of poor or weak public financial management systems is persistent budget deficits and a widening gap between the approved budget and expenditure. According to Hemming (2013:19), while public financial management is affected by and must adjust to macroeconomic conditions, it can impact macroeconomic developments. This suggests that insufficient public financial management arrangements and capacity can undermine even the most advanced fiscal policy and management framework. Similarly, de Renzio and Dorotinsky (2007:4) state that the quality of public financial management is one of the main determinants of government effectiveness in terms of achieving national objectives as well as maintaining or improving service delivery. Therefore, it is imperative to assess the public management systems to address fiduciary risks and to identify the underlying strengths and weaknesses to ensure that the government can achieve its national objectives. Good quality public financial management systems achieve this by ensuring that public funds are properly accounted for and used for their intended purpose while achieving value for money (Hossen, 2015:54).

Despite the socioeconomic differences between Malawi and South Africa, the researcher makes a comparative analysis of public financial management using the public expenditure and financial accountability assessment framework (PEFA). Drawing from prior research, it can be

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inferred that South Africa's public financial management is of superior quality compared to Malawi, given its larger population, higher income level, greater reliance on natural resources, and stronger democratic institutions. (Hedger & de Renzio, 2010:5). However, this study seeks to compare the quality of public financial management of the two countries to identify their shortcomings in public financial management and to understand the underlying dynamics affecting the quality of PFM in both countries.

Comparing the public financial management systems of Malawi and South Africa provides valuable insights into the challenges and opportunities faced by countries with different levels of development. Comparing the two systems can highlight the challenges faced by countries with different levels of development and provide lessons for countries looking to improve their public financial management systems. This comparison can also shed light on the role that a range of factors plays in shaping a country's public financial management system.

Several global studies have examined the quality of public financial management across countries using the public expenditure and financial accountability assessment framework. For instance, de Renzio and Dorotinsky (2009) used PEFA scoring data to identify country characteristics, such as per capita incomes and population size, that could account for differences in PFM performance. Another study, by Andrews (2008), analysed a dataset of disaggregated PEFA scores for 31 African countries to identify common patterns or themes in PFM process areas. These studies made broad comparisons based on contextual factors due to the data provided. The studies failed to consider the more the specific implementation features that affect the quality of public financial management in each country. In the context of Malawi, one study made a comparative analysis of the public financial management systems of Ghana and Malawi. Though this study compared and assessed the 2018 PFM performance of Ghana and Malawi, it did not provide a comprehensive analysis of the specific implementation features that affect the quality of public financial management in each country.

This paper seeks to fill the gap of knowledge by making a comparative analysis of public financial management in Malawi and South Africa using the public expenditure and financial accountability assessment framework. With this aim, this paper specifically seeks to contribute to the literature on public financial management in several ways. First, the study will give various stakeholders a picture of the performance of the PFM in Malawi in comparison to South Africa. The study delves deep into the current situation to identify Malawi’s shortcomings in

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public financial management and to understand the underlying dynamics affecting the quality of PFM in both countries. Secondly, the findings and the recommendations of the study will assist policymakers to come up with policy changes to ensure that Malawi has sound public financial management which will contribute to better service delivery. It is against this background that the study makes a comparative analysis of public financial management in Malawi and South Africa using the public expenditure and financial accountability assessment framework.

1.2 Problem statement

Despite the numerous efforts toward reforming the budget process and debt sustainability, both Malawi and South Africa are experiencing widening levels of budget deficits. These budget deficits have in one way or another other contributed to the rising levels of public debt in both countries. Erlandsson and Durevall (2004:10) highlight that the most pertinent evidence of poor or weak public financial management systems is persistent budget deficits and a widening gap between the approved budget and expenditure. Therefore, growing cases of widening budget deficits in both countries are alarming and bring into question the quality of the public financial management systems in these countries. It is based on this that the researcher seeks to make a comparative analysis of public financial management in Malawi and South Africa using the public expenditure and financial accountability assessment framework.

1.3 Research question

What is the quality of public financial management in Malawi compared to South Africa using the PEFA framework?

1.4 Research objectives

The research objectives are:

1. To compare the quality of public financial management of Malawi and South Africa using the PEFA framework
2. To identify Malawi's shortcomings in public financial management when measured against the PEFA framework.

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3. To understand the underlying dynamics affecting the quality of PFM in both countries.
4. To make policy recommendations based on the findings on how public financial management can be improved in Malawi.

1.5 Research design

Mouton (2001:49) states that research design answers the key question of what kind of study will be undertaken to answer the research question. This study is descriptive and aims to explore and explain a phenomenon: The research seeks to conduct a comparative analysis of public financial management in Malawi and South Africa using the Public Expenditure and Financial Accountability assessment framework. The study adopts an empirical approach in that the researcher will use existing data to conduct the comparative analysis and draw conclusions.

1.6. Research methodology

The study employs the mixed-method approach which uses both a qualitative and quantitative analysis. A mixed-methods approach was necessary for the study because of its benefits of richness in both forms of data and deeper insight into conducting a comparative analysis of public financial management in Malawi and South Africa using the public expenditure and financial accountability assessment framework.

1.6.1 Data collection

The study uses secondary data. The researcher uses desktop research as a method of collecting data. A literature survey was undertaken regarding public financial management. The study will review several documents including PEFA reports and other related literature.

1.6.2 Data analysis

The study uses a combination of qualitative and statistical methods of analysis to make a comparative analysis of public financial management in Malawi and South Africa using the public expenditure and financial accountability assessment framework.

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1.6.3. Limitations

One of the limitations of the study is that due to an absence of any recent PEFA reports by both countries, the study used the PEFA reports for 2008 (2004/2005, 2005/2006, and 2006/2007), 2011 (2007/08, 2008/09, and 2009/10), and 2018 (2015/16, 2016/17 and 2017/18) for Malawi and reports of 2008 (2005/2006, 2006/2007, and 2007/2008) and 2014 (2010/11, 2012/13, 2013/14) for South Africa. The author acknowledges that public financial management systems are continually changing and evolving and, therefore, these reports might not provide the most recent and relevant information.

The second limitation is the study converted the PEFA scores into numerical values with equal weight. This is problematic in that the PEFA indicators measure quite different things and some of the indicators might be more important than others. This raises questions of validity since they are not amenable to quantitative conversions. Furthermore, the method assumes that the differences between the PEFA scores are the same and the distances between the scores mean the same. This assumption, however, has no scientific basis.

1.7. Justification for the study

This paper attempts to make a comparative analysis of public financial management in Malawi and South Africa using the public expenditure and financial accountability assessment framework. With this aim, the study seeks to compare the quality of public financial management of the two countries to identify their shortcomings in public financial management and to understand the underlying dynamics affecting the quality of PFM in both countries. Comparing the public financial management systems of Malawi and South Africa provides valuable insights into the challenges and opportunities faced by countries with different levels of development – South Africa is one of the most developed countries in Africa and, in contrast, Malawi is a low-income country. Comparing the two systems can highlight the challenges faced by countries with different levels of development and provide lessons for countries looking to improve their public financial management systems. This comparison can also shed light on the role that a range of factors plays in shaping a country's public financial management system.

1.8. Ethical considerations of the study

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The researcher received ethical clearance from the Stellenbosch University Ethics Committee.

1.9. Chapter outline

Chapter 1: Introduction: This chapter introduces the study and presents a background of the study and its rationale. The chapter also provides the research objectives and the methodology used to conduct the study. It articulates the research design and methods used to collect, analyse, and interpret data, and ethical considerations. The chapter also highlights some limitations encountered in the study.

Chapter 2: Literature Review: This chapter provides relevant literature on public financial management. It explains the key concepts in the study and it also discusses the various theories regarding public financial management. Furthermore, it discusses the empirical studies that were conducted concerning the study and their findings as well as the areas where the studies fell short.

Chapter 3: Legislative Framework: This chapter looks at the legislative frameworks for public financial management in Malawi.

Chapter 4: Legislative and Institutional Framework for PFM in South Africa: This chapter looks at the legislative and institutional frameworks for public financial management in South Africa.

Chapter 5: Research Methodology: This chapter articulates the research design and methods used to collect, analyse, and interpret the data, and the ethical considerations. The chapter also highlights some limitations encountered in the study.

Chapter 6: Research Findings and Analysis: This chapter presents and discusses the findings of the study in line with the specific objectives. The key findings are presented in line with the specific objectives and the discussions put forth the significance of the findings.

Chapter 7: Conclusions and Recommendations: The concluding chapter presents an assessment of whether the research objectives have been met and offers recommendations based on the findings presented in Chapter Six. It also acknowledges the limitations of the study and suggests areas for further research.

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CHAPTER 2
PUBLIC FINANCIAL MANAGEMENT

2.1 Introduction

This chapter aims to review the literature surrounding the study of public financial management and defines and gives an understanding of various concepts in public financial management, such as public finance, public financial management, public expenditure management, fiscal discipline, strategic resource allocation, operational efficiency, and budgets. The chapter also presents a relevant theory to the study and literature on the Malawi public finance context as well as an empirical review of related studies.

2.2 Conceptual framework

2.2.1 Public financial management

Public financial management as a concept has broadened over the years, therefore, limiting the idea to one coherent and compact definition. Several authors have given various definitions to encapsulate most of its aspects. Allen et al. (2013:2) define public financial management as formal and informal institutions used by governments wanting to secure and use resources effectively, efficiently, and transparently. Similarly, Chêne and Morgner (2014:2) define public financial management as all the processes involved in gathering, distributing, spending, and reporting public funds. In a more nuanced definition, Andrews et al. (2014) in (Kristensen et al., 2019:2) define public financial management as the methods by which governments manage public resources (both revenue and expenditure) and the immediate and medium to the long-term impact of public resources on the economy or society. In their definition, Andrews et al. (2014) in (Kristensen et al., 2019:2) highlight that in as much as public financial management is about the processes and mechanisms to manage public resources, the short-, medium-, and long-term consequences of financial flows thereof are part of public financial management.

Allen et al. (2013:2) state that the traditional approach to public financial management mainly focused on expenditure management in the context of public budgeting, however, over the years, public financial management has been connected to many aspects that relate to macroeconomic management. The inclusion of a broad range of aspects such as taxes and other government revenue, borrowing and debt management, and other concepts have made the view

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narrow in that it ignores key aspects of managing public resources. The World Bank (2021:1) agrees by highlighting that 'public financial management' is an umbrella term that encompasses several elements such as revenue administration, public financial management, and public debt management.

The World Bank (2021: ix) argues that public financial management plays a crucial role in ensuring fiscal sustainability, macroeconomic stability, government accountability, and the delivery of essential public services. The primary objectives of public financial management are to promote aggregate discipline, efficient allocation of resources, and effective operational management. Hemming (2013:18) states that even though public financial management and fiscal policy have the same objectives, they are not the same. He highlights that public financial management is still more concerned with public expenditure management while fiscal policy is more concerned with tax design and revenue collection. Hemming (2013:19) highlights that public financial management is country-specific in that it is constrained by and must adapt to the macroeconomic developments of that particular country. However, he admits that public financial management can have significant implications on macroeconomic developments. Hence, insufficient arrangements and capacity in public financial management can compromise even the most well-designed fiscal policy and management framework.

Kristensen et al. (2019:1) state that public financial management systems are often described in terms of the four phases of the annual budget cycle. namely budget formulation, budget execution, accounting and reporting, and external scrutiny and audit, as illustrated below in Figure 1 Annual Budget Cycle.

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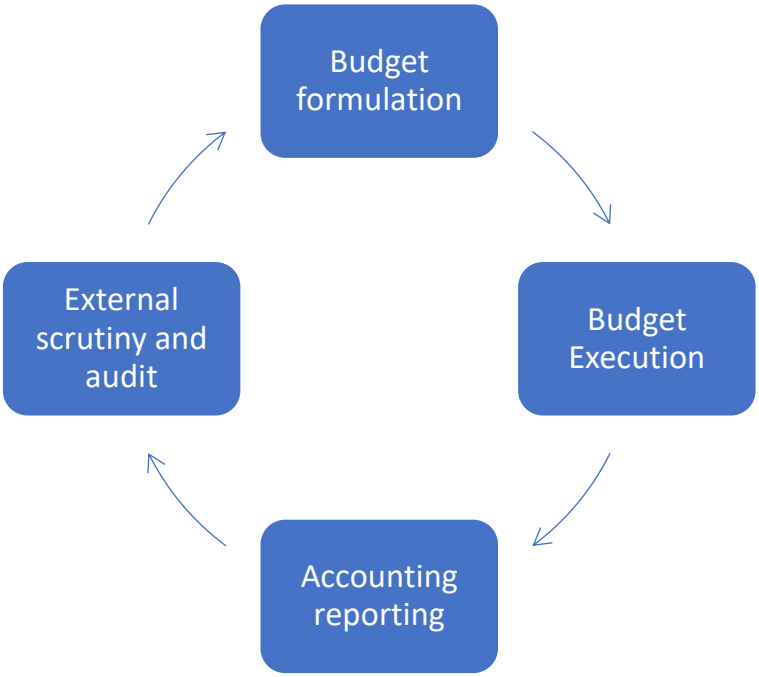
Figure 1Annual Budget Cycle



The budget formulation is the first phase of the annual budget cycle. The budget formulation is a phase in which the budget is prepared following the prevailing fiscal policy, strategic plans, and microeconomic and fiscal projections of that country. Budget execution is the second phase of the annual budget cycle; this phase deals with the implementation of the budget according to the internal controls and standards set to ensure that the public resources are distributed and used as planned (Kristensen et al., 2019:2). The third phase of the annual budget cycle is that of accounting and reporting. This is a phase in which accurate and reliable records are made of how the public resources used are maintained. This phase also involves the dissemination of information to decision-makers at the right time to cater to further decision-making and reporting needs. External scrutiny and audit are the last phases of the budget cycle. This phase deals with the review of records of the public resources to see if the public resources were used as intended and to review whether the executive implemented the budget as planned (Kristensen et al., 2019:2).

2.2.2 Budget

Central to public financial management is the national budget, the national budget is one of the ways in which countries strive toward achieving socially desired outcomes. In the broader

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context of governance, Wildavsky (1974:4) defines the budget as a series of goals with price tags attached to it. Governments define goals and objectives that are linked to their priority areas through the budget. Lee and Johnson (1998:16) similarly define the budget as a series of documents that make prospective reference to the financial state of the government in terms of the revenue and the expenditure of expected activities and goals and their expected outcomes. They argue that without such information the budget ceases to be a comprehensive fiscal policy and would undermine the oversight functions of other agencies.

Rathod (2015:2) defines a government budget as a documented plan of public revenue and expenditure that is passed by legislation. Public resources are communicated through a budget; it estimates expected government revenue and government expenditure for the following fiscal year. He further states that the legislative and prospective component of the budget helps the public to know the expected outcomes of projects. The budget is, therefore, at the centre of public financial management because it strongly influences expenditure outcomes (Schick, 1999:11).

In a managerial context, Abdallah (2018) as cited in Etale and Idumesaro (2019:3) defines a budget as a planning tool used by organisations to allocate limited resources to distinct functions of the organisations. Lambe (2020) as cited by Okoli et al. (2015:1) points out that a budget is a comprehensive plan of an organisation that is expressed in financial terms for a specific period. The Institute of Cost and Management Accountants (1999) as cited in Okoli et al. (2015:1) defines a budget as a plan quantified in monetary terms prepared and approved before a defined period. Overall, they all highlight the budget as a plan that sets out the direction of an organisation and the resources to ensure that direction is followed.

2.2.2.1 Types of Budgets

Okoli et al. (2015:8) state that there are three major types of budget systems, these being fixed budget, flexible budget, and incremental budget. A fixed budget is a budget that does not have any considerations for changes in the environment. On the other hand, the flexible budget is the type of budget that make provisions for deviation from the envisaged predetermined goals which might have become unachievable to those that can be achieved. The flexible budget considers contingencies and the fact that the budget forecasts can sometimes be wrong (Okoli et al., 2015:9). A flexible budget ensures effective controls by making various expenditure provisions that are necessary to meet various levels of activity in the organisation. The

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incremental budget is a budget type in which incremental amounts are added to the current period budget. The incremental amounts include adjustments such as inflation (Rathod, 2015:2).

Rathod (2015:2) also classifies government budgets into three categories. The first category is the balanced budget. This is a budget in which the government revenue and expenditure are equal. The second category is the surplus budget, which is a budget in which anticipated revenues exceed expenditures. The last category is the deficit budget, which is a budget in which anticipated expenditure is greater than revenue (Rathod, 2015:2).

2.2.2.2 Budgetary Control

Donaldson and Preston (1999) as cited in Etale and Idumesaro (2019:4) argue that often efforts are not made to compare the actual revenue and actual expenditure to the budget; this leads to a large deviation from the targets set in the budget. They state that the budget itself should be used as a control in both private organisations and the government. In the context of management, control is defined as the process of guaranteeing that the organisation's goals are achieved (Etale & Idumesaro, 2019:4). They further state that control is an aspect of management that involves measuring and correcting performance to ensure that the objectives of an organisation are achieved (Etale & Idumesaro, 2019:4). Control involves setting standards in whatever context of the organisation; gauging performance against standards; getting results and correcting deviation from the set standards. Donaldson and Preston (1999) as cited in Etale and Idumesaro (2019:4) categorise control of work in organisations into three forms: social controls, administrative controls, and self-controls. Social and self-control are controls that deal with group and individual performance, respectively. Budget as a control falls under administrative controls which include performance measurement systems and the budget monitoring system (Robinson & Last, 2009:3).

Pandy (2008) as cited in Okoli et al. (2015:2) defines budgetary control as the process of creating budgets that align with the responsibilities of executives and the policies that need to be followed, and constantly comparing the actual results to the desired results. Okoli et al. (2015:2) further define budgetary control as a process of determining whether organisational objectives are being achieved and ensuring that operations remain in line with the plan. This involves setting targets and monitoring the actual performance from that which was expected or planned for and taking corrective measures to ensure that any deviations are dealt with. The

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essence of a budget is to regulate expenses and help management achieve its objectives. Consequently, it is considered the way for management to achieve efficiency and ensure the performance of the organisation (Okoli et al., 2015:2).

According to Okoli et al. (2015:2), empirical evidence reveals that the budget has moved from the traditional perspective of simply being considered as a way of projecting revenue and limiting expenditure. Budgets are now considered a way of protecting and controlling management from the various demands in organisations by putting expenditure limits. However, organisations are exposed to numerous factors, both controllable and uncontrollable, therefore, it is also imperative for budgets to be somewhat flexible to accommodate such contingencies (Okoli et al., 2015:2). Management must set measures to ensure that they can compare the actual expenditure performance with what was budgeted for. This is aimed at ensuring the control of performance. This makes budgets a viable tool useful for revenue projection and expenditure control (Etale & Idumesaro, 2019:4). Actual performance must be compared with budgeted results at regular intervals. Although it is sometimes necessary to revise the targets and the goals expressed by the budget, this should only be done based on the legislation that establishes the budgeting process (Etale & Idumesaro, 2019:3). Furthermore, Etale and Idumesaro (2019:3) explain that budgetary control is implemented within an organisation through the use of regulatory frameworks. However, it is important to avoid excessive rigidity in budgetary control, despite its importance in improving organisational efficiency.

On the other hand, Brown and Howard (2002) refer to budgetary control as a method of forecasting revenue targets and regulating expenses. It encompasses preparing the budget, coordinating, and assigning responsibility, and comparing actual performance with the budget to ensure that the organisation achieves its objectives. Okoli et al. (2015:8) cite Hand (1986), who identifies three fundamental stages in the budgetary control process, namely establishing predetermined standards, which involve estimating revenue collection and grant receipts, and measuring actual performance against the predetermined standards.

Scott (2000) as cited in Okoli et al. (2015:8) states that budgetary control aims at straightening communication to ensure that the other budget provisions within an organisation remain goal-oriented. Among other general objectives of budgetary control, he highlights that it provides a measure against which actual performance can be measured. Pogue, (1988:57) concurs stating

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that the budget acts as a control yardstick. Any variance prompts management to act. He states that budgetary control alone is not sufficient to control anything without adequate support from management. Henderson (2003:34) states that an effective budgetary control system accounts for resources received and spent, to make sure that the financial policies of the organisation are adhered to, and to ensure that there is no waste. Additionally, he points out that there must be regular monitoring and reporting of the budget at all levels to identify any problems that may arise.

Henderson (2003:34) states that managers need to collect information regarding the revenue and expenditure throughout the year to make comparisons to ensure things are within the budget limits. It is imperative to have a system that regularly brings information to those that are responsible for the budget. The effectiveness of the budget depends on the structure of the organisation, in that the structure should assign someone responsible for the budget (Henderson, 2003:34).

2.2.3. Public Expenditure Management

Although public financial management has evolved and is now linked to a broad range of aspects such as government revenue and debt management, public expenditure management remains one of its key components, especially in the context of public budgeting (Hemming 2013:18). Public expenditure is expenditure incurred through government or quasi-government institutions. One of the main aims of public spending is to enhance the quality of life, promote human capital and physical infrastructure development, and alleviate poverty. Public expenditure management is significant in public financial management in that it is instrumental in achieving the three basic objectives of public financial management. It focuses on how public resources are used to achieve fiscal discipline, strategic prioritisation, and value for money. Schick (1999:1) argues that public expenditure management (PEM) represents a fresh perspective on the longstanding issue of distributing public resources through collective decision-making. The Asian Development Bank (ADB, 2004:1) highlights that public expenditure management is a central policy tool that looks at pursuing three economic goals of equity, growth, and stability.

Public expenditure management aims to fulfil three objectives: First, public expenditure management is expected to /maintain fiscal discipline. Fiscal discipline simply boils down to revenue collection and expenditure control. Second, public expenditure management aims to

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achieve the strategic allocation of resources. The objective of strategic resource allocation is to allocate resources in alignment with policy priorities and the strategic goals of the country. Its third aim is to attain good operational management and efficiency. Good operational management guarantees the efficient and effective utilisation of public resources. (ADB, 2004:1).

Although public financial management has three overall objectives in general, public financial management itself is country-specific. Consequently, public expenditure management is also country-specific. This entails that both the approaches and methods of public expenditure management should be molded to the social, economic, administrative, and legal capacity of a country (ADB, 2004:7). Tommasi (2009:4) agrees by asserting that public expenditure management is not impartial since it is partly influenced by policy and societal decisions. Public expenditure management is, therefore, not only about the policies but also about the context in which the policies are being implemented. A clear example is how the structural adjustment programmes failed to achieve the desired change in developing countries like Malawi because the policies were never tailored to specific contexts.

Tommasi (2009:4) states that it is important not to confuse public expenditure management with public expenditure policy. He specifies that public expenditure management is different from public expenditure policy in that public expenditure management is naturally instrumental in that it deals with the procedures involved in the execution of policy while public expenditure policy pertains to what should be done. Schick (1999:11) highlights that public expenditure management focuses on the budget process because the budgeting procedures strongly influence expenditure outcomes. The budget is one of the key instruments of government policy and it mirrors society's economic and social choices (ADB, 2001:1). Furthermore, the budget shows the relationship between the revenue collected and the expenditure that should be incurred to fulfil the societal needs.

The Asian Development Bank (ADB) (2001:1) further clarifies that public expenditure management should not be mistaken for conventional budgeting because it is much more. Public expenditure management strives toward achieving socially desired outcomes through public sector budgeting; it focuses on asking questions about what the budget is and which procedures, rules, and processes need to be established to achieve these goals.

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2.2.4 Debt Management

Debt management and public financial management are closely intertwined, as they both impact the financial stability and sustainability of a government. Effective debt management helps ensure that the government's debt portfolio is structured in a way that reduces the risk of default and financial crisis, supporting the government's capacity to finance public spending and provide services to its citizens. The effective management of government debt plays a crucial role in public financial management since it directly impacts the government's ability to secure funds and fulfil its financial responsibilities. Well-managed public finance and debt management practices can contribute to economic growth and stability by providing a stable and predictable source of financing for public spending and maintaining the government's creditworthiness (Williams, 2013:661).

Debt management is the process of developing and executing a plan to manage a government's debt in a manner that achieves its cost objectives and risk while meeting its debt targets. It is an important aspect of public financial management because it guarantees that the government's financial needs and payment obligations are fulfilled in a cost-effective and reasonably safe manner over the medium to long term (Williams, 2013:661). The distinction between debt sustainability and debt management is noteworthy, as the former pertains to the overall size of the debt while the latter concerns the structure of the debt portfolio. Debt management aims to improve the resilience of the debt portfolio to economic shocks. Poorly managed debt portfolios can result in unsustainable debt levels (Williams, 2013:662).

The history of many countries has shown that imbalanced debt portfolios, with poor maturity, currency, interest rate structures, and large contingent liabilities, have played a significant role in inducing or exacerbating economic crises. Governments have often triggered crises by prioritising short-term or floating-rate debt for cost savings, resulting in large volumes of such debt instruments and leaving government finances vulnerable to changes in economic conditions and the country's creditworthiness. In order to address the challenges associated with public debt management, it is essential to integrate it within a wider set of macroeconomic policies. This would require debt management policies to take into account the broader policy dimension and coordination issues in macroeconomic management. Integrating debt management functions into the Ministry of Finance is recommended for better proximity to budgeting and planning functions (Williams, 2013:665). Debt managers perform two functions

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related to risk management, and their debt management strategy must be consistent with both public policy and macroeconomic objectives. Debt management focuses on dealing with inherent risks such as market risk, refinancing risk, and liquidity risk. Market risks arise from changes in interest or exchange rates, refinancing risks occur when the debt must be rolled over at a prohibitive cost, and liquidity risks emerge when there are insufficient liquid assets to meet the government's obligations. These risks are especially problematic in countries with underdeveloped local markets, which cannot finance the government in large amounts (Williams, 2013:668).

2.2.5 Fiscal Discipline

Fiscal discipline is one of the three objectives of public financial management. The ADB (2001:1) defines fiscal discipline as the alignment of public expenditure to the total amount of revenue. Schick (1999:2) states that fiscal discipline deals with revenues and expenditures as its variables, thereby ensuring that budget totals are a result of explicit and enforced decisions and not an accommodation of spending demands. The ADB (2001:1) concurs stating that fiscal discipline is simply the process of keeping government spending within the sustainable limit which in layperson terms simply means spending within one’s means. According to Schick (1999:2), to maintain fiscal discipline, spending limits should be established independently and in advance of budget decisions, otherwise, the limits will increase to accommodate demands. These limits should be fixed and enforced consistently throughout the year.

Fiscal discipline can be achieved through institutional arrangements such as rules, roles, and information. Rules set the limit on total spending hence forcing sectors to spend within limits (Schick,1999:12). These limits are set in medium terms (three to five years). Roles, on the other hand, deal with actors playing their part in ensuring fiscal discipline. Actors such as the ministry of finance have the role of enforcing the budget aggregates. Information as an institutional arrangement deals with aspects such as the Medium-Term Expenditure Framework which provides a baseline for measuring budgetary impact; this arrangement offers information on any modifications made to the benchmark (Schick,1999:13). On the contrary, Wyplosz (2011:23) states that the view of rules and roles being a definitive solution to fiscal discipline is misleading. He argues that rules can be counterproductive in that they limit possibilities when contingencies arise, thereby proving to be very costly at times. He further notes that all rules in their design have an escape route that makes them susceptible to

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manipulation. Although Wyplosz (2011:23) provides a compelling argument, it would be more productive to think of doing away with rules.

Schick (1999:29) argues that developing countries face more challenges in achieving fiscal discipline and efficient budget outcomes, largely due to operating within an unstable fiscal environment and relying on informal rules in most of the public sector. The unstable fiscal environment is due to the lack of sufficient reserves to cushion economic shocks, hence monetising deficits. The unstable environment is also due to the informal rules by which the public sector operates. These rules create weak enforcement of tax law (Schick, 1999:13). Similarly, Bonga and Machinjike (2021:609) state that most African countries are fiscally undisciplined, thereby leading to budget deficits. They further state that these African states easily identify with the fiscal illusion theory propounded by Winer (1980) and Krogstrup and Wyplosz (2006) as well as the fiscal federalism theory propounded by Bradford and Oates (1971). Notably, they flag political factors to be the main cause of fiscal indiscipline. They highlight the main cause to be weak budgetary institutions, the electoral budget cycle, party institutionalisation, and policy distance.

Expenditure control

Allen and Tommasi (2001:21) argue that successful aggregate fiscal discipline necessitates the overall control of expenditure. This involves creating expenditure estimates that are based on realistic revenue forecasts and ensuring that fiscal targets are met. In other words, effective control of budget aggregates is necessary for a country to attain effective fiscal discipline. Pattanayak (2016:1) defines expenditure control as measures put in place to ensure that public resources are used as planned, within authorised limits, and based on sound fiscal management principles. He emphasises that expenditure control is a crucial component of public financial management. The absence of an effective expenditure control mechanism can undermine various aspects of public financial management and the public financial management system overall. It can also jeopardise a country's macroeconomic stability and fiscal discipline. Following an assessment conducted by the World Bank from 2006 to 2014 of 85 countries regarding expenditure control indicators, it was discovered that more than two-thirds of the countries were associated with high levels of expenditure arrears and a lack of budget credibility. This revealed that these had relatively weak systems of expenditure control (Pattanayak, 2016:2).

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Seven stages of expenditure control

Expenditure control systems are essential to ensure that the level and the allocation of government expenditure convey the will of the legislature as planned in the budget (Pattanayak, 2016:3). Pattanayak (2016:3) further points out that the government does this through key stages to ensure that the objective is met. He highlights that the expenditure control system has seven stages from the authorisation by the legislature to the final payment to the beneficiaries. Some of these stages are recognised while some depend on the traditions influencing the public financial management systems in that country.

The first stage of expenditure control is the authorisation of expenditure. This is a stage in which the revenue and expenditure proposal in public finance must be legally authorised. This is usually done through budget law or under permanent legislation which stipulates the purpose of the expenditure, the period, the limits, and the administrative units accountable for the expenditure (Pattanayak, 2016:5). Flexibility in the allocation is also exercised to deal with any spending pressures; this is exercised through clear rules such as virements or allocations from contingency reserves which might not be possible for most of the poor countries. In the context of Malawi, this stage involves the passing of the budget through parliament as the authority in approving expenditures.

The second stage of the expenditure cycle is that of apportionment of authorised expenditure for specific periods. Once expenditure has been authorised, it is essential to apportion it to specific periods to ensure that spending units do not incur obligations that require additional funds (Pattanayak, 2016:5). This is achieved through the apportioning ministry which is usually the ministry of finance releasing the apportions on a quarterly or monthly basis to the line ministry. In Malawi, the Treasury releases the funds monthly through the Accountant-general's office. This process is essential in ensuring that the expenditure totals are in check and the virements or claims of contingency reserves are translated into the revised allocation of appropriations (Pattanayak, 2016:5).

The third stage of the expenditure cycle is that of reservation. This is the stage that involves setting aside an allotment for future expenditure. The fourth stage of the expenditure cycle is the commitment stage, which is the point at which formal action is taken that renders the government liable to pay some time in the future when the counterpart honours the order or

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contract. This stage is essential to the overall expenditure control and the prevention of expenditure arrears (Pattanayak, 2016:6).

The fifth stage is verification. This is a stage in which authorised officers verify whether goods and services were procured within conformity with the order and the liability, and the due date of the payment (Pattanayak, 2016:7).

The sixth stage is that of the payment order and this involves the authorisation of payments by officials made by the spending units. This involves spending units ensuring that they have enough funds available to make the payment.

The seventh stage of the expenditure cycle is that of payment where payments are made to various suppliers of goods and services through various instruments such as electronic fund transfers, checks, and cash (Pattanayak, 2016:7).

Allen and Tommasi (2001:214), however, condense the stages into four stages, namely the apportionment stage, the commitment stage, the acquisition, and verification stage, and lastly, the payment stage. The allocation stage involves the distribution and disbursement of funds to the relevant spending units, either through the central budget office or the Ministry of Finance. The commitment stage, on the other hand, involves the creation of future liabilities to pay. The obligation to pay third parties is compiled with the contracts that were stipulated. The acquisition and verification stage is a stage in which goods and services delivered are verified if they conform with the contract or order (Allen & Tommasi, 2001:214). The final phase outlined by Allen and Tommasi (2001:214) is the payment phase. In this stage, payments are made using different methods such as electronic transfers, cash disbursement, cheques, barter agreements, and debt instruments.

Methods of expenditure control

Expenditure control aims to influence all the actors in the public financial management process to spend within their authorised limits. Control is not possible without plans and objectives as well as the prescribed methods of control. Olivia (2013:15) points out that some of the expenditure control procedures could be as specific as reporting, reviewing, and approving reconciliation, checking the accuracy of records, maintaining, and reviewing accounts and

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balances, approving, and controlling documents, and lastly, comparing and analysing the financial results with budgeted amounts.

Olivia (2013:15) states that several methods of expenditure control differ depending on the features of the controls. She highlights one of the methods as the segregation of duties. This is a method that involves the separation of responsibilities, which is to avoid one individual from completing the process by him/herself. Segregation of duties is an imperative approach because it ensures that a separate individual is always there to check the work of another to ensure that there is no manipulation or error. Secondly, Olivia (2013:15) alludes to physical control being another method of control. This method focuses on limiting physical access to certain assets to avoid theft or manipulation. This is implemented through the design of security measures that deny access to all unauthorised personnel.

Olivia (2013:15) also states that the people with access should be limited in what they can do in the process through other controls. She states that an effective method of control for people who have access is that of authorisation and approvals in that it limits individuals from manipulating the system by involving a third party to complete a process or transaction. Furthermore, she adds daily supervision as another method of control. However, it can be argued that supervision could be considered under authorisation and approval.

Olivia (2013:15) also points to arithmetic and accounting as one of the most important methods of control. She states that this is a method in which transactions that were processed are verified. This involves verifying whether the transactions were recorded accurately in terms of arithmetical accuracy and accounting standards. Lastly, Olivia (2013:15) states that personnel is another method of control. She states that personnel involved in any of the processes should have the capabilities to do their work.

2.2.6. Strategic Resource Allocation

Strategic allocation of resources is the second key objective for public financial management. It deals with the allocations of resources in line with the policy priorities among competing needs in the country (Schick,1999:17). Strategic allocation of resources entails that the government must look into ensuring that the resources are spent on the right things. The World Bank (1998:27) highlights that resource allocation is the trickiest among the three objectives of public financial management in that it depends on the values of society, therefore, the

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government needs to know what the priorities and the values of the citizens are. Establishing and understanding the priorities and values of society is fundamentally a political process that makes it more challenging to achieve. Even though politicians are empowered to prioritise resources based on the values of their constituency, the challenge arises in that there are no institutional arrangements that incentivise tight strategic allocation (World Bank, 1998:27). Institutional arrangements are necessary to ensure that politicians reconcile what is affordable and the strategic priorities of the various sectors in ensuring that politicians provide legitimate reasons for policy decisions (World Bank, 1998:27).

Strategic resource allocation is also challenging in that it depends on the cost of the programme to meet those priorities. The Asian Development Bank (2001:2) states that programmes that are both inexpensive but not in the priority area and those that are in the priority areas but expensive are all not the right projects. Matters also get more complex when it comes to establishing the actual cost of projects.

Schick (1999:38) highlights that resource allocation is trickier in poor countries in that it is overwhelming and results in unmet needs. He highlights that in poor countries, resource allocation is a high-stakes activity in that it is the difference between abject poverty and meeting basic needs. He notes that poor countries spend relatively more on government operations while they spend smaller proportions on health and education. He further states that short-term budgeting stifles poor countries from making efficient allocations. He argues that instead of short-term budgeting, medium-term frameworks are necessary to accommodate the changes in priorities. The World Bank (1998:28) states that there is a need to have a tight link between policy-making and budgeting to facilitate decision-making as well as competing ideas and policies. Public expenditure management ensures that the strategic allocation is devolved to politicians and the various sectors, unlike the old budgeting approach, thereby ensuring that the information needs are met.

Schick (1999:17) states that strategic resource allocation can be improved by meeting the information needs and ensuring that spenders do not sabotage the prioritisation and implementation process. Schick (1999:39) notes that one of the most popular solutions to the resource allocation problem is the separation of funds from the budget process for specific social programmes. This would ensure that the funds are used for intended purposes, especially when it comes to donor-funded projects. Schick (1999:39) also acknowledges that this reduces

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the role of the budget as an allocative instrument and violates budgetary principles by removing major allocative decisions. Similarly, the World Bank (1998:28) also suggested that the strategic priorities of the country must be the drivers of aid decisions.

2.2.7. Operative Efficiency

The third objective for public financial management is operative efficiency. Operative efficiency deals with the government being able to provide services and goods at appropriate levels of quality and reasonable costs. Operative efficiency dwells on economising government operations by controlling expenditure items (ADB, 2001:2). Allen and Tommasi (2001:20) state that operative efficiency deals with the capacity of spending units to use budgeted resources at the lowest cost. They highlight that operative efficiency is dependent on the mechanisms and arrangements put in place to ensure that spending units implement their programmes and deliver services in the most cost-efficient and cost-effective way. Allen and Tommasi (2001:20) highlight that improved operative efficiency is not only achieved through the budgeting system but also through other factors that are not linked to the budget such as regulations in the various sectors.

Unlike conventional budgeting, public financial management through public expenditure management shifts the focus away from controlling the amounts of inputs, to controlling a broader category of line items. This is to prevent suboptimal service provision on the resources the government has allocated. Schick (1999:18) states that controls on inputs do not give spenders an incentive to economise and they do not relate to the amounts spent on the output produced. He further states that this was a reason the government with stringent expenditure controls still experienced stagnant productivity. To address this issue, public expenditure management needs to shift its focus from inputs to outputs by decentralising the management of operating resources.

2.3. Important Concepts Related to the Public Financial Management System

2.3.1. Medium-Term Expenditure Framework

The Medium-Term Expenditure Framework is a tool that is used to link policy, planning, and budgeting. In most poor countries, short-term planning of the annual budgets and the hand-to-mouth adjustment have led to over-commitment and inefficiencies. The integration of policy,

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planning, and budgeting ensures that expenditure programmes are driven by policy priorities and disciplined budget realities. Consequently, this leads to improved regulation of spending, enhanced operational productivity, and greater success in executing policies, initiatives, and schemes (World Bank, 1998:27).

Most low-income countries have poor budget credibility; this is because their budgets were based on a historical incremental basis. To stop this vicious cycle, medium-term expenditure budgeting was introduced. A medium-term expenditure framework is an integrated financial plan that manages resources effectively. The World Bank (1998:46) describes the MTEF as having a top-down resource allocation approach and a bottom-up estimation of current and future costs, which are aligned to available resources. The budgeting process ensures that costs match resources, while strategic priorities are reflected based on changes in the macroeconomic conditions. The MTEF allocates resources in the best conceivable way by setting out three-year expenditure plans for the government. The main aim of the MTEF is to ensure that there is a systematic linkage between inputs, outputs, and outcomes within a framework (Chinsinga, 2007:370). According to Chinsinga (2007:370), the Medium-Term Expenditure Framework (MTEF) is used to forecast government revenues and expenditures using macroeconomic models for a specific period. Under the MTEF, available resources are allocated based on the country's policy priorities. This is done through a bottom-up approach where the line ministries specify their budget requirements.

According to Oxford Policy Management (OPM) (2000:1), the Medium-Term Expenditure Framework (MTEF) comprises three operational concepts: the medium-term fiscal framework, the medium-term budget framework, and the medium-term expenditure framework itself. The medium-term fiscal framework outlines medium-term macroeconomic fiscal targets and projections in an integrated manner (OPM, 2000:1). The medium-term budget framework builds on the medium-term fiscal framework by developing projections for the expenditure of individual agencies. This ensures that resources are allocated according to national strategic priorities and fiscal goals. Finally, the medium-term expenditure framework goes further by incorporating activity and output-based budgeting (OPM, 2000:1). According to the World Bank (1998:46), the medium-term expenditure framework is a suitable solution to the lack of coherence between policy, planning, and budgeting, which is a frequent cause of inadequate budgeting in developing nations. The MTEF is considered the right response to this challenge because it promises to make the overall performance of the government better (OPM, 2000:2).

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The MTEF has grown in popularity and a lot of countries have accepted it. Although the MTEF is considered the cure for the public expenditure management problem, there are a few challenges that come with it. For the MTEF to be effective, it needs countries to fulfil stringent conditions before it can be achieved (OPM, 2000:3). These conditions are less likely to be fulfilled in most developing countries. The OPM (2000:3) states that though the MTEF can help improve budget outcomes, it is not the solution to all the problems surrounding public expenditure management, therefore, the MTEF should be diagnostic rather than formulaic.

2.3.2. Public Investment Programmes (PIPS)

Public investment programmes (PIPs) are another key aspect to be considered in public financial management systems. PIPs are mechanisms that assist countries in managing capital investments and external donor financing effectively (World Bank, 1998:52). PIPs are medium-term rolling investment plans that aim to improve the coordination of investment projects. They ensure that the external resources are channelled according to the appropriate priority areas as they ensure that the macroeconomic strategies are translated into the programmes and projects (ADB, 2004:2). PIPs are also seen as plans that assist in strengthening the government when it comes to negotiating with donors and assisting the government in managing public finance by balancing commitments and resources from donors. PIPs also provide a framework that enables project planning, execution, and assessment.

The World Bank (1998:52) advocates that if rigorously prepared, the PIPs can be a valuable tool that would ensure fiscal discipline and that there is a multiyear perspective in the budget process. The Asian Development Bank (2004:2) states that this was not the case in most of the developing countries in that the PIPs were simply used as a wish list and to fulfil a requirement of donors and other groups. Similarly, the World Bank (1998:52) noted that despite the good intentions behind the PIPs, they were more than often associated with dysfunctional budgeting, resource allocation, and fiscal management practices. PIPs are associated with dual budgeting. This results in focusing on projects instead of the policies and it leads to an increase in spending, leading to over-commitment of government funds. In well-functioning systems, the budget would constrain the project while policy would be the driver of such projects (ADB, 2004:2). The World Bank (1998:52) states that it is important to recognise that the preparation of the PIPs is both a political and a technical process.

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The traditional PIP model tends to be a central planning and control tool, therefore known to start projects with insufficient data. PIPs ensure that decisions are made at the central level instead of the line ministries. This has serious implications for the control and accountability of the projects. PIPs have also been known to increase the recurrent and capital inputs given the foreign influence. They are known to give insufficient attention to the recurrent financial costs arising from these projects once the external funding has been seized. Due to the recurrent costs set by the government, PIP projects are no longer viewed as true investment programmes (ADB, 2004:2).

2.3.3. Integrated Financial Management System

Information is the lifeline of all the outcomes of public financial management, therefore, the integrated management system that brings information together from the various subsystems is an essential element. An integrated financial system is a system made up of various subsystems that bring together information to support aggregate spending and deficits, strategic prioritisation, and operational efficiency. It brings about information through horizontal and vertical integrations of the various subsystems and vertically integrates systems such as budgeting and fiscal management systems through planning. On the other hand, it integrates horizontal systems consisting of budgeting, accounting, cash management, and audit (World Bank, 1998:67).

The integrated financial system aims to ensure that there is timely and reliable information to be used in resource allocation, budgeting, and the fiscal management cycle. The integrated financial system ensures that the systems bring together information from the various subsystems and quantify it in financial terms (World Bank, 1998:67). Failure to integrate the data from the systems will generate fragmented and unreliable data. This failure also leads to duplication of data that is almost impossible to reconcile, leading to the failure to use actual data for planning and budgeting. The World Bank (1998:67) further states that for the achievement of true integration, there is a need for several links to be in place. Among the several links, the World Bank emphasises the need for training, communication, and collaboration among the various actors in all the subsystems.

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2.4. Public Expenditure and Financial Accountability Assessment

The Public Expenditure and Financial Accountability (PEFA) programme has provided countries with a way of assessing their public financial management systems (PEFA Secretariate, 2019:2). The PEFA provides a way for countries to assess and report their strengths and their weaknesses using quantitative indicators to measure their performance. The assessment is designed in such a way that the indicators provide evidence-based measurements of the PFM systems at particular points in time. The PEFA provides countries with a methodology that can be replicated in successive assessments which can give a summary of performance over time.

The PEFA framework encapsulates a report that presents the overview of the PFM system and evidence-based measurements against 31 performance indicators. This provides a comprehensive and thorough assessment of the overall systems while also presenting the implication of the findings on the overall performance of the system and the three desired public management outcomes which aggregate fiscal discipline, strategic resource allocation, and efficient service delivery (PEFA Secretariate, 2019:2). The PEFA framework identifies seven pillars of performance that are fundamental for a PFM system to achieve these three objectives. The PEFA secretariat (2019:2) states that the seven pillars of performance define the key elements of a public financial management system.

2.4.1. The Seven Pillars of Performance in PFM

The PEFA framework states that seven key pillars of public financial management systems categorise key elements of a public financial management system. The seven pillars are fundamental to the performance of the PFM system and essential to achieving the three objectives of a public financial management system: aggregate fiscal discipline, strategic allocation of resources, and the efficient delivery of services.

The first performance pillar of the PEFA is budget credibility. Budget credibility deals with whether the budget as an instrument is realistic and whether it is implemented as planned. Budgets should be realistic in that they should reflect the macroeconomic realities of that particular country. This entails that the actual revenue and the planned expenditure should match those of the original approved budget (PEFA Secretariate, 2019:2).

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The second PEFA PFM pillar is comprehensiveness and transparency. This is a component that deals with whether the budget and fiscal risk oversight are comprehensive, consistent, and accessible to users. PFM systems can achieve this by ensuring that they have a comprehensive budget classification and transparency of all government revenue and expenditure. Furthermore, ready access to fiscal and budget documents contributes to the achievement of comprehensiveness and transparency of the public financial management system.

The third pillar of performance of the PEFA is the management of assets and liabilities. The effective management of public assets and liabilities ensures that the public finance system gets value for its money on various investments. It also ensures that the system identifies the fiscal risks and ensures that the risks are planned for prudently, approved, and monitored (PEFA Secretariate, 2019:2) Mensah and Ofori (2020:79) state that without value for money public financial management is just another financial theory without substance.

The fourth PEFA performance pillar is the policy-based budget. The PEFA secretariat elaborates that effective policy-based fiscal strategy and budgeting can be achieved by preparing budgets that take into account the government's fiscal policies, strategic plans, and appropriate macroeconomic and fiscal projections. (PEFA Secretariate, 2019:2).

The fifth performance pillar is predictability and control in budget execution. Budgets must be executed as planned and in a predictable manner. This entails that the implementation of the budget should occur within a framework of efficient guidelines, procedures, and internal regulations that guarantee oversight and responsibility in the expenditure of public funds (PEFA Secretariate, 2019:2). These standards should make it possible for the policymakers and other decision-makers to be able to predict the government expenditure as well as the government revenue (Mensah and Ofori, 2020:79).

The sixth PEFA pillar is accounting, recording, and reporting. The PFM of a country must record accurate and reliable information. The systems should ensure that adequate records and information are produced and maintained. The system should also ensure that the records are disseminated at the appropriate time for decision-making, managing public funds, and reporting (PEFA Secretariate, 2019:2).

The seventh PEFA performance pillar is external scrutiny and audit. There must be arrangements in public financial management systems to enable the independent review of

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public finances. There must also be arrangements to enable the follow-up of the implementation of recommendations by the executive for the improvement of the overall system (PEFA Secretariate, 2019:2).

2.5. The Malawi Public Financial Management Context

2.5.1 History of Malawi's MTEF

The attempt to introduce the MTEF in Malawi dates to the 1980s when the World Bank attempted to make Malawi adopt forward budgeting. Malawi had been made part of the conditional structural adjustment lending program. The efforts of the World Bank to provide technical assistance proved futile in efforts to calculate the resources envelope did not reflect the actual resources trends, and the development expenditures were also not reflected in the forward budgets (Durevall & Erlandsson, 2005:18). These efforts eventually failed because of the lack of continuity and the staff quality in the Ministry of Finance.

In 1995, further efforts were made to reform the budget in terms of reallocation of expenditure to priority areas. The reforms sought to make the budget activity-based and to integrate the development and the recurring budgets (Durevall & Erlandsson, 2005:19). The Medium-Term Expenditure Framework was introduced to achieve resource planning and budgeting. These were to ensure that the government deficit was stabilised, and strategic allocation of resources was achieved. Additionally, the MTEF aimed to control public expenditure through adequate oversight and compliance with budgetary priorities. The MTEF was also aimed at aid and debt management (Durevall & Erlandsson, 2005:19). OPM (2000:3) states that since the introduction of the MTEF in Malawi, comprehensive MTEF has remained elusive. The International Food Policy Research Institute (2015:4) states that the implementation of the MTEF has changed for the better, however, it points out that MTEF has not been fully accepted in that budget discussions, and implementation concentrates on the single-year analysis.

2.5.2 The Malawi Budgeting Cycle

The Malawi budget process is founded on the guiding principle of the Medium-Term Expenditure Framework. The Budgeting cycle in Malawi begins with the Ministry of finance calling line ministries through their budget department to start preparing estimates for their needs for the following year (Ngwira et al., 2004:10). The various sections in the MDA

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consolidate their estimates and their needs which they then submit to the ministry administrator who consolidates all the estimates of the sections into an estimate document for the whole ministry. After reviews by the Ministry administrator, the estimates are then submitted to the Treasury (Ngwira et al., 2004:10).

While receiving the estimates, the Treasury and the Ministry of Economic Planning and Development with the help of the Reserve Bank of Malawi conduct various assessments to forecast revenue, GDP, and inflation for the following year (Ngwira et al., 2004:10). These assessments and studies help the Treasury and the EPD to produce the right forecast of what government spending should be in the following year (Ngwira et al., 2004:10). The forecasts of the GDP, inflation, and expected revenue inform the Treasury to produce the ceilings to the estimates of the various ministries. The forecasts are then presented to the cabinet for approval. Upon approval by the cabinet, ceilings are then given to the various ministries to revise their first draft of the estimates. The ministries then submit their revised estimates to the Treasury which compiles the new estimates into one budget document which is presented to parliament for scrutiny and approval (Ngwira et al., 2004:10).

2.5.3 Institutional Arrangement for PFM in Malawi

Effective public financial management in government requires all parties to recognize and fulfil their duties to the best of their abilities. The Ministry of Finance (MoF) is a central player in this process, carrying out numerous critical tasks through its various departments. These responsibilities include Medium-Term Expenditure Planning and the creation of the annual budget (Leiderer et al., 2007:57). The MoF is also responsible for allocating and reconciling the development and recurrent budgets, as well as collecting and disbursing funds to line ministries on a monthly basis. Additionally, the Department of Accountant General, which is part of the MoF, is responsible for creating and maintaining accounting systems and standards (GoM, 2018:30).

The Ministry of Economic Planning and Development (EPD) is another crucial participant in the public financial management of Malawi, with responsibilities for promoting sustainable economic growth and development. According to the Ministry's strategic document, it aims to achieve this vision by ensuring economic growth and stability, as well as coordinating national development strategies and policies. One of its key roles is to compile a five-year plan of prioritized investment projects, known as the Public Expenditure Investment Program. This

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program serves as the basis for the annual budget development, determining which projects will receive funding (Ministry of Finance, Economic Planning, and Development, 2016: iii).

Public financial management in Malawi is also strongly influenced by the National Audit Office (NAO), which is responsible for financial audits of all government entities and public funds, including those from non-profit and international organizations, according to the Public Audit Act (Parliament of Malawi, 2019:32). The NAO reports its findings to parliament through the Minister of Finance at least once a year, as mandated by law (Manyungwa, 2018:13). Despite its formal independence, the NAO's funding comes from the Treasury, which has sometimes reduced its budget, affecting its ability to hold ministries and agencies accountable (Leiderer et al., 2007:57).

As in any democratic state, parliament plays a crucial role in public financial management as a representative of the people in terms of deciding where to allocate funds as well as holding the executive accountable for how funds are used and managed. The Malawi Parliament plays its role by exerting political control over the budget (GoM, 2018:30). The parliament does this by approving the budget estimates. Parliament ensures that the estimates are in line with the Malawi Growth and Development strategy. The Parliament of Malawi also holds the executive accountable through the Public Accounts Committee. The Public Accounts Committee depends on the National Audit Office to produce audit reports of the various ministries (GoM, 2018:30).

Line ministries are also important actors in public financial management. Line ministries play the role of developing and submitting both revenue and expenditure budgets in line with their strategic plans, sectoral policies, and budget ceilings (GoM, 2018:30). Line Ministries also generate revenue through the various products and services they produce.

2.5.4 Integrated Financial Management Information System in Malawi

The Malawi government adopted the use of the Integrated Financial Management Information System in 1995. The system was introduced to provide timely, accurate, and reliable financial information as well as provide a standardised government-wide accounting and reporting system. Even though the system was initially introduced solely to help the government control its expenditure the system became a platform to efficiently manage public resources (Durevall & Erlandsson, 2005:22). Durevall and Erlandsson (2005:22) state that a well-functioning

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IFMIS was to be the cornerstone of the Malawi Public financial management. The system promised to reduce the burden on civil servants by reconciling all data while also reducing corruption by providing better controls.

The World Bank initiated the implementation of the IFMIS and provided support under their ID II project (Durevall & Erlandsson, 2005:25). Though the project had commenced in 1995, the project was only completed in 2005. The project had been delayed because the project had faced several challenges among which were flaws in the computer programmes of which evidence pointed to attempts to sabotage the system. The implementation of the IFMIS also faced the lack of adequate IT staff with appropriate training (Durevall & Erlandsson, 2005:26). In 2013, it had been discovered that the system had been taken advantage of and several officials had made fraudulent transactions which were known as the infamous Cash-gate scandal. The government has since reformed the system to improve the PFM system (GoM, 2018:24)

2.6. Theoretical Framework

2.6.1 The Agency Theory

The theoretical framework will focus on the agency theory as the theoretical basis for the study. According to Smith and Bertozzi (1998), the budget and its process pervade contractual relationships between several actors, and, therefore, the theory can contribute to building a more inclusive understanding of the various stages linked to public budgeting. Gyorgy (2012:101) concurs, stating that the agency theory can be used to explain relationships in the various aspects of public financial management such as citizens and elected candidates; taxpayers and elected candidates; parliament and the executive; and central administration and local administration.

Concisely, the agency theory describes the relationship between a principal and an agent; the principal is an individual or a corporate individual who relies on the agent to carry out financial decisions and transactions on their behalf. The theory states that the principal delegates authority and responsibility to the agent to act in the best interest of the principal. Both the principal and the agent are rational actors and act in their self-interest. The theory assumes that there is goal incongruency and information asymmetry that characterises the relationship, therefore, interfering with the performance obligations of the agent to the principal (Smith &

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Bertozzi, 1998:327). This is what is often termed the agency problem. The agency problem occurs when the agents fail to act in the best interest of the principal due to the conflict of interest that is fuelled by the information gap.

In the context of public financial management, the budget is indicative of relationships among the citizens and those that are put in power to make decisions on their behalf both in the bureaucracy and the legislature. The citizens delegate their authority and their responsibility as principals to their agents to make decisions in formulating, approving, and executing the budget. The citizens trust the legislature and the executive to act in their best interest but due to information asymmetry and goal incongruency, the legislature and the executive may act in their interest in budgeting, causing the agency problem (Gyorgy, 2012:101).

The budget is also indicative of a relationship between those who provide services and those who distribute resources. This brings about an agent and principal relationship. Forrester (2002) as cited in Egbunike and Unamma (2017:26) defines agents as those that make claims on government resources while principals are those who allocate and ration the resources. Principals contract agents to provide services to the public, and the focus for all those involved in the contract is the budget itself (Forrester, 2002: Egbunike & Unamma, 2017:26). In this case, the legislature serves as the principal while the executive acts as the agent to carry out the bidding of parliament which represent the people's wishes in a democracy. Forrester and Spindler (2001:114) state that the budget is viewed as a tool of the legislature to control and exercise oversight on the executive, especially in terms of expenditure behaviour. The executive is expected to implement the budget as approved and directed by legislative policy. This entails that there is little room for discretion away from the budget. However, due to the incongruency of goals fuelled by information asymmetry, the executive can use the information gap to obtain an advantage in the relationship and pursue its own goals.

Leruth and Paul (2007:4) also state that the principal agent contract exists between the Ministry of Finance and line ministries or similar bodies. The MoF acts as principals while the line ministries act as agents. Line ministries are the agents because they are expected to produce a targeted level of quality output in exchange for their budget appropriation. The MoF exercises control over the line ministries by inducing them to implement expenditure programmes while the line ministries pursue their objectives. Leruth and Paul (2007:4) note that such a relationship entails both hidden actions and information. Line ministries will, therefore, have

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an information advantage which could lead to poor design and implementation of expenditure programmes due to a weak PFM system.

Basheka and Phago (2014:155) highlight that most African countries experience gross mismanagement of public finances which have been characterised by the huge leakages of public resources. This is indicative of the agency problem that characterises public financial management in that the agents act in their interest, hence failing to perform in line with their principal's obligations. Basheka and Phago (2014:155) state that it is, therefore, crucial to ensure that the public financial management system is functioning optimally to reduce such challenges. Therefore, it is very essential to measure the performance of the system.

2.7. Empirical Review

There is limited research that has been undertaken globally making a comparative analysis of public financial management using the public expenditure and financial accountability assessment framework. Among the various studies, the world bank and the IMF conducted a study to assess the PFM of various countries in 2001 and 2004. The assessment used 16 indicators in 26 countries to look at the various aspects of the budget process such as Budget formulation, Budget execution, and Budget reporting. The assessment identified various weaknesses in the PFM systems as well as a summary of donor activities to support PFM reform (de Renzio & Dorotinsky, 2007).

De Renzio and Dorotinsky (2007) assessed the changes in PFM systems in Highly Indebted countries. Using data from the original HIPC expenditure tracking methodology and the PEFA assessment conducted in 2004 as additional information, they tracked the changes in the performance of PFM systems from 2001 through to 2006. Of the 16 HIPC indicators, the study used only 11and it only assessed 15 of the 26 original countries. The study revealed that there was limited and uneven progress across the countries. The results of 2004 to 2006 marked a slight improvement compared to the 2001 to 2004 period. The study was, however, criticised for the limited sample size, the reduced indicator set, and the methodological issues that reduced the ability to conclude whether the countries had improved.

Paola de Renzio (2009) used 57 PEFA assessments to make a cross-country comparative study of the PFM performance. The study used a numerical conversion of the letter scores to yield results. The study used both bivariate and multivariate analysis. Using the multivariate results,

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the study showed that the PEFA scores correlated to the level of income, total population, and the degree of aid dependency of the countries. The study was, however, criticised for its controversial method of converting letters into numbers, which was arbitrary and lacked empirical basis. Paolo de Renzio suggests that to provide a more comprehensive analysis of the quality of public financial management (PFM), a structured comparison of country case studies could be included. This approach would enable a more detailed examination of specific issues that may impact the quality of PFM. Another study examined the trends or 'themes' in performance across different areas of public financial management, using a collection of detailed PEFA scores for 31 nations in Africa (Andrews, 2008).

In the context of Malawi, the Government of Malawi (GoM) in collaboration with the World Bank conducted a Public Expenditure and Financial Accountability (PEFA) assessment in 2018. The main objective of this study was to assess the Public Financial Management (PFM) system using a set of indicators and to determine the level of support it provides towards achieving overall fiscal discipline, efficient service delivery, and strategic allocation of resources by the government. The study used 31 performance indicators that were assigned ratings of A to D (GoM, 2018:13). The study revealed that the budget was a good indicator of the actual performance of revenue and expenditure, however, it revealed that there was a concern regarding expenditure arrears incurred by public corporations (GoM, 2018:13). Under strategic resource allocation, the study revealed that the budget was not respected, and it was unrealistic due to materialising fiscal risks which are often met with no contingency reserves set aside in the budget. The assessment had some limitations in that some of the data was not available. An example was that actual spending figures on subprogrammes were missing, thereby hampering the efficient assessment of service delivery (GoM, 2018:13).

In a more cross-country-specific case study approach, Mensah and Ofori, (2020:1) conducted a study to compare and analyse the PFM performance of Ghana and Malawi. The study used PEFA to measure the 2018 PFM performance of all countries. One of the findings was that Malawi had higher budget reliability than Ghana and both countries showed that they implemented their budgets within a system of effective standard processes, and internal controls, ensuring that resources are obtained and used as intended. Overall, Malawi's PFM system was appraised to have a higher performance.

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The few studies that have made a comparative analysis of the PFM systems have focused on making broad comparisons based on contextual factors due to the data provided. The studies failed to consider the more individual features in the design and implementation of PFM systems in each country. Paolo de Renzio (2009) suggests that to provide a more comprehensive analysis of the quality of public financial management (PFM), a structured comparison of country case studies could be included. This approach would enable a more detailed examination of specific issues that may impact the quality of PFM. In the context of Malawi, the comparative analysis made of the public financial management systems of Ghana and Malawi presented little learning opportunity for Malawi as it was appraised higher than Ghana.

The paper, therefore, seeks to fill the gap of knowledge by making a comparative analysis of public financial management in Malawi and South Africa using the public expenditure and financial accountability assessment framework. With this aim, this paper specifically seeks to contribute to the literature on public financial management in several ways. First, the study will give various stakeholders a picture of the performance of the PFM in Malawi in comparison to South Africa by considering individual features in the design and implementation of PFM systems. The study delves deep into specific features underlying the quality and performance of the public financial management of the two countries. The study, therefore, draws on lessons by considering individual features in the design and implementation of PFM systems in the two countries and it presents a better picture and an explanation of the variance in PFM performance between Malawi and South Africa apart from the socioeconomic factors. This informs policymakers and donors on the quality of PFM in Malawi as well as its underlying issues. Secondly, the findings and the recommendation of the study will assist policymakers to come up with policy changes to ensure that Malawi and South Africa have sound public financial management which will contribute to better service delivery.

2.8. Conclusion

In conclusion, this chapter reviewed the literature surrounding the study. It defined concepts in public financial management such as public expenditure management, fiscal discipline, strategic resource allocation, operational efficiency, and budgets. The chapter also presents a

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relevant theory to the study and literature on the Malawi public finance context as well as an empirical review of related studies.

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CHAPTER 3
PUBLIC FINANCIAL MANAGEMENT LEGISLATIVE FRAMEWORK

3.1 Introduction

This chapter focuses on the legislative framework for public financial management in Malawi, specifically providing an overview of key legislation that serves as the foundation for PFM in the country. This includes a review of the Constitution of the Republic of Malawi, which is the fundamental piece of legislation for PFM in the country, as well as enabling and subsidiary legislation such as the Public Financial Management Act, No. 7 of 2003, the Public Audit, No. 6 of 2003, the Public Procurement and Disposal of Public Assets Act, No. 8 of 2017, the Corrupt Practices Act of 1995, the Taxation Act, No. 8 of 1966, the Malawi Revenue Authority Act, No. 14 of 1998, and the Local Government Act, No. 10 of 2017 (Leiderer et al., 2007:56-57).

3.2 Legislative Framework

3.2.1 The Constitution of the Republic of Malawi 2002

The Constitution of the Republic of Malawi sets out the legal and institutional basis for public financial management. The Constitution of Malawi is the supreme law of the country, therefore, governing all other PFM legislation (Pohl Consulting & Associates, 2011:11). In Chapter 18, the Constitution establishes the fiscal architecture of the country, and it further enunciates the provisions for appropriation and accounting of public funds. The Constitution addresses issues regarding public finance from sections 171 to 183. Among the various issues, the Constitution addresses issues regarding revenues, consolidated funds, withdrawal of money from the consolidated fund, expenditure charged on the consolidated fund, annual estimates, appropriation bills, supplementary appropriations, raising of loans by the government, development fund, and protected expenditure. Section 175 of the Constitution establishes the commencement of the budgetary process. The section gives the Minister of Finance the responsibility to produce a statement of the estimated revenue and the expenditure of that fiscal year before the National Assembly, so it is debated upon before it is accepted (GoM, 1994:79).

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Additionally, the Constitution of Malawi establishes certain offices and assigns fiduciary responsibilities. For instance, the Constitution in section 184 establishes the office of the Auditor-general who is responsible for auditing and reporting on public accounts. The Constitution enables an Act of Parliament to add to the Auditor-general's duties (GoM, 1994:79). The various offices and responsibilities established in the Constitution are further expanded in subsidiary and enabling legislation such as the Public Financial Management Act (PFMA), the Public Audit Act, the Public Procurement Act, and the Corrupt Practices Act of 1995, the Public Procurement and Disposal of Assets Act (PPDAA) (Parliament of Malawi, 2019:30).

3.2.2 The Public Financial Management Act, No. 7 of 2003

The Public Financial Management Act is the key enabling legislation that establishes how public revenue may or may not be used. The PFMA mirrors and further expands on the provisions made in the Constitution. The PFMA sets out a detailed legal framework for the government in terms of public fiscal and financial management (Pohl Consulting & Associates, 2011:11). The primary objective of the PFMA is to improve the government's economic and fiscal management by promoting effective and responsible practices. Sections 21 to 29 of the Act address economic and fiscal management issues (Parliament of Malawi, 2019:32). The Act aims to ensure compliance with policy objectives by establishing accountability and compliance measures (Leiderer et al., 2007:57) and requires the government to create statements that outline their proposed budget policy and provide evidence of their commitment to fiscal discipline. The Act also demands that the government produces fiscal statements. One aspect of these financial statements is the inclusion of economic and fiscal projections, along with information on performance (Leiderer et al., 2007:57).

The Act includes distinct sections on economic, fiscal, and financial policy, as well as parliamentary appropriation and the budget, public and trust funds, borrowing and loans, statutory bodies, and financial reporting. The Act also stipulates that the Government should provide an update and performance information involving comprehensive financial statements (Parliament of Malawi, 2019:32). The PFMA assigns roles and responsibilities to the Minister of Finance, the Accountant General, and other controlling offices regarding public financial management. Although the PFM Act is well designed it is very weak in the aspect of holding controlling officers accountable when there has been mismanagement of public funds.

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3.2.3 The Public Procurement and Disposal of Public Assets Act, No. 8 of 2017

The Public Procurement and Disposal of Public Assets Act was put in place to outline the procedures and principles for public procurement and disposal of public assets. It also establishes the Office of the Director of Public Procurement (DPP) which has the responsibility of overseeing and monitoring public procurement in the public sector. The DPP office is responsible for developing the necessary regulatory and legislative framework, and building capacity for public procurement (GoM, 2018:27). The Act establishes Internal Procurement and Disposal Committees, methods of procurement, and their conditions for use. The Act also provides general procurement guidelines, outlining fundamental principles and methods for procurement procedures (GoM, 2017:2). Furthermore, the Act regulates procedures for the awarding of public contracts and agreements for the procurement of supplies, works, or services (GoM, 2017:2). The Act also defines the rights of tenderers to request reviews and the auditing of procurement activities.

3.2.4 The Public Audit Act, No. 6 of 2006

The Public Audit Act establishes and gives effect to the principle of accountability, which is done through the establishment of the National Audit Office (NAO) and the Public Accounts Committee in Parliament. The Public Audit Act establishes the National Audit Office as Malawi's head audit institution to deal with fiscal affairs through audits. NAO is mandated by section 19(1) of the Act to audit all ministries, departments, agencies, and public funds received by non-profit organisations, including international organisations. The NAO is mandated to report to parliament on public accounts at least once a year through the Minister of Finance (Manyungwa, 2018:13). According to section 184 of the Constitution, the Auditor-General is appointed as the head of the National Audit Office, and his/her term can last up to ten years. The Auditor-General's duties and powers are outlined in the Act, which also aims to enhance their independence by allowing parliament to determine the funding of their office instead of the Executive (Parliament of Malawi, 2019:32).

The Auditor-general is required by the Public Audit (Amendment) Act of 2016 to report directly to parliament in addition to reporting to the Minister of Finance. Moreover, the Act outlines the duties and authority of the Public Accounts Committee (PAC) of parliament in section 15(1) (Pohl Consulting & Associates, 2011:23). The Public Accounts Committee plays an oversight role in ensuring that government funds are effectively and efficiently utilised. The

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PAC holds the Executive accountable based on the reports received from the NAO. The PAC holds publicly broadcasted sessions where the controlling officers explain how public funds were spent (Parliament of Malawi, 2019:34). Nevertheless, the Act does not provide a strong mechanism of action for the PAC, thereby creating a challenge to enforce the law. Additionally, the PAC is listed as the only player in audit accountability, and it cannot act on the audit report. Not only does the Act not provide for a strong mechanism of action but it does also not provide strong linkages between the various stakeholders in the audit process, therefore, creating a vacuum in the processes of accountability (Manyungwa, 2018:18).

3.2.5 The Corrupt Practices Act of 1995

The Corrupt Practices Act of 1995 establishes the Anti-Corruption Bureau (ACB) which is mandated to make provision for the prevention of corruption or matters connected with or incidental to the foregoing (GoM, 1995:1). Section 17 of the Act outlines the responsibilities and authorities granted to the Anti-Corruption Bureau. The Act prohibits various forms of corrupt activities such as attempted corruption, extortion, bribery, abuse of office, and bribery of foreign officials (GoM, 1995:3). The Act fails to ensure the independence of the ACB as it provides funding through the Executive.

3.2.6 The Malawi Revenue Authority Act, No. 14 of 1998

The Malawi Revenue Authority Act provides for the establishment of the Malawi Revenue Authority (MRA). In section 3, the Act establishes the Malawi Revenue Authority (Government of Malawi, 1998:2). In section 4, the Act establishes the functions and responsibilities of the MRA. The Act mandates the MRA to assess, collect, and receive specified revenue. The Act gives the MRA the responsibility to administer and enforce tax laws and to promote voluntary tax compliance (Government of Malawi, 1998:2).

3.2.7 The Local Government Act 2017, No. 10 of 2017

The Local Government Act regulates fiscal management and specifically fiscal transfers from central government to local government (Pohl Consulting & Associates, 2011:23). It provides for the establishment of the National Local Government Finance Committee which is responsible for approving annual and supplementary estimates of Local Government Authorities. The Act further provides powers for the council to borrow funds in consultation

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with the responsible Minister of Finance (GoM, 1998:8). It gives power to the relocation of approved estimates to other development projects. The Act gives councils the authority to invest funds from the treasury. Additionally, the Act provides the sources of revenue for the councils which include locally generated revenue and government transfers. The Act stipulates that councils should produce financial statements of financial accounts (GoM, 1998:8).

3.3 General Overview of the Legislative framework

The public financial management legal and policy framework for Malawi fares very well on the international scene. According to Leiderer et al. (2007:56), various studies have indicated that the legal and policy framework of public financial management is relatively well-designed and provides for sound public expenditure management. Among the studies, the World Bank's 2003 Country Financial Accountability Assessment indicated that Malawi has a good legal and policy framework for public sector fiscal management compared to other developing countries (World Bank 2003, v). Contrary to having a good legal and policy framework, public fiscal management on the ground is not as impressive.

Leiderer et al. (2007:57) argue that Malawi's public financial management system is characterised by ad hoc behaviour and informal procedures by most of the stakeholders. Leiderer et al. (2007:57) attribute the prevalence of such behaviours to several challenges faced in the system. They argue that informal procedures and behaviours run rampant due to the lack of commitment of politicians and the lack of capacity of the government to enforce the legal frameworks. Furthermore, they highlight that the uncertainty surrounding the system also encourages stakeholders to indulge in ad hoc behaviours and informal procedures.

The Public Expenditure and Financial Accountability (PEFA) assessment of 2018 suggests that even though the Malawi PFM has a good legal foundation, the accountability of the use of public resources is not effective (GoM, 2018:13). The study indicates that there is a widespread deficiency in detailed information available to the public to ensure government accountability. Additionally, it proposes that there is ineffective execution of both internal and external audit suggestions. Moreover, it emphasises that there is a common absence of penalties for failure to comply with regulations and guidelines.

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3.4 Conclusion

In conclusion, this chapter discussed the legislative framework that guides PFM in Malawi. The chapter has looked at several pieces of legislation such as the Constitution of the Republic of Malawi, the Public Financial Management Act, No. 7 of 2003, the Public Audit Act, No. 6 of 2003, the Public Procurement and Disposal of Public Assets Act, No. 8 of 2017, the Corrupt Practices Act of 1995, and the Malawi Revenue Authority Act, No. 14 of 1998, at the national level. Regarding public finances at a local level, the chapter discussed the Local Government Act, No. 10 of 2017 (Leiderer et al., 2007:57).

In general, Malawi has a good legislative framework to foster sound public finance practices such as expenditure control. However, due to the uncertainty surrounding the system, the lack of commitment of politicians, and the lack of capacity of the government to enforce the legal frameworks, the PFM system is characterised by ad hoc behaviour and informal practices.

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CHAPTER 4
LEGISLATIVE AND INSTITUTIONAL FRAMEWORK FOR PFM IN SOUTH AFRICA

4.1 Introduction

This chapter provides the legislative and institutional framework for public financial management in South Africa. To begin with, this chapter offers an introduction to the legal framework that forms the basis of public financial management in South Africa, including key legislation such as the Constitution of the Republic of South Africa (1996) and other legislation such as the Public Financial Management Act (1999), the Municipal Finance Management Act (2003), the Division of Revenue Act, and the Public Audit Act (2004). Secondly, this chapter details the institutional structure of public financial management in South Africa, covering the different branches of government and their respective responsibilities in managing public finances.

4.2. The Legislative Framework for PFM in South Africa

4.2.1. The Constitution of the Republic of South Africa

Like in most democracies, the Constitution of the Republic of South Africa is the foundation for public financial management, and it not only sets out the legal and institutional basis for public financial management in South Africa but also gives powers to the institutions and the legal documents that govern public financial management. The Constitution establishes enabling public financial management legislation, such as the Public Financial Management Act and the Municipal Finance Management Act and the Public Audit Act (Quist et al., 2008:40). As the supreme law of the land (Brand, 2005:68), the Constitution of South Africa, demands that all legislation conforms to its dictates. The Constitution also provides the roles and responsibilities of each role player in public financial management in the various branches of government (Jacobs et al., 2014:30).

Section 213 to section 220 of Chapter 13 in the Constitution outlines the general principles for the management of financial matters at all levels of government. According to Brand (2005:68), the roles of the National Revenue Fund are outlined in Section 213 of the Constitution, which holds all the deposit money for government entities. In Section 214, the distribution of

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resources among the three levels of government is described, while Section 216 assigns powers to the National Treasury to ensure transparency and expenditure control across all three levels of government. Section 217 of the Constitution provides various requirements to guide public procurement. The Constitution stipulates that public procurement must adhere to certain requirements to ensure fairness, equity, transparency, competition, and cost-effectiveness (Quist et al., 2008:40).

The Constitution of the Republic of South Africa establishes certain offices and assigns fiduciary responsibilities and section 188 establishes the office of the Auditor-general, which also outlines the various duties and responsibilities. The Constitution in section 189 gives powers to the President to appoint the Auditor-general based on the recommendation and approval of the National Assembly with a vote of at least 60%. Section 189 also provides for the fixed tenure of the AG which is between five to ten years. Section 220 provides for the establishment of an autonomous Fiscal and Finance Commission whose role is to provide advice to parliament and other relevant authorities on a range of fiscal issues (Quist et al., 2008:40).

4.2.2. The Public Financial Management Act (PFMA)

In South Africa, the Public Financial Management Act is the key legislation for public financial management. The Act and its amendments establish the regulatory framework for financial management in the various branches and levels of government. The PFMA delineates the responsibilities of the national, provincial, and municipal governments concerning the extent of service providers needed for each government unit (Jacobs et al., 2014:30). The Act also provides a regulatory framework for other institutions that are quasi-government institutions as well as those that are owned by the government (Quist et al., 2008:41). The PFMA serves as a legal framework that outlines laws and regulations related to matters specified in the Constitution, including the Budget process, the National Revenue Fund, Treasury norms and standards, and institutional arrangements pertaining to public procurement. The PFMA also details how the national government can intervene in the other levels of government as well as the public entities that fail to perform (Quist et al., 2008:41).

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4.2.3. The Municipal Finance Management Act (MFMA)

The MFMA extends the legal framework for public financial management as contained in the PFMA, namely with a specific focus on decentralisation and local governance. (Jacobs et al., 2014:31). The MFMA provides a legal framework for financial management in local government and sets out a regulatory framework for local government in financial management about issues such as modernising budgeting and accounting for the efficient delivery of services to South Africans. The act follows the PFMA model by specifying the method for setting and tracking outputs, outcomes, and measurable objectives (Quist et al., 2008:42). The MFMA also assigns clear duties and responsibilities to councillors and gives the councillors an oversight role through the consideration of the annual reports of the Municipality. In the separation of powers, the MFMA requires that the councillors no longer serve on tender committees in the municipalities.

4.2.4. The Division of Revenue Act and Intergovernmental Fiscal Relations Act

The DORA is a yearly Act of Parliament that establishes the allocation of resources among different levels of government. This legislation distributes revenue from the central government to provinces and municipalities based on a specific formula (Brand, 2005:195). This Act distributes revenue from the central government among different provinces and municipalities based on a specific formula (Jacobs et al., 2014:31). The Act determines the annual transfers to provinces and municipalities, which include the equitable share and conditional grant share, using a predetermined formula. The Finance and Fiscal Commission is responsible for undertaking policy research and analysis of the DORA to provide advice to Parliament and the National Treasury (Quist et al., 2008:40).

The process of stakeholder consultation required before passing the DORA is provided for by the Intergovernmental Fiscal Relations Act. The Intergovernmental Fiscal Relations Act, therefore, sets out the processes and procedures of intergovernmental consultations in enacting the Division of Revenue Bill (Quist et al., 2008:42).

4.2.5. The Public Audit Act, No. 25 of 2004

The Public Audit Act designates the Auditor-general as the supreme audit institution of the country, according to Section 3(a), and holds them accountable to Parliament, as specified in

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Section 3(c). The Act provides independence to the Auditor-general and their personnel, authorizing them or their authorized representatives to conduct financial, systems, IT, and performance audits on all government departments, agencies, and public entities. These audit findings are then reported to the National Assembly. The Act also establishes a mechanism for the Auditor-general to oversee their own independence, impartiality, dignity, and effectiveness. Additionally, the Public Audit Act allows the Auditor-general to advise Parliament, as detailed in Jacobs et al. (2014:31).

4.3. The Institutional Framework for PFM

4.3.1 The Legislature

Like in most democratic countries, the Constitution of the Republic of South Africa vests its legislative powers in the Parliament. The legislative branch of the South African government consists of two chambers: the National Assembly, with 400 seats, and the National Council of Provinces, with 90 seats (Brand, 2005:116). In the realm of public financial management, Parliament reviews and debates both the Budget Proposal and the Division of Revenue Bill. Parliament is given the power to accept the budget proposal or reject it. With the enactment of the Money Bill, Parliament was given the power to amend the budget. Parliament establishes various committees that are responsible for conducting fiscal oversight over the executive such as the Standing Committee on Public Accounts (SCOPA), the Portfolio Committee on Finance, the Joint Budget Committee, and the Standing Committee on the Auditor-general (Quist et al., 2008:43).

The Standing Committee on Public Accounts is responsible for reviewing the financial statements and audit reports of government departments and constitutional institutions. It uses these reports, as well as those from the Auditor-general and other sources, to hold government agencies accountable. The Portfolio Committee on Finance is responsible for scrutinising the macro-fiscal framework submitted by National Treasury and examining the policies of the government (Quist et al., 2008:43). The Joint Budget Committee is tasked with reviewing the budget and ensuring its alignment with the Medium-Term Expenditure Framework. Additionally, the committee is responsible for monitoring expenses throughout the year and overseeing the implementation of any corrective measures prescribed by SCOPA. The Standing Committee on the Auditor-general is responsible for oversight of the activities of the

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Auditor-general. The Committee ensures that the activities of the Auditor-general are independent, impartial, dignified, and effective (Quist et al., 2008:43).

4.3.2. The National Treasury

The National Treasury is at the centre of the PFM in South Africa (Quist et al., 2008:45). The PFMA establishes the Treasury in section 5, whereas section 6 of the PFM establishes the functions of the National Treasury. The National Treasury is instrumental in PFM in several aspects. According to Jacobs *et al.* (2014), the Treasury's budget office is responsible for implementing the national fiscal policy and coordinating macroeconomic policy. This includes managing the budget preparation process and monitoring the implementation of the annual national budget. The Treasury through its Intergovernmental Fiscal Relations Division is also mandated to coordinate intergovernmental financial and fiscal relations. The Treasury is responsible for enforcing the annual Division of Revenue Act, monitoring the implementation of provincial budgets, and promoting transparent and effective management of the finances, expenses, assets, and liabilities of constitutional institutions, public entities, and government departments.

The National Treasury through the Accountant-general is also responsible for arranging banking services for the national government and accounting for the National Revenue Fund. The Treasury develops and implements accounting policies, and it prepares consolidated financial statements (Quist et al., 2008:45).

4.3.3 Auditor-general

According to South Africa's Constitution and the Public Audit Act (2004), the Auditor-general has the responsibility to audit all government entities and report the findings to Parliament. As the highest and autonomous auditing body in the country, the Auditor-general is established by Section 188. In addition to auditing all government institutions, the Auditor-general is also mandated to appear at the National Assembly at least once a year to report on its activities and performance (Quist et al., 2008:44).

Section 38(1)(a) of the PFMA and Treasury regulations 3.1.13. establish audit committees. These audit committees are established to ensure that accounting officers respond to internal audit findings, external audit findings as well as SCOPA. The audit committees are also

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responsible for ensuring that the financial records are reliable through the operation of internal controls. The committees are required to notify of any significant malfunction in the performance of expenditure, accounting controls, procedures, and systems that could arise (Quist et al., 2008:44).

4.3.4. The State Information and Technology Agency (SITA)

SITA is a significant contributor to PFM in South Africa, with responsibility for hosting systems and managing network services for the government. SITA is also responsible for providing user support to all financial management systems, including payroll and human resources management, supply chain management, accounting, and business intelligence platforms (Quist et al., 2008:46).

4.3.5 The South African Reserve Bank (SARB)

Section 223 of the Constitution establishes the South African Reserve Bank as the Central Bank. The South African Reserve Bank is established as an independent institution that is responsible for performing international banking and treasury services on behalf of the government (Jacobs et al., 2014:34). The SARB acts as both a banker and a funding agency for the government and ensures the smooth operation of the domestic market. It also tracks the countries borrowing and publishes fiscal statistics and information in its reports (Quist et al., 2008:47).

4.3.6 The Financial and Fiscal Commission (FFC)

The Financial and Fiscal Commission is an organisation that was established by the Constitution through sections 220 and 221 thereof. The FFC is established to provide recommendations to parliament and other authorities on various fiscal matters (Brand, 2005:68). According to sections 2 and 3 of the Fiscal and Financial Commission Act, the FFC is an independent body that makes recommendations and advice to all levels of government on fiscal and financial matters (Quist et al., 2008:44). The body is also expected to be part of the budgeting process as a consultative and advisory body. The body is not only limited to the budget, but it is mandated to provide advice regarding how government shares its revenue among the three levels of government, fiscal allocation, taxation, borrowing, and the method used to determine these.

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4.3.7 The Budget Council

The Budget Council is a committee established by the Intergovernmental Relations Act of 1997, consisting of the finance minister and the finance executives of the nine provinces. Its purpose is to consult on fiscal, budgetary, and financial issues relevant to the provincial level of government. Additionally, the council consults on financial management and monitoring matters relating to a specific province or the provinces as a whole, as well as proposed financial legislation with financial consequences for the provinces (Brand, 2005:68). The Budget Council ensures that there is communication between the spheres of government since the provinces present different socioeconomic and political environments, therefore, encouraging a spirit of monitoring and evaluation (Jacobs et al., 2014:33).

4.4 Conclusion

In conclusion, South Africa is by far one of the best best-practice financial management systems on paper underpinned by a comprehensive, sophisticated legislative and institutional framework. This chapter presented the legislative and institutional framework for public financial management in South Africa. The chapter has looked at several pieces of legislation such as the Constitution of the Republic of South Africa (1996) and other enabling and subsidiary legislation such as the Public Financial Management Act (1999), the Municipal Finance Management Act (2003), the Division of Revenue Act, and the Public Audit Act (2004). The chapter provided the institutional framework of public financial management in South Africa such as the National Treasury and the Budget Council.

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CHAPTER 5

RESEARCH METHODOLOGY

This chapter encapsulates the research framework that was used in carrying out this study. It provides the research design, methods used to collect, analyse, and interpret the data, and ethical considerations. The chapter also highlights some limitations encountered in the study.

5.1. Research Approach

According to Mouton (2001:56), the research methodology centres around the process of conducting research and the techniques and methodologies utilized. It emphasizes the various stages of the research process and the methodologies utilized to ensure successful outcomes. The study employs the mixed-method approach which uses both a qualitative and quantitative approach. The approach entails that the researcher will on one hand emphasise trying to explore the attitudes, behaviours, opinions, and experiences based on induction, holism, and subjectivism (Mouton, 2001:63). On the other hand, the research will also employ quantitative data. A mixed-methods approach was necessary for the study because of its benefits of richness in both forms of data and deeper insight into conducting a comparative analysis of public financial management in Malawi and South Africa using the public expenditure and financial accountability assessment framework.

5.2. Research Design

Mouton (2001:49) states that research design answers the key question of what kind of study will be undertaken to answer the research question. This study is descriptive and aims to explore and explain a phenomenon and to conduct a comparative analysis of public financial management in Malawi and South Africa using the Public Expenditure and Financial Accountability Assessment framework. The study adopts an empirical approach in that the researcher will use existing data to conduct the comparative analysis and draw conclusions.

5.3. Data Collection

The study will use secondary data and the researcher will use desktop research as a method of collecting data. A literature survey will be undertaken regarding public financial management. The study will review several documents including public financial management reports and

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other related documents such as Economic Reports, Public Debt Reports, Budgets, Budget Statements, MTEF, and National Audit Reports.

5.3.1. Desk Research

Desk research is the main source of secondary data. Data will be collected from secondary sources mainly from PEFA reports and the PEFA website. Additional information will be collected from public financial management reports and other related documents such as Economic Reports, Public Debt Reports, Budgets, Budget Statements, MTEF, and National Audit Reports. To make a comparative analysis of public financial management in Malawi and South Africa using the public expenditure and financial accountability assessment framework, the study uses Paolo de Renzio's methodology to convert the PFM scores into numerical scores of the various performance indicators (de Renzio & Dorotinsky, 2007:9-10).

5.4. Data Analysis

Data analysis entails a process of condensing and presenting large amounts of collected data in a manner that is easily comprehensible to individuals. Analysis refers to process the of examining and interpreting data in order to identify patterns and establish relationships among different data groups (Kothari, 2004:18). This study will use a combination of qualitative and statistical methods of analysis to make a comparative analysis of public financial management in Malawi and South Africa using the public expenditure and financial accountability assessment framework.

5.4.1. PEFA Framework

The PEFA framework is a monitoring framework that was designed to help monitor and evaluate the performance of public financial management systems. The framework was designed in 2005 to help developing countries assess the quality of public financial management systems. The system was also designed to enable donors and other stakeholders to gauge the public finance systems across different countries and to compare performance. According to de Renzio and Dorotinsky (2007:1), the PEFA framework was created by combining different assessment tools, including the HIPC Assessments, Country Financial Accountability Assessments, and standards and codes from the IMF and the OECD. As de

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Renzio (2013:153) suggests, the PEFA framework offers a comprehensive approach to evaluating the performance of public financial management systems.

The PEFA framework makes use of 31 indicators in seven distinct categories/dimensions with the attempt to measure the country's public financial management system (de Renzio & Dorotinsky, 2007:1). The 31 indicators cover the seven pillars of the PEFA framework, namely Budget credibility (indicators 1-4); Comprehensiveness and transparency (indicators 5-10); Policy-based budgeting (indicators 11-12); Predictability and control in budget execution (indicators 13-21); Accounting, recording, and reporting (indicators 22-25); and External scrutiny and audit (indicators 26-28) (Hossen, 2015:48).

Table 1: Critical dimensions of performance of a PFM system

Critical dimensions of performance of an open and orderly PFM system Dimensions	**Explanation**
1. Credibility of the budget	The budget is realistic and is implemented as intended.
2. Comprehensiveness and Transparency	The budget and the fiscal risk oversight are comprehensive and fiscal & budget information is accessible to the public.
3. Policy-based budgeting	The budget is prepared with due regard to government policy.
4. Predictability and control in budget execution	The budget is implemented in an orderly and predictable manner and there are arrangements for the exercise of control and stewardship in the use of public funds.
5. Accounting, recording, and reporting	Adequate records and information are produced, maintained, and disseminated to meet decision-making control, management and reporting purposes.
6. External scrutiny and Audit	Arrangements for scrutiny of public finances and follow-up by executives are operating.

Source: PEFA - PFM Performance Measurement Framework, (2011:2)

Among the 31 indicators, 28 deal with the country's public financial management system while the other three indicators deal with donor practices that influence the PFM system in one way or the other. De Renzio (2009:3) explains that donor performance is excluded because the focus is to measure the performance of the country and not that of external actors even though it might influence the PFM system one way or the other. He highlights that donor practices present a possible bias to the overall PFM system. This study, however, diverges in this regard in that it will include the three indicators related to donor practices. The study diverges because donor funds have a remarkably high influence on the PFM, and it constitutes close to 40% of the national budget.

Table 2: PFM Indicators

A. PFM-OUT-TURNS: Credibility of the budget	
PI-1	Aggregate expenditure out-turn compared to the original approved budget

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PI-2	Composition of expenditure out-turn compared to the original approved budget
PI-3	Aggregate revenue out-turn compared to the original approved budget
PI-4	Stock and monitoring of expenditure payment arrears
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency	
PI-5	Classification of the budget
PI-6	Comprehensiveness of information included in budget documentation
PI-7	Extent of unreported government operations
PI-8	Transparency of inter-governmental fiscal relations
PI-9	Oversight of aggregate fiscal risk from other public sector entities.
PI-10	Public access to key fiscal information
C. BUDGET CYCLE	
C(i) Policy-Based Budgeting	
PI-11	Orderliness and participation in the annual budget process
PI-12	Multi-year perspective in fiscal planning, expenditure policy, and budgeting
C(ii) Predictability and Control in Budget Execution	
PI-13	Transparency of taxpayer obligations and liabilities
PI-14	Effectiveness of measures for taxpayer registration and tax assessment
PI-15	Effectiveness in collection of tax payments
PI-16	Predictability in the availability of funds for commitment of expenditures
PI-17	Recording and management of cash balances, debt, and guarantees
PI-18	Effectiveness of payroll controls
PI-19	Competition, value for money, and controls in procurement
PI-20	Effectiveness of internal controls for non-salary expenditure
PI-21	Effectiveness of internal audit
C(iii) Accounting, Recording, and Reporting	
PI-22	Timeliness and regularity of accounts reconciliation
PI-23	Availability of information on resources received by service delivery units
PI-24	Quality and timeliness of in-year budget reports
PI-25	Quality and timeliness of annual financial statements
C(iv) External Scrutiny and Audit	

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PI-26	Scope, nature, and follow-up of external audit
PI-27	Legislative scrutiny of the annual budget law
PI-28	Legislative scrutiny of external audit reports
D. DONOR PRACTICES	
D-1	Predictability of Direct Budget Support
D-2	Financial information provided by donors for budgeting and reporting on project and program aid
D-3	Proportion of aid that is managed by the use of national procedures

Source: PEFA - PFM Performance Measurement Framework, 2011

5.4.2 Weighting Score

The indicators are each scored on a scale of A to D, with A as the highest score and D being the lowest. The indicators are scored and measured against specific descriptions which are derived from the international best practices, thereby informing how far each indicator is from the international PFM international best practice standards (de Renzio, 2013:53). According to the PEFA framework document, a score of A entails an international level practice; B a good level practice or achievement; C signifies weak performance; and D signifies poor performance.

To make a comparison between Malawi and South Africa, the study uses Paolo de Renzio's methodology to convert the PEFA scores into numerical scores of the various performance indicators, as indicated in the table below. In cases where there is insufficient data, the author will attribute a value of zero to the corresponding indicators. This approach is based on the notion that the absence of a score, due to lack of adequate data, represents a worse situation than receiving a D rating. It indicates a lack of even the most fundamental information necessary to make a reliable evaluation (PEFA Secretariat, 2009: 14).

Table3: PEFA Score Conversion

Table 3: PEFA Score Conversion

PEFA score	A	B+	B	C+	C	D+	D

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Num. Value	4	3.5	3	2.5	2	1.5	1

Source: de Renzio & Dorotinsky (2009:9-10)

5.4.2.1 Issues with methodology

Similar to what Paolo de Renzio (2009) states in his paper, the study will be criticised on several accounts. First, the study will be criticised for converting the PEFA scores into numerical values with equal weight. This is problematic in that the PEFA indicators measure quite different things and some of the indicators might be more important than others. This, therefore, raises questions of validity since they are not amenable to quantitative conversions (de Renzio, 2009:3). Furthermore, the method assumes that the differences between the PEFA scores are the same and the distances between the scores mean the same. This assumption, however, has no scientific basis (PEFA Secretariat, 2009: 9-12). Secondly, the study will also be criticised for comparing Malawi and South Africa. The difference in characteristics between the two countries raises questions on whether the researcher is comparing like with like. The PEFA Secretariat (2009: 9-12) also raises this concern.

The study, however, mitigates these issues in several ways. First, though the study converts the scores into numerical values, the narrative offered in each category will help provide more insight regarding the differences between the importance of the indicators and the differences between the scores as well as the distance between the scores. Secondly, though South Africa and Malawi have quite different socioeconomic characteristics, the two countries both reformed their public financial management systems to ensure greater parliamentary participation in the budget process in line with the prevailing political landscape of democracy in 1994. The analysis, therefore, seeks to compare the quality of the PFM system while noting socioeconomic differences to see what lessons can be drawn from either system.

5.5. Justification for the Study

In this regard, this paper attempts to make a comparative analysis of public financial management in Malawi and South Africa using the public expenditure and financial accountability assessment framework. With this aim, the paper specifically seeks to contribute to the literature on public financial management in several ways. First, the study will give

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various stakeholders a picture of the performance of the PFM in Malawi in comparison to SA. Though several papers have made comparisons of several countries, this study delves deep into context-specific issues underlying the quality and the performance of the public financial management of the two countries. The study, therefore, presents a better picture and an explanation of the variance in PFM performance between Malawi and South Africa. This informs policymakers and donors to know the quality of PFM in Malawi and its underlying issues. Secondly, the findings and the recommendation of the study will assist policymakers to come up with policy changes to ensure that Malawi has sound public financial management which will contribute to better service delivery.

5.6. Ethical Considerations of the Study

Ethics are moral principles that guide behaviour in terms of right and wrong that are based on philosophical theories (Neuman, 2014:145). To uphold good ethical standards the researcher followed ethical standards and also ensured that the sources were well acknowledged.

5.7. Limitations

One of the limitations of the study is that due to an absence of any recent PEFA reports by both countries, the study used the PEFA reports for 2008 (2004/2005, 2005/2006, and 2006/2007), 2011 (2007/08, 2008/09, and 2009/10), and 2018 (2015/16, 2016/17 and 2017/18) for Malawi and reports of 2008 (2005/2006, 2006/2007, and 2007/2008) and 2014 (2010/11, 2012/13, 2013/14) for South Africa. The author acknowledges that public financial management systems are continually changing and evolving and, therefore, these reports might not provide the most recent and relevant information.

The second limitation is the study converted the PEFA scores into numerical values with equal weight. This is problematic in that the PEFA indicators measure quite different things and some of the indicators might be more important than others. This raises questions of validity since they are not amenable to quantitative conversions. Furthermore, the method assumes that the differences between the PEFA scores are the same and the distances between the scores mean the same. This assumption, however, has no scientific basis.

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5.8. Conclusion

This chapter has presented the general methodology of the study. It has articulated the study's research design, methods used to collect, analyse, and interpret the data, and the ethical considerations that were used to make a comparative analysis of public financial management in Malawi and South Africa using the Public Expenditure and Financial Accountability Assessment framework. The study is descriptive, and it employs the mixed-method approach which uses both a qualitative and quantitative approach. The researcher used desktop research as a method of collecting data and used a combination of qualitative and statistical methods to make the comparative analysis. The study used Paolo de Renzio's methodology to convert the PEFA scores into numerical scores of the various performance indicators to allow further statistical analysis.

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CHAPTER 6

RESEARCH FINDINGS AND ANALYSIS

6.1. Introduction

This chapter presents the research findings of the comparative analysis of the PFM performance of Malawi and South Africa using the PEFA reports and analyses and discusses data from PEFA reports of 2008, 2011, and 2018 for Malawi, and reports from 2008 and 2014 for South Africa. The chapter compares the PFM performance for the two countries using the 2008 reports and then proceeds to use the other reports to further highlight the performance trend of the countries over the years. To facilitate further analysis, the findings of the PEFA reports were converted using Paolo de Renzio's methodology into numerical scores (de Renzio & Dorotinsky, 2007:9-10). The findings were analysed using descriptive statistics and presented using tables and graphs.

6.2. Quality of the PFM System of Malawi compared to South Africa

This section presents a summary of the findings of the assessment of the PFM quality in the two countries from all the available reports. Due to the absence of more recent PEFA reports in both countries, for the assessments of Malawi, the study uses the PEFA reports for **2008** (2004/2005, 2005/2006, and 2006/2007), **2011** (2007/08, 2008/09, and 2009/10), and **2018** (2015/16, 2016/17 and 2017/18), while for South Africa the study uses the available reports of **2008** (2005/2006, 2006/2007, and 2007/2008) and **2014** (2010/11, 2012/13, 2013/14).

6.2.1 Budget credibility

Budget credibility is a dimension that seeks to measure whether the budget is realistic and whether is it implemented as planned. Budget credibility is measured in terms of four indicators, namely aggregate expenditure out-turn compared to the original approved budget, the composition of expenditure out-turn compared to the original approved budget, aggregate revenue out-turn compared to the original approved budget, and stock and monitoring of expenditure payment arrears (Hossen, 2015:48).

Table 4: Budget Credibility

PEFA Indicators	Malawi	South Africa

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		2008 Rating	2011 Rating	2018 Rating	2008 Rating2	2014 Rating
PI-1	Aggregate expenditure out-turn compared to the original approved budget	A	B	B	A	A
PI-2	Composition of expenditure out-turn compared to the original approved budget	D	C+	D+	A	A
PI-3	Aggregate revenue out-turn compared to the original approved budget	A	D	B	A	A
PI-4	Stock and monitoring of expenditure payment arrears	NR	NR	NR	A	B+

source: PEFA assessments (SA & MW)

The performance indicator PI-1 compares the total primary expenditure with the total budgeted total expenditure. In 2008, the reports of both countries show that the aggregate actual primary expenditure was within 10% of the aggregate primary budget estimates for all three fiscal years, therefore, both countries received a rating of **A**; this was an indication of great performance. While South Africa managed to maintain a good performance, which was evident in the repeat assessment in 2014, Malawi's performance deteriorated. This was evident in both the repeat assessment of 2011 and the assessment of 2018 where the country's performance was rated as **B**.

Performance indicator **PI-2** compares the composition of expenditure to the original approved budget. In 2008, the PEFA report for Malawi shows that there were consistent and significant deviations from the composition expenditure outturn to that of the original budget in the 3 years. This indicated that the country had performed very poorly in this aspect, and this translated into a **D** rating which was an indication of the need for a major improvement. On the other hand, South Africa registered a better performance by recording insignificant deviations, which was an indication of great performance in this aspect. South Africa received an **A** rating on the assessment and maintained its good performance, which translated into achieving another rating of **A** in the repeat assessment in 2014. While South Africa maintained its high performance, Malawi experienced a slight improvement, which translated into achieving a **C+** rating in the 2011 assessment. In the 2018 assessment, the performance of Malawi deteriorated. This translated to a **D+** score in the assessment, which meant there was a need for major improvements and reform.

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The performance indicator **PI-3** compares the aggregate revenue out-turn compared to the original approved budget. In 2008, both Malawi and South Africa performed very well, which also translated into achieving a rating of **A**. South Africa maintained its good performance, thereby achieving another **A** score in its 2014 repeat assessment. On the contrary, Malawi's performance deteriorated, hence scoring a **D** in 2011. In the 2018 assessment, Malawi scored a **B**, which was an indication of improvement in this aspect. Performance indicator **PI-4** measures the stock and the monitoring of expenditure payment arrears. In 2008, Malawi's performance was inconclusive due to the failure to monitor the accrual of arrears. Though years passed by, Malawi failed to find mechanisms to monitor the accrual of arrears, therefore, this presented a challenge for all the other assessments. On the contrary, South Africa performed well in this aspect; the country achieved an **A** score. In 2014, South Africa's performance deteriorated slightly, which resulted in the country receiving a **B+** score during the repeat assessment.

6.2.2. Comprehensiveness and Transparency

Comprehensiveness and transparency as a performance pillar look at whether the budget and the fiscal risk oversight are comprehensive and whether fiscal and budget information is accessible to the public. Comprehensiveness and transparency are measured through five indicators, namely classification of the budget, comprehensiveness of information included in budget documentation, the extent of unreported government operations, transparency of intergovernmental fiscal relations, oversight of aggregate fiscal risk from other public sector entities, and public access to key fiscal information (Hossen, 2015:49).

Table 5 Comprehensiveness and Transparency

PEFA Indicators		Malawi			South Africa	
		2008 Rating	2011 Rating	2018 Rating	2008 Rating	2014 Rating
PI-5	Classification of the budget	B	A	A	A	A
PI-6	Comprehensiveness of information included in budget documentation	B	**A**	**B**	A	A

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PI-7	Extent of unreported government operations	NR	NR	NR	A	A
PI-8	Transparency of inter-governmental fiscal relations	B+	B+	C+	A	A
PI-9	Oversight of aggregate fiscal risk from other public sector entities.	C+	C+	C	B+	A
PI-10	Public access to key fiscal information	C	C	C	A	A
PI-7	Extent of unreported government operations	B+	B+	C+	A	A
PI-8	Transparency of inter-governmental fiscal relations	C+	C+	C	B+	A
PI-9	Oversight of aggregate fiscal risk from other public sector entities.	C	C	C	A	A

source: PEFA assessments (SA & MW)

Performance indicator **PI-5** measures the classification of the budget. In 2008, the PEFA report highlights that Malawi had achieved good performance in this aspect; this translated into Malawi achieving a **B** rating. On the other hand, South Africa performed very well in this aspect, registering a better score than Malawi of an **A**. South Africa continued its remarkable performance, therefore, achieving a rating of **A** in its 2014 repeat assessment. Malawi improved its performance, thereby achieving a rating of **A** in both the 2011 and 2018 assessments. Performance indicator **PI-6** measures the comprehensiveness of the information offered in the budget documents. In 2008, the PEFA report for Malawi highlights that Malawi performed well and fulfilled all six benchmarks. However, it failed to achieve an additional benchmark in consideration of the submission of audited appropriations which translated into a **B** rating. On the other hand, South Africa performed well and achieved all the benchmarks. South Africa achieved a rating of **A**. South Africa maintained its outstanding performance, and this translated into another **A** rating in the 2014 repeat assessment. Though Malawi improved its performance which was highlighted by the **A** rating in the 2011 assessment, the country failed to maintain such performance, which resulted in a **B** score in the 2018 assessment.

Performance indicator **PI-7** measures the extent of unreported government operations. This is measured by assessing the level of unreported extrabudgetary expenditure as well as assessing

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the level of income and expenditure information on donor-funded projects. Though there was the availability of data on the donor-funded projects, the level of unreported extrabudgetary expenditure was inconclusive because there was a reported lack of sufficient information. While the assessment of Malawi was inconclusive, in the same year of assessment, South Africa scored a rate of **A** which it maintained in the repeat assessment of 2014. Performance indicator **PI-8** measures the transparency of intergovernmental fiscal relations. In the 2008 assessment, Malawi performed well, therefore, achieving a rating of **B+**. South Africa performed very well, thereby achieving a better score than Malawi of an **A**. South Africa maintained its performance, and this translated into an **A** score in its 2014 repeat assessment. On the other hand, Malawi maintained its **B+** rating in the repeat assessment of 2011. It, however, failed to improve or maintain its performance, which resulted in a rating of **C+** in the 2018 assessment.

Performance indicator **PI-9** measures the oversight of the aggregate fiscal risk. In 2008, Malawi had a slightly above-average performance and hence registered an overall **C+**. South Africa performed much better than Malawi, achieving an **A**. South Africa maintained its remarkable performance, thereby achieving another **A** score in the repeat assessment of 2014. Malawi failed to improve its performance, therefore, maintaining its slightly above-average performance, which translated into a **C+** in 2011. Malawi's performance deteriorated, thereby getting a **C** in the 2018 assessment. Performance indicator **PI-10** measures public access to fiscal information. In 2008, Malawi got an overall rating of **C** because only annual budget documentation was made available to parliament. South Africa performed better, achieving an **A**. South Africa maintained a good performance, thereby achieving another **A** in the 2014 repeat assessment. Malawi struggled to improve its performance, thereby maintaining a **C** score in both the 2011 and 2018 assessments.

6.2.3. Policy-based Budgeting

Policy-based budgeting looks at whether the budget is prepared with due regard to government policy. Policy-based budgeting is measured using two indicators, namely orderliness and participation in the annual budgeting process, assessing if there is a multiyear perspective in the fiscal planning, expenditure policy as well as overall budgeting (Hossen, 2015:49).

Table 6 Policy-based Budgeting

PEFA Indicators	Malawi	South Africa

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		2008 Rating	2011 Rating	2018 Rating	2008 Rating	2014 Rating
PI-11	Orderliness and participation in the annual budget process	C+	B	B+	B	B
PI-12	Multi-year perspective in fiscal planning, expenditure policy, and budgeting	**B**	**C+**	**C+**	B	A

source: PEFA assessments (SA & MW)

PI-11 measures the orderliness and participation of various stakeholders in the budgeting process. In 2008, Malawi's performance was slightly above average, thereby achieving a rating of **C+**. On the other hand, South Africa performed well, registering a **B** score, which it maintained on its repeat assessment in 2014. Malawi showed signs of improvement achieving a **B** rating in 2011 and a **B+** rating in 2018. **PI-12** measures the multiyear perspective in fiscal planning, expenditure policy, and budgeting. In 2008, both Malawi and South Africa performed well, achieving an overall rating of **B**. South Africa improved its performance, thereby achieving a rating of **A** in the 2014 assessment. Malawi regressed in its performance, hence scoring a **C+** in both the 2011 and 2018 assessments.

6.2.4. Predictability and control in budget execution

Predictability and control look at whether the budget is implemented in an orderly and predictable manner and whether there are arrangements for the exercise of control and stewardship in the use of public funds. Predictability and control in budget execution are measured using seven indicators (Hossen, 2015:48).

Table 7 Predictability and control in budget execution

PEFA Indicators		Malawi			South Africa	
		2008 Rating	2011 Rating	2018 Rating	2008 Rating	2014 Rating
PI-13	Transparency of taxpayer obligations and liabilities	B	B	A	A	A
PI-14	Effectiveness of measures for taxpayer registration and tax assessment	C+	D+	**B**	A	A
PI-15	Effectiveness in collection of tax payments	D+	NR	NR	D+	D+

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PI-16	Predictability in the availability of funds for commitment of expenditures	B	B	C+	A	A
PI-17	Recording and management of cash balances, debt, and guarantees	A	B+	C	A	A
PI-18	Effectiveness of payroll controls	C+	B+	C+	A	A
PI-19	Competition, value for money, and controls in procurement	NR	C	C+	D+	D
PI-20	Effectiveness of internal controls for non-salary expenditure	C+	C+	D+	C+	C+
PI-21	Effectiveness of internal audit	C+	D+	D+	A	C+

source: PEFA assessments (SA & MW)

Performance indicator **PI-13** measures the transparency of taxpayers' obligations and liabilities. In 2008, Malawi performed well, achieving a rating of **B**, whereas South Africa performed even better scoring an **A**. South Africa maintained its performance thereby achieving another **A** which it maintained in its repeat assessment. On the other hand, Malawi maintained its performance in the repeat assessment of 2011 and improved to an **A** rating in the 2018 assessment. Performance indicator **PI-14** measures the effectiveness of measures for registration and tax assessment. In 2008, Malawi performed slightly above average in this aspect, which translated into a rating of **C+**, whereas South Africa performed well achieving an **A** score. South Africa maintained a good performance, which also translated into an **A** score in its repeat assessment. In contrast, Malawi's performance regressed, translating into a **D+** in the repeat assessment, only to improve to a **B** score in the 2018 assessment.

Performance indicator **PI-15** measures the effectiveness of the collection of tax payments. In 2008, both Malawi and South Africa performed poorly, therefore, scoring a **D+**. South Africa failed to improve its performance, thereby getting the same rating in the repeat assessment of 2014. On the other hand, Malawi failed to assess the indicator in the subsequent assessments due to the lack of available information. Performance indicator **PI-16** measures predictability in the availability of funding for commitments of expenditures. In 2008, Malawi's performance was above average, thereby achieving a **B** score, whereas South Africa performed better,

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scoring an **A.** South Africa maintained its great performance, which translated into another **A** rating in the 2014 repeat assessment. Malawi also maintained its performance scoring a **B** in the 2011 repeat assessment. Unfortunately, Malawi's performance regressed thereby scoring a **C+** in the 2018 assessment.

Performance indicator **PI-17** measures the recording and management of cash balances, debt, and guarantees. In 2008, both Malawi and South Africa performed well, resulting in an **A**. While South Africa maintained its performance, Malawi failed to maintain its performance, therefore, regressing to a **B+** in the 2011 assessment. Malawi's performance regressed further, thereby scoring a **C** in the 2018 assessment. Performance indicator **PI-18** measures the effectiveness of the payroll controls. In 2008, Malawi performed slightly above average, registering a score of **C+,** whereas South Africa performed much better, achieving an **A**. South Africa maintained its performance, thereby achieving another **A** in the 2014 repeat assessment. Malawi showed signs of improvement achieving a **B+** in the 2011 assessment, only to regress, thereby achieving a **C+** in the 2018 assessment. Performance indicator PI-19 measures the competition, value for money, and controls in procurement. In 2008, Malawi failed to assess this indicator since the data sample could not distinguish which procurement was under the national procurement systems and which was not. South Africa performed poorly, which translated into a rating of **D+**, showing a need for urgent and major improvements. South Africa struggled to maintain or improve its performance, resulting in a **D** score in the repeat assessment.

Performance indicator **PI-20** measures the effectiveness of internal controls for non-salary expenditure. In 2008, both Malawi and South Africa's performance was slightly above average which translated into both countries achieving a **C+** score. South Africa failed to improve its performance, which resulted in maintaining a **C+** in the repeat assessment. Similarly, Malawi failed to improve its performance, therefore, maintaining a **C+** in the 2011 assessment. The performance of the country further regressed in the subsequent years, therefore, resulting in a **D+** rating in the 2018 assessment. Performance indicator **PI-21** measures the effectiveness of internal audits. In 2008, Malawi performed slightly above average, therefore, achieving a **C+**, whereas South Africa performed much better achieving an **A**. South Africa's performance regressed, which resulted in a **C+** rating in the 2014 repeat assessment. Malawi failed to

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improve or maintain its standards, thereby regressing to a rating of **D+** in the 2011 repeat assessment and the 2018 assessment.

6.2.5. Accounting, Recording, and Reporting

Accounting, recording, and reporting involve evaluating whether sufficient records and data are generated, preserved, and shared to satisfy decision-making, control, management, and reporting requirements. Accounting, recording, and reporting are measured through four indicators (PEFA Secretariate, 2019:2).

Table 8: Accounting, Recording, and Reporting

PEFA Indicators		Malawi			South Africa	
		2008 Rating	2011 Rating	2018 Rating	2008 Rating	2014 Rating
PI-22	Timeliness and regularity of accounts reconciliation	B+	D	D+	B+	B+
PI-23	Availability of information on resources received by service delivery units	D	D	D	A	A
PI-24	Quality and timeliness of in-year budget reports	C+	C+	C+	C+	C+
PI-25	Quality and timeliness of annual financial statements	C+	C+	C+	A	A

source: PEFA assessments (SA & MW)

Performance indicator **PI-22** measures timeliness and regularity of accounts and reconciliation. In 2008, both Malawi and South Africa performed well, both scoring a **B**. While South Africa maintained its performance in the subsequent years, resulting in the same score in the 2014 repeat assessment, Malawi failed to improve or maintain its performance, thereby regressing, resulting in **D** in the 2011 repeat assessment and **D+** in the 2018 assessment. Performance indicator **PI-23** measures the availability of information on the resources received by service delivery units. In 2008, Malawi's performance was poor, resulting in a **D** score, whereas South Africa performed well, achieving an **A**, which it further maintained in the subsequent years translating into an **A** rating in the 2014 repeat assessment. Malawi struggled to improve its performance in the subsequent years, therefore, maintaining a **D** score in both the 2011 and 2018 assessments.

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Performance indicator **PI-24** measures the quality and timeliness of in-year budget reports. In 2008, both Malawi and South Africa's performance was slightly above average, resulting in a **C+** score. Both countries failed to improve their performance in subsequent years with both countries scoring a **C+** rating in all the other assessments. Performance indicator **PI-25** measures the quality and the timeliness of in-year budget reports. In 2008, Malawi's performance was slightly above average with a **C+** score, whereas South Africa performed much better achieving an **A** in both assessments the 2008 assessment and the 2014 repeat assessment. Malawi failed to improve its performance, resulting in a **C+** score in both the 2011 and 2018 assessments.

6.2.6. External Scrutiny and Audit

External scrutiny and audit refer to the methods used to examine and evaluate public finances, and the subsequent actions taken by the executive to address any issues that arise. External scrutiny and audit are measured through three indicators, namely scope, nature, and follow-up of external audit, legislative scrutiny of the annual budget law, and legislative scrutiny of external audit reports (PEFA Secretariate, 2019:2).

Table 9 External Scrutiny and Audit

PEFA Indicators		Malawi			South Africa	
		2008 Rating	2011 Rating	2018 Rating	2008 Rating	2014 Rating
PI-26	Scope, nature, and follow-up of external audit	D+	D+	C+	B+	B+
PI-27	Legislative scrutiny of the annual budget law	**B**	**D+**	**C+**	A	A
PI-28	Legislative scrutiny of external audit report	D+	D+	C+	B+	B+

source: PEFA assessments (SA & MW)

Performance indicator **PI-26** measures the scope, nature, and follow-up of external audits. In 2008, Malawi performed poorly, resulting in a **D+** score, whereas South Africa performed much better, achieving a **B+**. South Africa maintained its performance in the subsequent years, resulting in a **B** in 2014. On the contrary, Malawi failed to improve its performance, resulting

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in a **D+** in the 2011 assessment. Since 2011, Malawi showed signs of improvement in the subsequent years, resulting in achieving a **C+** in the 2018 assessment. Performance indicator **PI-27** measures the legislative scrutiny of the annual budget law. In 2008, Malawi performed well, achieving a **B** score, whereas South Africa did much better, which resulted in achieving an **A** score. South Africa maintained its performance in the subsequent years, resulting in an **A** score in the 2014 repeat assessment. On the contrary, Malawi's performance regressed in the subsequent years, translating into a **D+**. Malawi's performance in the subsequent years after the 2011 assessment improved slightly, resulting in an average score of **C** in 2018.

Performance indicator **PI-28** measures legislative scrutiny of external audit reports. In 2008, Malawi performed poorly, resulting in a **D+** score, whereas South Africa performed much better, achieving a **B+**. South Africa failed to further improve its performance, therefore, maintaining a **B+** rating in the repeat assessment. Malawi struggled to improve its performance, therefore, maintaining a below-average rating of **D+** in the 2011 assessment. Since the 2011 assessment, Malawi has improved its performance, which resulted in a **C+** score in the 2018 assessment.

6.2.7. Donor Practices

Donor practices is a budget dimension that deals with and measures donor practices that influence and impact the PFM system. Donor practices are measured using four indicators which are the predictability of direct budget support, financial information provided by the donors for budgeting and reporting on the project and program aid, and the proportion of aid that is managed by the use of national procedures (Hossen, 2015:48).

Table10: Donor practices

PEFA Indicators		Malawi			South Africa	
		2008 Rating	2011 Rating	2018 Rating	2008 Rating	2014 Rating
D-1	Predictability of Direct Budget Support	NR	NR	NR	D	A
D-2	Financial information provided by donors for budgeting and reporting on project and program aid	C	C	NR	D	D+

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D-2	Proportion of aid that is managed by the use of national procedures	C	C	NR	D	D

source: PEFA assessments (SA & MW)

Performance indicator **D-1** is used to measure the predictability of direct budget support. In 2008, Malawi could not be assessed since some of the years lacked data. On the other hand, South Africa performed poorly, resulting in a rating of **D,** which meant a need for improvement. South Africa improved its performance in the subsequent years which translated into a rating of A in the 2014 repeat assessment. Performance indicator **D-2** measures the financial information provided by the donors for budgeting and reporting on project and programme aid. In 2008, Malawi's performance was average, resulting in a **C** score, whereas South Africa performed worse, which translated into a **D** score. South Africa's performance remained below average, translating into a **D+** in the repeat assessment of 2014. On the other hand, Malawi improved its performance in the subsequent years, which resulted in a **C** in the 2011 repeat assessment. Due to the lack of available data, the 2018 assessment failed to assess the performance of the country in this aspect.

Performance indicator **D-2** measures the proportion of aid that is managed by the use of national procedures. In 2008, Malawi's performance was average, resulting in **C,** whereas South Africa performed worse resulting in a **D** score. South Africa failed to improve performance in this aspect in the subsequent years, resulting in a **D** score in 2014 for the repeat assessment. Malawi maintained the **C** rating in 2011 but failed to assess the indicator in 2018 because of a lack of information.

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6.3. Comparative analysis

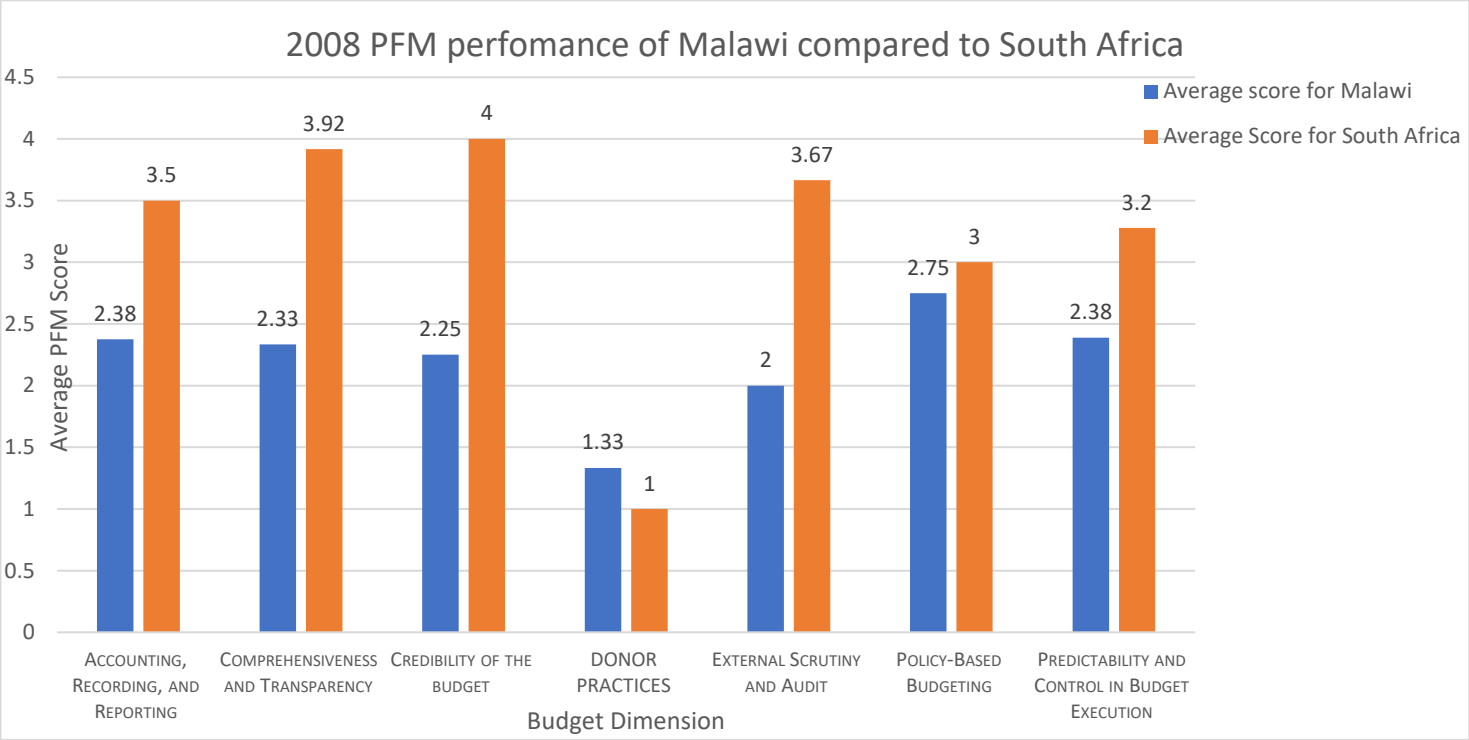

Figure 2-2008 PFM performance of Malawi compared to South Africa

Figure 2 presents a comparative graphical representation of the quality of performance between Malawi and South Africa. The graphical representation compares the quality of the public finance systems based on the budget dimension for each PEFA performance pillar. The results for the comparison show that as for the 2008 PFM assessments of the two countries, South Africa was by far assessed to have a better overall public financial management performance score than Malawi. South Africa records an average score of 3.19 out of 4 while Malawi registers an average score of only 2.20 out of 4. Compared to other sub-Saharan African countries, Malawi's performance is close to the recorded average performance, which was recorded at 2.34 in a study conducted by Paolo de Renzio (2009, ODI working paper no. 302).

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Table 11: PFM performance of Malawi and South Africa (2008 Assessment)

PFM PERFORMANCE OF MALAWI AND SOUTH AFRICA (2008 Assessment)		
Budget Dimensions	**Average score for Malawi**	**Average Score for South Africa**
Accounting, Recording, and Reporting	2,38	3,5
Comprehensiveness and Transparency	2,33	3,92
Credibility of the budget	2,25	4
Donor Practices	1,33	1
External Scrutiny and Audit	2	3,67
Policy-Based Budgeting	2,75	3
Predictability and Control in Budget Execution	2,39	3,28
Overall PFM Score	**2,20**	**3,19**

Source: PEFA assessment and author's calculation

Table 11 shows the PFM scores based on the specific budget dimensions according to the 2008 assessment. The comparison shows that budget credibility was the strongest area of performance in the South African PFM system whereas policy-based budgeting was the strongest performing pillar for the PFM. The results also reveal that both countries performed poorly in terms of donor practices with Malawi scoring a 1.33 and South Africa scoring a 1. Though both countries performed poorly, this might not hold the same magnitude. The donor funding in the South African PFM only amounted to 1% of the total funds in circulation, thereby not affecting the PFM system as much. On the other hand, Malawi is largely aid-dependent to finance its budget, therefore, donor funds are recorded to constitute around 40% of the government budget.

The comparison shows that policy-based budgeting was the strongest-performing pillar for the PFM system in Malawi with a score of 2.75. Predictability and Control in Budget Execution was the second-best performing dimension with a score of 2.39. Accounting, recording, and reporting were third recording an average score of 2.38, then followed by Comprehensiveness and Transparency, which recorded an average score of 2.33. Budget credibility was ranked fifth with an average performance of 2.25. External scrutiny and audit were the second to the last with an average performance score of 2. As mentioned before, donor practices were the least-performing budget dimension in the country. For South Africa, budget credibility was the strongest area of performance with a perfect score of 4. Comprehensiveness and Transparency were the second with a score of 3.92, followed by External Scrutiny and Audit which recorded

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an average score of 3.67. Accounting, Recording, and Reporting were the fourth in performance recording an average of 3.5 followed by Predictability and Control in Budget Execution which had an average of 3.28. Policy-Based Budgeting was ranked sixth with an average performance score of 3 followed by the least-performing dimension which was donor practices which recorded an average performance score of 1.

Table 12: PFM performance of all the assessments

Budget Dimensions	Malawi			South Africa	
	2008 Average score	2011 average score	2018 Average score	2008 Average score	2014 Average score
Budget credibility	2,25	1,63	1,88	4,00	3,88
Comprehensiveness and Transparency	2,33	2,67	2,25	3,92	4,00
Policy-based budgeting	2,75	2,75	3,00	3,00	3,50
Predictability and control in budget execution	2,39	2,28	2,17	3,28	3,06
Accounting, recording, and reporting	2,38	1,75	1,88	3,50	3,50
External Scrutiny	2,00	1,50	2,50	3,67	3,67
Donor Practices	1,33	1,33	0,00	1,00	2,17
overall average PFM score	**2,20**	**1,99**	**1,95**	**3,19**	**3,39**

Source: PEFA assessment and author's calculation

Table 12 shows the average performance of the various budget dimensions for all the assessments conducted in Malawi and SA. The table aims to present findings to help compare the overall trend in performance between the countries even though the number of assessments conducted differs and the reports were at different points in time. Overall, South Africa displays an improvement in PFM performance; South Africa shows a substantial improvement from an overall average of 3.19 in the 2008 assessment to an overall score of 3.39 out of 4 in the repeat assessment of 2014. Though it regressed in performance in areas such as budget credibility, predictability, and control in budget execution, South Africa made significant progress in comprehensiveness and transparency, policy-based budgeting, and donor practices. In a more recent report, the Auditor-general's PFMA 2021-22 report indicates that the PFM performance of South Africa has improved. The report indicates an improvement in audit outcomes for departments and public entities since 2018-19, with 114 auditees showing better results compared to the previous year. Furthermore, there was an overall improvement in outcomes for 68 auditees (SA Auditor-general, 2022:14). Although having a clean audit is not the sole measure of good public financial management, it does offer valuable insights into the present

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condition of public financial management in South Africa. In general, it suggests advancements in the management of public finances in South Africa. However, there is still scope for enhancing it, specifically in terms of state-owned enterprises submitting financial statements on time.

On the other hand, Malawi displays an overall deterioration in performance since the initial assessment. Malawi recorded an average of 2.20 in the 2008 assessment and then deteriorated to a score of 1.99 in the 2011 assessment though part of this deterioration in performance scores could be attributed to the change in the assessment methods over the years. The findings show that Malawi's performance regressed further in the subsequent years recording an overall average of 1.95 in the 2018 assessment. The findings reveal that Malawi has struggled in its overall performance over the years in areas such as budget credibility, external scrutiny, and audit and donor practices.

6.4. Malawi's PFM Shortcomings when Measured against the PEFA Framework

The overall public financial management performance trend of Malawi shows that there are numerous shortcomings in the PFM when measured against the PEFA framework. This section looks at Malawi's shortcomings over the years when measured against the PEFA framework. It highlights those shortcomings that have been consistent over the years.

Budget Credibility

Expenditure composition variance

One of Malawi's shortfalls in public financial management when measured against the PEFA framework has been in the area of budget credibility. Malawi's performance in budget credibility shows a deterioration over the years, moving from an average of 2.25 in 2008 to 1.63 in 2011 and 1.88 in the 2018 assessment. There are several reasons for this shortfall in performance. The assessment conducted in 2008 revealed significant discrepancies between the actual expenditure and the budget that was approved. This suggests that the objectives outlined in the budget may have been compromised. According to the report, the deviation in total expenditure was much greater than the variance in expenditure, indicating that there was a deviation of 6% to 15% in excess expenditure deviation over total expenditure variance (Pohl Consulting & Associates, 2008:24).

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The 2011 assessment showed a sizeable variance in aggregate expenditure composition outrun compared to the original budget. The recorded deviations were 13.7%, 23.3%, and 7.8% in the three years under assessment. Among the underlying factors of the composition variance was the 2008/9 election year. 2008/9 being an election year showed significant variance due to the substantial reallocation of the budget lines due to political campaigns (Pohl Consulting & Associates, 2011:26). Outturn on the composition of expenditure also deteriorated significantly in the 2018 assessment. In the years under assessment, the country registered major deviations in the expenditure composition outrun. The country registered a variance in expenditure composition by classification of about 27.1%, 32.3%, and 21.3% for the fiscal years 2014/15, 2015/16, and 2016/17 respectively. This entails that the overall deviation was above 15%. The variance by economic type also registered a variance of 16.3%, 11.8%, and 9.3% respectively in the three years under consideration. This translated into a deviation above 10 % which suggested that there was a weak link between cash management decisions and policy priorities (GoM, 2018:38).

Aggregate Revenue Variance

Budget credibility was also affected due to the positive variance in the revenue. The 2008 assessment recorded that the actual domestic revenue far exceeded budgeted revenue in the three years under assessment. Actual revenues were reported to exceed revenue estimates in 2004/2005, 2005/2006, and 2006/2007 by between 71% and 85%. Though this warranted an A score in the 2008 assessment, this was indicative of a very big problem in budget credibility (Pohl Consulting & Associates, 2008:27). This was a clear indication that the budget failed to be a reliable indicator of the country's resource envelope. This not only raised questions of overcautious revenue forecasting but also a challenge to the competence of the government to carry out the forecasts. Although the 2011 assessment showed improvement in this area recording variances of 9%, 19%, and 11% in the years under consideration (Pohl Consulting & Associates, 2011:28), the 2018 assessment highlighted a deterioration in performance. The country registered a variance of about 7.9%, 15.2%, and 16.5% respectively. This translates into the revenue composition variance being above 15.0% in two of the last three completed fiscal years. This variance was attributed to the large deviation from the external grants compared to the budget grants as well as the area of tax refunds (GoM, 2018:39).

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Stock and Expenditure Arrears

Malawi has also registered a persistent shortfall in the stock and monitoring of expenditure payment arrears. Though the IFMIS dealt with the problem of accrual of arrears in the government, arrears are still an area of concern since not all purchase orders could be subjected to ex-ante controls since not all cost centres were connected to the IFMIS. These included transactions such as cost centres not directly linked to the IFMIS or major problems such as road construction. The 2008 assessment showed that even though arrears continued to accrue in some of the areas, the government had no other mechanism to monitor arrears since 2005 (Pohl Consulting & Associates, 2008:28-29). Although not receiving a score because of a lack of information can be considered as an evaluation in itself, it is still a more unfavorable outcome compared to receiving a "D" rating.Therefore, arrears remain a financial risk and a threat to budget credibility.

The 2011 assessment also showed that this was still a big problem; the report records that even though there was no indication that the total arrears could exceed 10% in the years under consideration, however, there was no available data or mechanisms to confirm this. There was no way to monitor this and no way of reporting them at an aggregate level (Pohl Consulting & Associates, 2011:28). The 2018 assessment showed that arrears were still a persistent shortfall in the Malawi PFM. The report shows that the government has failed to limit the expenditure arrears; some of the expenditure arrears were more than 10% in 2016/17. Ten years later, the government has failed to monitor the arrears effectively, which has been evident with the Treasury failing to come up with an aggregate report on all the arrears. Therefore, there was no data on stock and composition of expenditure arrears. This meant that the reports could not be generated timeously. There was no data provided at the time of the assessment (GoM, 2018:99-100).

Comprehensiveness and Transparency

Extent of unreported government operations

Malawi has also experienced shortfalls in the extent of unreported government operations. In the 2008 assessment, the report identified that even though the expenditure was recorded in other reports the government failed to report on it. The assessment showed that there was a scarcity of information to score, which highlights bad performance (Pohl Consulting &

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Associates, 2008:33). This not only undermines accountability efforts but also affects the efficient allocation of resources and makes it more challenging to track and audit all expenditures. In the 2011 assessment, though the report only highlighted unreported extrabudgetary expenditure of about 1-5%, there was a major challenge to finding information. Some evidence also suggested that approximately 50% of grant-financed project expenditures may not have been included in the fiscal reports (Pohl Consulting & Associates, 2011:33). The 2018 assessment further highlighted that this was a persistent area of the shortfall. According to the report, there was a significant amount of funding for service delivery in important areas like healthcare and education that was not included in the budget classification and chart accounts. The report revealed that 189 agencies provided 75% of the resources for 2017/18 off-budget. Unfortunately, the documentation only presented actual expenditure findings and did not provide details on the service delivery units (GoM, 2018:55-56).

Public access to information

Malawi has also performed poorly in the area of public access to information. The 2008 assessment highlights that the annual budget documentation was only made available during the parliament sessions (Pohl Consulting & Associates, 2008:38). The report highlighted that in the years under review no financial statements, external audit reports, contract awards, and resources made to primary service units were made available. This had major implications for transparency and accountability. The 2011 assessment suggested that this problem had persisted. The reports highlighted that the end-year financial statements, external audit reports, contract awards, procurement reports, and resources made available were still not published or made available to the public (Pohl Consulting & Associates, 2011:38). The 2018 assessment highlighted that the country registered a considerable shortfall in performance in public access to fiscal information. The report highlighted that the government only managed to fulfil two basic elements of the five basic elements and only two of the additional elements.

The country failed to fulfil elements such as submitting the Appropriation Bill in the recommended time. The country failed to post the Approved Financial Statements for 2017/18. The government also failed to produce the in-year budget execution reports as these need to be routinely made available to the public within one month of issuance. The quarterly financial statements produced by the MOF were not made publicly available and those that were uploaded on the website were uploaded more than one month after the issuance. Expenditure

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reports were also partially posted on the website, and those that were posted were only posted with delays of about three months. The government also failed to produce annual budget execution reports and those that were made available were only posted almost 11 months after the end of the fiscal year. The country also failed to post the annual financial statements on its website (GoM, 2018:57-59).

The Auditor-general's reports were only posted on the website several months after the end of the financial year. Additionally, the government failed to meet the required deadlines for external audit reports, pre-budget statements, and macroeconomic forecasts, which were only posted two months after the stipulated time of one week. Moreover, the government failed to produce annual budget execution reports, and the few that were available were posted almost 11 months after the fiscal year's end. The annual financial statements were also not posted on the government's website (GoM, 2018:57-59).

Predictability and Control in Budget Execution

Procurement Management

Predictability and control in budget execution is another area that experienced a deterioration in performance. Malawi moved from an average of 2.39 to 2.28 in the 2011 assessment and 2.17 in the 2018 assessment. This deterioration in performance is attributed to several factors. Among several factors, one of the persistent shortfalls has been in the area of competition, value for money, and controls in procurement. The 2008 report shows that even though 88% of the contracts awarded in the years under consideration were awarded based on open competition, the justification for the use of less competitive procurement methods was ambiguous (Pohl Consulting & Associates, 2008:51). The 2011 assessment also highlighted that data was not available even though the evidence in 2010 indicated that 80% of the MDAs used forms of competitive procurement (Pohl Consulting & Associates, 2011:54). The 2018 assessment also highlighted the persistent shortfall. Among the persistent shortfalls, the report highlighted that the government of Malawi did not have a comprehensive mechanism or database available in the MDAs to monitor procurement. The report identified that there was a lack of data on procurement methods. There was no data to show how the various procuring units decided to award contracts. This area is also problematic in that there is no public access

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to procurement information. This portrays a bleak picture that undermined transparency and control in budget execution but also external audit and scrutiny (GoM, 2018:105-109).

Internal Audit

Another shortfall that Malawi has persistently shown has been in the area of internal audits. The 2008 report highlighted that though audit committees had been established, the internal audit faced resource constraints. The report also showed that most MDAs did not effectively address the audit findings (Pohl Consulting & Associates, 2008:54). The 2011 assessments highlighted that the internal regulatory platforms had not been well established even though it was established they did not meet professional standards. The report highlighted that there was no evidence that management responded to the audit reports. Several MDAs were observed to have ignored the audit reports (Pohl Consulting & Associates, 2011:58).

The 2018 report highlighted that the units in the MDA and the EBUs had a high vacancy rate. Similarly, the report highlighted that the internal audit units also suffered a lack of sufficient funding to fully carry out their work. According to the report, the internal audit reports of the MDA did not meet the required standard and mainly concentrated on compliance. The internal audit charter specifies that the CIAU and its units must comply with the ISPPIA and the code of ethics of the Institute of Internal Auditors and the Malawi Government's Internal Audit Guidelines. Despite planning to conduct internal audits, only 55% of the audits were executed as planned. The report further highlighted that the internal recommendations for audits were weakly evidenced by the repeated findings. MDAs failed to implement the majority of the findings. The MDAs attributed the lack of implementation to the lack of funding (GoM, 2018:112-116).

Accounting, Recording, and Reporting

Accounting, recording, and reporting are other areas that experienced consistent shortfalls when measured against the PEFA framework. There has been a significant dip in performance in this dimension, moving from an average performance score of 2.38 in 2008 to 1.75 in the 2011 assessment and to 1.88 in the 2018 assessment. The challenges in performance in this area stemmed from several issues. The 2008 assessment highlighted that there was no comprehensive data collection on resource disbursement to the service delivery units in the three years of assessment. The system did not record fund flows for service delivery units such

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as primary schools and primary health care clinics. Another problem concerning reporting was the quality and timeliness of in-year budget reporting; the reports failed to cover commitment even though they had expenditures. The annual financial statements also failed to report any expenditure or tax arrears, thereby making the reports incomplete (Pohl Consulting & Associates, 2008:55-58).

Similarly, the 2011 report highlighted issues concerning timeliness and regularity of accounts reconciliation. The assessment noted that there was a major problem with bank reconciliations. According to the assessment, a backlog had accumulated since the implementation of IFMIS in 2005, which prevented the Cash Management Unit from conducting bank reconciliations.. The assessment noted that the process of bank reconciliation was less frequent than the required time and with several months of backlog. This would further impact the regularity in the clearance of the accounts. This challenge was attributed to the introduction of the new Chart of Accounts on 1 July 2011 together with zero opening cash book balances in the EPICOR system. the report also highlighted challenges in the regularity of reconciliation and clearance of suspense accounts and advances. The system showed that bank reconciliations had not been undertaken since 30 June 2010. The report also highlighted that there was no comprehensive information received by the service delivery units in the 3 years under assessment. The assessment also raised issues regarding the quality and timeliness of in-year budget reports; even though the reports showed actual expenditure and revenues, the reports still failed to show the expenditure captured at the commitment level or the payment stage. The government also failed to make volume 2 of the Consolidated Annual Appropriations Account available. The report also highlighted that the accounting standards used did not comply with COFOG (Pohl Consulting & Associates, 2011:61-68).

Even though the assessment changed in 2011, some of the issues persisted . Among the issues was the issue of the backlog of bank reconciliation statements. The key accounts of the Treasury were reconciled monthly, however, they had a three months time lag with several unprocessed entries for the MDA. The suspense accounts also had things that had not been cleared for more than 12 months. The assessment also reported that even though Malawi had electronic systems which restricted and recorded data through segregation access, the system employed manual transfers without audit trails. While the system creates an audit trail within each system, the lack of system integration involves manual transfer processes without an audit trail. The assessment also recorded persistent issues of the incompleteness of the annual

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financial reports. The annual financial reports had incomplete information on financial assets and liabilities. The report also highlighted that the accounting standards used were not consistent with the country's legal framework (Pohl Consulting & Associates, 2011:61-68).

The 2018 report also highlighted some of these persistent shortfalls in Malawi's PFM. The report noted that the government had still failed to produce expenditure reports of expenditure outside of financial reports. The government failed to produce evidence of budget development expenditure financed by the development partners. The report notes that significant amounts of development expenditure were not included in the budget, therefore, failing to consolidate the exact amount. Since 2014/15, the government has failed to produce financial reports that detailed the grants and loans received from development partners. As a result, the amount received could not be detailed or verified. The report also highlighted that only six EBUs submitted audited accounts within nine months of the end of the financial year. This only represented 19% of the total EBU income (GoM, 2018:48-49).

External Scrutiny and Audit

Malawi has consistently failed to perform in the area of external scrutiny and audit when measured against the PEFA framework. The performance score moved from a slightly above average score of 2.50 to 1.5 in the 2011 assessment and to 2.5 in the 2018 assessment which was just above average.

Scope and the nature and follow-up of the external audit

Among several factors is the issue of the scope, nature and follow-up of external audits. This has presented a consistent challenge in the PFM performance for Malawi. The 2008 assessment noted that even though the National Audit Office was supposed to cover the whole budget as far as the financial audits were concerned, however, it was noted that NAO was only able to cover 50% of the scope. This was attributed to the insufficient control of its resources since it received funding from the government instead of parliament. The issues were also attributed to the lack of professional staff since it only had a staff of 200 instead of the 379 as per its establishment. The report also highlighted issues regarding the nature of the audits and the assessment found that NAO had not implemented performance audits and it only performed transactional and compliance audits. On the follow-up of reports, it showed that NAO's reports did not trigger many responses from budget units (Pohl Consulting & Associates, 2008:59-60).

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Similarly, 2011 noted the same issues even though the government had started to reform these areas. In terms of scope, the national audit office failed to pay attention to the expenditure risks and it also failed to audit some parastatals annually as required. This was exacerbated by issues regarding AG's independence since it still received funding from the Treasury. Furthermore, the follow-up reports of NAO still showed little evidence of action and follow-up. This further highlighted a major problem in terms of the response to the management letters by the AG (Pohl Consulting & Associates, 2011:11).

Legislative scrutiny of the annual budget law

Although Malawi performed well regarding the legislative scrutiny of the annual budget law in the 2008 assessment due to the PEFA, this has been an area of a consistent shortfall when measured against the PEFA when reviewed under the 2011 framework. Both of the assessments found that there were rules and procedures for the legislature's budget reviews but the assessment showed that the rules were not comprehensive and only partially followed. It was also noted that the time allowed for the legislature's review was insufficient for meaningful reviews. It was noted that the legislature had been given less than a month to review the budget in 2009. Lastly, in terms of supplementary budgets, clear rules existed but they were not respected, which translated into reallocations and expansions of the total expenditure, thereby undermining policy priorities as well as the budget credibility (Pohl Consulting & Associates, 2011:70). In the 2018 assessment, this showed slight improvement, however, not as sufficient as it was just slightly above average performance.

Legislative scrutiny of external audit reports

Legislative scrutiny of external audit reports is another area that has consistently shown a shortfall when measured against the PEFA. The 2008 assessment highlighted that the legislature failed to examine audit reports timeously. As of 2008, PAC was examining the 2003/4 audit report. This highlighted that there was a stall in accountability and that the delays undermined the value and importance of PAC's work. The assessment also highlighted that there was a weak implementation of the PAC report by the executive. The assessment showed that in several years, the Treasury had followed up once (Pohl Consulting & Associates, 2008:61). In the 2011 assessment, similar issues were highlighted. The report showed the failure of the executive to scrutinise the reports within 12 months from submission, though this was attributed to the backlog in the previous years which undermined their work heavily. The

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assessment also highlighted the shortfall in the recommendations of the legislature. The report highlighted that there was no evidence that the recommended actions out of the audits produced credible evidence of implementation by the executive branch. Additionally, the evaluation indicates that there was a lack of regular and timely monitoring of unresolved issues (Pohl Consulting & Associates, 2011:72).

The 2018 report highlighted similar issues; it noted that in terms of the scope of the audit, only 61% of the votes had been audited in the years under assessment. NAO still found it challenging to implement performance audits, performing one out of three performance audits it had planned. The report also noted that the audit reports of extrabudgetary units were not submitted to PAC for scrutiny. Though the audit reports were submitted within nine months, only two of the last three completed fiscal years were submitted to the legislature. The assessment also noted that despite having a system in place for audited entities to respond formally to audit observations in 2014, 2015, 2016, and 2017, the implementation of audit recommendations has not been successful. NAO was still faced with issues of independence whereby the Auditor-general and other NAO staff were tied to the executive in terms of the appointment and the execution of NAO's budget (GoM, 2018:127-134).

Donor Practices

Donor practices have been another area of consistent shortfalls in Malawi's PFM system performance when measured against the PEFA. Among the several issues about donor practices, Malawi failed to produce reliable information in the 2008 assessment on the predictability of direct donor support. In the two years that the government had reliable data, donor predictability presented 40% and 15% in 2005/2006 and 2006/7 respectively. The overall predictability of the direct budget support from donors was very unpredictable. Another shortfall was about the in-year timeliness of donor disbursement, the assessment shows that for the years under assessment, there was a lack of information. Another shortfall in the area of donor practices has been the completeness and timeliness of the budget estimates by donors; most donors failed to meet at least one of the requirements and they also failed to ensure that their data was complete and in terms of the government's classification. The donors also failed to report monthly on the flows in various projects. Another shortfall was in terms of the proportion of aid managed by use of the national procedures; the report records that only 66%

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of the aid was managed through national government procedures (Pohl Consulting & Associates, 2008:63-64).

The 2011 assessment showed that the problems highlighted in this dimension persisted. The reported record a positive variance in the budget support by donors and though this translated into an A score it was an area of concern. The variances were 2007/08 (+45%) 2009/10 (+51.6%), and 2008/09 -4.81%. The positive variance not only undermined the budget's credibility but was going to promote loose fiscal discipline since the funds were not properly planned for. The report also highlighted a lack of data on the in-year timeliness of donor disbursements. This highlighted a major problem in the system as well as a coordination problem in getting the figures together at the right time. While there was an improvement in the financial data provided by donors, the report observed that more than half of them did not furnish comprehensive budget projections for the allocation of aid. The estimates were also noted to use donor classifications but these were not consistent with the classification of the Malawi government. Another issue that persisted was the proportion of aid managed by the use of national procedures. 50% or more of the donors used national procedures, however, it was noted that the calculation only for the more traditional donor activities fails to consider other dimensions such as project grants and project loans as well as conditions such as audit requirements (Pohl Consulting & Associates, 2011:73-77). Similarly, the 2018 assessment showed that some of these issues persisted. The report showed that there had been not enough improvement in all these aspects.

Macroeconomic and Fiscal Forecasting

Macroeconomic and fiscal forecasting is another area of shortfall in the Malalwi PFM system when compared to the PEFA framework. Though only extensively covered in the 2018 report, evidence shows that there has been a persistent problem in this area. The 2018 assessment highlights that even though the macroeconomic forecast was updated twice a year, it only covered the forthcoming budget. The MDGS111 includes forecasts of GDP and inflation but the forecasts seemed to be outdated and substantially deviated from the forecast in 2018 and 2019. This highlighted a problem that Malawi did not assign an independent body to review the forecast independently. Furthermore, civil society organisations highlighted that the projections seemed too optimistic. The forecasts were also flawed in that the forecast was only prepared for the budget year and the following two years. The forecasts did not have any

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explanations and there was no comparison, with the previous years being incomplete (GoM, 2018:74-78).

Additionally, the reports also highlighted the failure of the government to consider an alternative forecast basis on the different assumptions concerning the economic and fiscal parameters. There was no evidence that the government conducted any macro-fiscal sensitivity. Not only did the government of Malawi not have a fiscal strategy but it also did not publish fiscal targets to support fiscal policy. In 2012, the government entered into an agreement with the IMF known as the Extended Credit Facility (ECF), which set targets for the government's fiscal policy. Although the government adopted these targets, they were not legally binding because the ECF was a temporary arrangement and not enshrined in law. This lack of a proper mechanism to manage fiscal unsustainability shows that the issue has persisted throughout the years. Unfortunately, the reports on the fiscal outcomes were only submitted to the IMF and not the National Assembly. This lowers the levels of accountability in the government by the National Assembly (GoM, 2018:74-78).

6.5 Underlying Dynamics Affecting the Quality of PFM in Both Countries

Population size

The quality of public financial management (PFM) in South Africa (SA) and Malawi is influenced by a variety of factors, including population size. The relationship between population and PFM quality is complex and multifaceted, depending on factors such as the effectiveness of the government, the level of corruption, and the level of economic development. According to Paolo de Renzio (2009:10), though not clear cut, he observed that countries with larger populations scored a higher average than smaller population-sized countries. Therefore, it suggests that marginally larger populations can offer economies of scale when investing in budget systems. A large population is often associated with more resources, including financial and human capital, as well as a greater need for advanced PFM systems (Kristensen et al., 2019:45). For instance, a growing population can increase the tax base, providing the government with more resources to invest in public services. Larger countries may also benefit from lower costs and high returns on investment in centralised PFM systems. In a simple comparison, South Africa had a larger population than Malawi, with an estimated 47.9 million people in 2014, compared to Malawi's estimated 15.7 million. This larger

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population in South Africa suggests a better economy of scale for investment in its PFM system, as well as more resources available.

On the contrary, Paola de Renzio (2009:10) also suggested that large populations also put a strain on PFM systems. Growing demand for government services and infrastructure has resulted in limited budget allocation for other key areas, such as investment in human capital, health, and education. Additionally, large populations can lead to increased corruption and mismanagement of public funds. With large amounts of money flowing through government systems, there is a higher risk of funds being misused, negatively impacting the quality of PFM. Indeed, both South Africa and Malawi have been faced with their fair share of corruption scandals that have influenced the quality of public finance. There have been several high-profile corruption cases in South Africa that have had a significant impact on the country's public financial management (PFM) system. Some of the most notable cases include State Capture Scandal; the state capture scandal, also known as the Zuma-Gupta scandal, which involved corruption and bribery at the highest levels of the South African government. This scandal had a profound effect on the country's PFM system as billions of rand were stolen or misused, leading to a major loss of public funds. The state capture scandal also eroded public trust in the government and the PFM system, making it more difficult to restore confidence in the management of public finances.

Similarly, Malawi also has had some infamous cases such as the “cash-gate scandal” which became known in 2013 and had a significant impact on the quality of public financial management (PFM) in the country. The scandal involved widespread theft and misappropriation of public funds, with millions of dollars disappearing from the government's accounts. The fallout from the cash-gate scandal led to a loss of public trust in the government and its institutions, as well as a decline in the quality of PFM. The government's finances became more opaque and it became difficult for ordinary citizens to hold officials accountable for how public funds were being spent. This led to a decline in the effectiveness of the PFM system and reduced the government's ability to carry out important projects and initiatives. These corruption cases, among others, have had a major impact on the quality of PFM in both countries and have led to a loss of public funds, decreased public trust in the government and the PFM system, and have contributed to financial instability and economic decline in the country.

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Economic Characteristics

Income level

The income level is a significant factor affecting the quality of public financial management (PFM) in both South Africa (SA) and Malawi. The income of a country is a key determinant for the availability of financial, human, and technical resources for PFM systems (Kristensen et al., 2019:45). According to Paolo de Renzio's research (2009:11), there is evidence to support the idea that countries with higher income levels generally have better-performing public financial management (PFM) systems, although this pattern is not true for policy-based budgeting, where upper-middle income countries tend to score lower than poorer nations. In 2008, Malawi's average per capita income was around USD 160 annually, while South Africa, as a middle-income emerging market, had a GNI per capita of $4,960. In 2021, Malawi's per capita income was reported at USD 1610, while South Africa's GNI per capita was $6,530. This suggests that South Africa's higher income levels provide advantages for a better PFM system than lower-income countries such as Malawi. As highlighted in the findings, most government agencies were unable to take up recommendations from the Public Accounts Committee or internal auditors due to a lack of funding.

Higher-income levels in South Africa have contributed to the development of human capital, education, and literacy. South Africa also has some of the best schools in Africa, providing competent individuals to work in PFM areas in the government. In developed nations, citizens expect a high-quality PFM system that delivers good financial performance and public services. Given its status as one of the largest economies in Africa, the South African government has greater access to resources and revenue streams than many of its African counterparts, like Malawi. This has enabled investment in infrastructure, human capital, and technology that can improve PFM. In contrast, lower-income levels in Malawi limit the government's ability to invest in PFM initiatives. Malawi has failed in multiple attempts to reform its PFM systems, citing low finances. Compared to South Africa, Malawi has had limited resources for training and capacity building, hence hindering the ability of public finance managers to effectively manage public funds. This has also resulted in limited investment in technology and infrastructure, further affecting the efficiency and effectiveness of PFM.

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Economic growth

Economic growth can have a significant impact on a country's public financial management quality (Kristensen et al., 2019:46). In the case of South Africa and Malawi, economic growth has both positive and negative effects on their public financial management. In South Africa, higher economic growth rates in the past have contributed to an increase in tax revenue and a decline in the budget deficit, thereby improving the quality of public financial management. However, the country has also faced challenges such as rising government debt, income inequality, and poor service delivery, which have negatively impacted public financial management. In Malawi, the relatively small size of its economy, which is primarily dominated by agriculture, has limited the impact of economic growth on its public financial management quality. Despite the higher recent growth rates, poverty remains high in the country, and the government faces challenges in providing basic services to its citizens. Overall, economic growth alone does not guarantee an improvement in public financial management quality, but it has greatly influenced the PFM quality of the two countries.

Resource dependency

Malawi is one of the most aid-dependent countries in Africa, with approximately 40% of its budget being funded by foreign aid. This has led to donors playing a major role in carrying out the country's public financial management functions. On the other hand, South Africa is one of the least aid-dependent countries in Africa. Paola de Renzio's (2009:13) study sheds light on the impact of resource dependency on the quality of public financial management systems. He noted that there was a weak negative correlation that existed between levels of aid dependency and PEFA average scores. Kristensen et al. (2019:46) suggested that resource dependency, including aid dependency, weakened the social contract and accountability between citizens and the government, and incentivises a lack of transparency in the management of public funds. Additionally, volatile revenues and dependency on certain sources of revenue negatively impacted budget planning and execution.

In the case of aid dependency, lower levels of dependency are associated with limited improvement in overall average scores but are not consistent across budget dimensions. The study highlighted that donor practices tended to be lower in the performance of highly aid-dependent countries than in countries that received little foreign aid. He attributed this to the fragmented and inefficient nature of the donor presence in highly aid-dependent countries and

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the subsequent lower ability of governments to enforce discipline among donor agencies which is the case as portrayed by the qualitative analysis. In Malawi, the lack of resources has resulted in the government relying on development partners for assistance in implementing public finance reforms and initiatives. This dependence on development partners has resulted in the imposition of reforms by these partners, leading to a lack of ownership of the reforms by the government. This, in turn, has led to the abandonment of reforms in the implementation stage while also limiting the speed of change in the public sector.

Coordination Failures among Key Actors

Poor coordination is another factor perpetuating the underperformance of public financial management in Malawi. The qualitative assessment shows that the key actors in the PFM have failed to properly coordinate in the various areas of PFM. Among the several evident occurrences was the issue of no comprehensive data collection on resource disbursement to the service delivery units in the three years of assessment. The system did not record fund flows for service delivery units such as primary schools and primary health care clinics. Another problem was concerning reporting which the country failed to consistently carry out. This shows poor coordination between the ministries and the ministry of finance. This highlights that Malawi shows a lack of coordination mechanisms as well as communication platforms to ensure that they all work together. Furthermore, a lack of coordination is observed in the relationship between the donor agencies and the government. This observation is that the donor agencies give support directly to the various institutions without proper coordination which is observed in the lack of aggregate data on support as well as expenditure.

Poor coordination among key actors in Malawi has significantly impacted public financial management performance. The lack of coordination among government agencies, development partners, and civil society organisations has resulted in the duplication of efforts and a lack of alignment in decision-making. This has led to inefficiencies in the use of resources and a lack of accountability for results, which has negatively impacted public financial management performance. In addition, poor coordination has also led to a lack of trust and cooperation among key actors, which has further undermined public financial management performance. This has been evident in that development partners and civil society organisations showed that they did not trust the government to effectively use their resources through the withdrawal of aid in certain years.

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Government Capacity Constraints

The capacity constraint in government to effectively manage financial resources is a persistent challenge in both South Africa (SA) and Malawi. A qualitative analysis of PEFA reports highlights that government capacity constraints are a major limitation in the government's ability to manage public finance. Although some areas have sufficient capacity, many cost centers in South Africa lack adequate and trained staff, leading to inefficiencies and a lack of accountability in public funds management. High turnover rates contribute to these capacity constraints. Tsheletsane and Fourie (2014:47) conducted a study that revealed 96 out of 177 Director-Generals analyzed were permanent, while 81 were acting, thereby undermining service delivery and public financial management. The study further reported that 42% of the Directors-General spent less than a year in office, whether in acting or permanent positions, leading to instability in public financial management. The study also showed that although Directors-General were typically appointed for a period of three to five years, only 7.3% of them spent three to four years in the same position, and only 2.6% remained for five years. According to the study, the number of members of the Standing Committee on Public Accounts (SCOPA) who left their positions increased from 10 in 2003 to 15 in 2010. Although there was a relatively low rate of turnover between 2006 and 2009, it began to rise again in 2010, which was a year after the national elections.

The instability caused by frequent leadership changes also increases the likelihood of corruption. Frequent leadership changes decreased accountability as new Directors-general were not able to provide a proper account of the department's activities in previous periods when appearing before Parliament. They further highlighted that in many cases, Directors - general used their brief tenure to defend corrupt actions when questioned by parliamentary committees. The high turnover rate threatened the effectiveness of parliamentary committees like SCOPA, which rely on interrogating senior members of departments to gain clarity on certain matters. New members posed a challenge to democracy and accountability since they were unfamiliar with the issues at hand.

In Malawi, factors such as a lack of trained personnel, inadequate systems, and a lack of political will contribute to capacity constraints. This challenge is even more pronounced due to the limited resources available for government operations. This has resulted in a lack of investment in human capital, technology, and infrastructure, further limiting the government's

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ability to manage public finances. PEFA reports highlighted high vacancy rates among MDAs, impacting their ability to carry out their duties, as well as capacity constraints in procurement and internal and external audit functions. For example, the 2008 report notes that the AG struggled with issues of a high vacancy rate. The reports also highlighted capacity constraints in areas of procurement and it highlighted that there was a capacity problem in the system. There were inadequate qualified personnel to manage key public finance positions, and there are shortages of equipment and human resources. The resource constraints not only hinder the implementation of public financial management duties but also negatively affect reform efforts. The staff capacity has been a challenge in several PFM-related institutions, leading to coordination and oversight problems with the reform programme.

Political Interference

Political interference can have a significant impact on the quality of public financial management in both South Africa (SA) and Malawi. These examples demonstrate how political interference can undermine the quality of public financial management and the importance of ensuring political neutrality and transparency in the management of public funds. In Malawi, political interference has often led to the mismanagement of public funds, as well as the allocation of resources towards politically motivated projects, rather than those that are based on need or merit. For example in 2008/9, the sizeable variance in aggregate actual expenditure was attributed to the Ministry of Agriculture and Food security spending more than its allocated budget on importing fertilisers. The Ministry had spent more than the budget, and the variance was recorded in the middle of the 2008/9 fiscal year, which was also an election year in Malawi. These reallocations were based on political interference to use the resources for political campaigns. This undermined the credibility and effectiveness of government institutions, as well as eroded public trust in the political system. Political interference has also diverted resources away from essential public services, impacting the well-being of the population.

In SA, political interference has also harmed the quality of public financial management. For example, political leaders have been accused of using their positions to award contracts and jobs to their supporters, rather than to the most qualified candidates. This has led to a lack of transparency and accountability in the use of public resources. The South African state capture case had a significant negative impact on the quality of public financial management in the country. The case revealed widespread corruption, nepotism, and the capture of key state

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institutions by private interests, leading to a loss of public trust in the government and its institutions. This resulted in a weakened accountability framework and a decrease in the transparency and integrity of public financial management processes. The state capture case also harmed the ability of public financial management institutions to perform their mandates effectively, as key personnel were implicated in corruption or replaced with individuals who were not qualified or experienced enough to perform their duties. This resulted in a decline in the quality of public financial management and a decrease in the efficiency and effectiveness of public spending.

6.6 Conclusion

This chapter presented the research findings of the comparative analysis of the PFM performance of Malawi and South Africa using the PEFA reports and analysed and discussed data from PEFA reports of 2008, 2011, and 2018 for Malawi and reports from 2008 and 2014 for South Africa. The chapter compared the PFM performance for the two countries using the 2008 reports and then proceeded to use the other reports to further highlight the performances trend of the countries over the years. To facilitate further analysis, the findings of the PEFA reports were converted using Paolo de Renzio's methodology into numerical scores (de Renzio & Dorotinsky, 2007:9-10). The findings were analysed using descriptive statistics and presented using tables and graphs.

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CHAPTER 7

CONCLUSION AND RECOMMENDATIONS

7.1 Introduction

Despite the numerous efforts toward reforming the budget process and debt sustainability, both Malawi and South Africa are experiencing widening levels of budget deficits. These budget deficits have in one way, or another contributed to the rising levels of public debt in both countries. Erlandsson and Durevall (2004:10) highlighted that the most pertinent evidence of poor or weak public financial management systems is persistent budget deficits and a widening gap between the approved budget and expenditure. Therefore, growing cases of widening budget deficits in both countries are alarming and bring into question the quality of the public financial management systems in these countries. Based on this the researcher sought to make a comparative analysis of public financial management in Malawi and South Africa using the public expenditure and financial accountability assessment framework.

This chapter concludes the study by summarising the problem statement, research question, and research objectives. It also offers recommendations based on the findings from Chapter six, as well as suggestions for future research.

7.2 Research Question and Objectives Revisited

The study aimed at making a comparative analysis of public financial management in Malawi and South Africa using the public expenditure and financial accountability assessment framework. Globally, there are a few studies that have looked at cross-country comparisons on the quality of public financial management using the public expenditure and financial accountability assessment framework. These studies made broad comparisons based on contextual factors due to the data provided. The studies failed to consider the more individual features in the design and implementation of PFM systems in each country. There is only one study that made a comparative analysis of the public financial management systems of another country and Malawi. The study compared and assessed the 2018 PFM performance of Ghana and Malawi; however, it did not convert the PEFA scores into numerical conversions and it did not extensively discuss the individual features in the design and implementation affecting the quality of public financial management. The study answered the overall research question on,

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what the quality of public financial management in Malawi is compared to the public financial management in South Africa using the PEFA framework, through four research objectives which were:

1. To compare the quality of public financial management of Malawi and South Africa using the PEFA framework
2. To identify Malawi's shortcomings in public financial management when measured against the PEFA framework?
3. To understand the underlying dynamics affecting the quality of PFM in both countries
4. To make policy recommendations based on the findings on how public financial management can be improved in Malawi.

7.3 Summary of Key Findings

The overall findings show that South Africa is assessed to have a better overall PFM score in 2008 than Malawi. South Africa records an average score of 3.19 out of 4 while Malawi registers an average score of only 2.20 out of 4. Overall South Africa displays an improvement in overall PFM performance. South Africa scored an overall average of 3.19 in the 2008 assessment and then improved to an overall score of 3.39 out of 4 in the repeat assessment of 2014. Though it regressed in performance in areas such as budget credibility and predictability and control in budget execution, South Africa made significant progress in comprehensiveness and transparency, policy-based budgeting, and in donor practices. On the other hand, Malawi displays an overall deterioration in performance since the initial assessment. Malawi recorded an average of 2.20 in the 2008 assessment and then deteriorated to a score of 1.99 in the 2011 assessment and to 1.95 in the 2018 assessment.

The public financial management performance trend of Malawi showed that there are numerous shortcomings in the PFM when measured against the PEFA framework. The findings highlighted consistent shortcomings of the Malawi PFM system to meet the standards in the PEFA framework. Among some of the shortfalls, the study revealed that Malawi has struggled to perform in areas of expenditure composition variance; revenue variance; expenditure arrears; public access to information; procurement management; external audit and scrutiny and the area of donor practices. Malawi's budget credibility has declined over time due to significant deviations in expenditure outturn compared to the approved budget, indicating distortions to

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original policy objectives. The variance in aggregate expenditure composition outrun has been significant, with major deviations. The positive variance in revenue in the past has also led to the budget being an unreliable indicator of the country's resource envelope. Malawi consistently struggles with managing expenditure payment arrears, with persistent shortfalls in this area, and a lack of effective monitoring and reporting exacerbates the problem. The 2018 assessment showed a further deterioration in performance, particularly in the area of managing arrears.

The Malawi government also consistently performed poorly in providing public access to fiscal information, failing to publish financial statements, external audit reports, contract awards, and procurement reports. Malawi's performance in predictability and control in budget execution deteriorated, with issues including lack of competition, value for money, and controls in procurement. Malawi's internal audit faced resource constraints, with high vacancy rates and insufficient funding, resulting in only a few planned internal audits being completed and most findings not being implemented by the MDAs. Malawi's accounting, recording, and reporting also consistently fell short of PEFA framework standards, with an incomplete budget and financial reports and infrequent bank reconciliations.

According to the 2011 and 2018 PEFA assessments, Malawi's legislative scrutiny of the annual budget law and external audit reports consistently fell short of PEFA standards. Rules and procedures for budget reviews were not comprehensive and only partially followed, and clear rules for supplementary budgets existed but were not respected. Delays in examining audit reports undermined their value, and there was a weak implementation of the PAC report by the executive. The NAO faced issues of independence in terms of appointment and execution of its budget. Malawi's Public Financial Management (PFM) system has consistently experienced shortcomings in donor practices according to PEFA assessments. Direct donor support was very unpredictable, and the timeliness of donor disbursement was lacking. Donors also failed to ensure that their data was complete and in line with government classification. These problems persisted in the 2011 and 2018 assessments, including positive variances in budget support by donors, lack of data on in-year timeliness of donor disbursements, incomplete budget estimates by donors, and inconsistency with government classification. These issues undermine the credibility of the budget and promote loose fiscal discipline.

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The study also looked at the underlying factors affecting the quality of PFM in these two countries. The research identified population size as a significant factor affecting PFM quality, with South Africa's larger population providing a better economy of scale for investment in PFM systems, unlike relatively lower-population countries such as Malawi. Another significant factor affecting PFM quality is income level, with higher-income countries like South Africa having advantages in PFM systems due to the availability of financial, human, and technical resources, unlike lower-income countries such as Malawi. Capacity constraints in effectively managing public financial resources were a persistent challenge in both countries, with inadequate funding, lack of trained personnel, and inefficient systems contributing to the problem. Poor coordination among key PFM actors in Malawi was also a significant factor perpetuating underperformance in PFM. In addition, political interference harmed the quality of PFM in both countries, with leaders accused of allocating resources towards politically motivated projects rather than those based on need or merit.

7.4 Recommendations

This section provides recommendations based on the study findings. These recommendations are meant to address the key challenges identified in the information provided and to improve the performance of public financial management in Malawi. The following policy recommendations are therefore made:

1. Coordination and collaboration: There is a need for stronger coordination and collaboration among key actors in the public financial management system, including the government, development partners, and civil society organisations To address the need for stronger coordination and collaboration, it is essential to establish comprehensive policies that foster transparent communication platforms, regular meetings, and effective sharing of information and resources. The Ministry of Finance should play a leading role in formalizing roles and responsibilities for coordination at all levels and establishing robust institutional partnerships through Memoranda of Understanding (MoUs) with other ministries, donors, and development partners. In order to ensure accountability in the coordination efforts, the Ministry of Finance should actively monitor the coordination efforts of ministries, departments, and agencies (MDAs) and enforce performance contracts, utilizing sanctions like fund reductions or withdrawal for non-compliance. It is also important to establish policies

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that ensure that MDAs allocate funds for capacity development, orient their employees on their roles, and provide training on productive coordination efforts and reporting. These measures, once implemented, will contribute to improved coordination, collaboration, and the overall optimal utilization of resources within the public financial management system.

2. Capacity building: The government in Malawi needs to prioritise capacity-building efforts to address the persistent challenge of limited capacity in the management of public finances. This can include investment in human capital, technology, and infrastructure, as well as training and professional development opportunities for government personnel. The Ministry of Finance in Malawi should prioritize capacity building in public financial management by collaborating with local universities, such as the University of Malawi. This collaboration can involve offering short course trainings tailored to the needs of employees in various roles within the sector, focusing on emerging technologies, best practices, and evolving systems. Additionally, these training programs should be tied to employees' continued practice and career advancement in public finance, incentivizing their active engagement in professional development. Continuous learning opportunities, knowledge sharing platforms, and regular evaluation of the training effectiveness should also be implemented to ensure a culture of upskilling and improved management of public finances in Malawi.

3. Strengthening Institutions: In order to strengthen public financial management in Malawi, it is crucial for the government to prioritize the strengthening of key institutions responsible for this crucial function. Specifically, the Ministry of Finance, the National Audit Office, and the MDA units responsible for internal audit and procurement functions need to be bolstered. This can be achieved through a multi-faceted approach. Firstly, immediate attention should be given to filling key personnel vacancies within these institutions, ensuring that skilled professionals are in place to drive public financial management initiatives. It is important to have competent individuals who can effectively carry out the responsibilities of these institutions. Secondly, robust systems and processes should be implemented to streamline operations and promote transparency across the government. This will help to ensure that financial management processes are efficient and accountable. To support these

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efforts, the government should prioritize the allocation of adequate resources and support to enable these institutions to carry out their responsibilities effectively. The Civil Service Commission, responsible for recruitment in the public sector, should make efforts to attract and retain qualified professionals with expertise in financial management, auditing, and procurement. This will help to build a skilled workforce within these institutions.

Policies should also be developed to ensure that the MDAs and Ministry of Finance embrace modern technology and stay up-to-date with emerging trends. Comprehensive training programs should be provided to enhance the efficiency and effectiveness of public financial management. This will help employees stay abreast of best practices and utilize modern tools to improve their work. Furthermore, it is crucial to insulate independent public institutions like the Auditor-General (AG) from political interference through the enactment of comprehensive laws governing their funding. The AG should be granted the authority to impose sanctions on non-compliant Ministries to reinforce accountability. Ministries should also receive training in consequence management related to public finance to address non-compliance effectively.

In addition, the AG in Malawi should collaborate with the South African AG to learn effective practices through study tours. Adequate resources, including funding, skilled professionals, and training programs, should be allocated to the AG office to strengthen its capacity. The government should also develop policies to enhance collaboration between the executive and parliament on public finance, ensuring regular reporting, and active engagement with parliamentary committees for effective oversight and accountability. The National Audit Office should be empowered to enforce audit findings and hold those responsible for financial mismanagement and non-compliance accountable. Finally, the government should make efforts to promote public awareness and engagement amongst citizens. This will help to ensure that the various institutions responsible for public financial management are held accountable by the citizens. Transparency and citizen participation are essential for effective governance and improved financial management practices.

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4. Stabilising leadership: Both South Africa and Malawi should take the effort to stabilize leadership in various institutions especially in terms of public finance management. To address the negative effects of frequent leadership changes and reduce the likelihood of corruption in government institutions, it is crucial to prioritize stabilizing leadership positions through the enactment of specific policies. This can be achieved by implementing measures such as establishing longer tenures for Directors-General and other key positions within the public financial management system. By allowing leaders sufficient time to understand and address challenges, they can effectively carry out their responsibilities and be held accountable for their actions.

   Furthermore, it is essential to provide continuous support and professional development opportunities for leaders to enhance their skills and knowledge in public finance management. This can include implementing specialized training programs, mentorship initiatives, and exposure to best practices in governance and financial management. By promoting stability in leadership, both countries can foster a culture of accountability, improve the effectiveness of parliamentary committees, and ensure a more transparent and efficient management of public funds.

5. Enhancing accountability: The government should work to enhance accountability in public financial management, by implementing clear and transparent reporting systems that provide comprehensive information on resource disbursement and expenditure. This entails ensuring accurate and comprehensive data collection on resource disbursement to service delivery units like primary schools and primary healthcare clinics. Additionally, efforts should be made to improve the quality and timeliness of in-year budget reporting, covering both commitments and expenditures. It is essential for annual financial statements to accurately report all expenditures and tax arrears to avoid incomplete reports.

   Furthermore, addressing the shortcomings in accounting standards is crucial to promote accountability. The government should ensure that the accounting standards used comply with the country's legal framework, specifically aligning with COFOG. Integration of electronic systems should be prioritized to minimize manual transfers without audit trails and enhance data recording and tracking. Lastly, the government

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must prioritize the production of complete and accurate financial reports, including expenditure reports outside of financial reports and development expenditure financed by development partners. This requires meticulous documentation and verification of the exact amount received from grants and loans. Additionally, efforts should be made to expedite the submission of audited accounts within the specified time through policies that sanction late submissions. By implementing these measures, the government can significantly enhance accountability in public financial management and improve the overall effectiveness and transparency of financial reporting in Malawi.

6. Improving information and communication: The government should improve information and communication mechanisms to reach across decentralised actors and ensure that all key players have access to the information they need to effectively carry out their responsibilities. Firstly, it is essential to establish effective coordination mechanisms among key actors, including government agencies, development partners, and civil society organizations. This can be achieved through regular meetings, joint planning sessions, and the establishment of communication platforms to ensure all key players are aligned and have access to the necessary information. Additionally, the government should prioritize comprehensive data collection on resource disbursement to service delivery units, such as primary schools and primary healthcare clinics, to improve coordination and decision-making. Shifting from a manual approach to a digital one can streamline this process and make it more efficient. Furthermore, to enhance public access to information, the government should take proactive measures, this could involve establishing an independent body or transferring the function to a private body responsible for ensuring timely and transparent publication of essential documents, such as annual budget documentation, financial statements, external audit reports, contract awards, procurement reports, and resources allocated to primary service units.

By implementing sanction and consequence management measures, the government can significantly improve adherence to deadlines for submitting and publishing crucial reports, including the Appropriation Bill, in-year budget execution reports, quarterly financial statements, and annual budget execution reports. Enhancing information and

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communication mechanisms will facilitate effective coordination, transparency, and accountability, thereby improving PFM in Malawi.

7.6 Recommendations for Future Research

This study conducted a comparative analysis of public financial management in Malawi and South Africa using the Public Expenditure and Financial Accountability Assessment Framework, and potential areas for further research were identified. Conducting additional research in these areas can help enhance the existing knowledge of public financial management. It is important to keep the knowledge base current and relevant since public financial management systems are continually changing and evolving. These potential areas for future research include:

1. Comparing PFM performance across a wider range of African countries to identify common challenges and best practices. This will educate policymakers on how to address diverse challenges by learning from other contexts.

2. Conducting an in-depth analysis of the factors that contribute to poor parliamentary scrutiny of budget and external audit reports in Malawi and identifying potential solutions to improve performance in this area.

3. Examining the impact of donor practices on PFM in other African countries and assessing the effectiveness of measures to address these challenges.

4. Examining the effectiveness of capacity-building programmes in improving PFM performance in Malawi and South Africa and identifying best practices for implementing these programmes.

7.7 Conclusion

This chapter provided a conclusion to the study concerning the research objectives of the study. The chapter presented the conclusion by providing a recap of the problem statement, the research question, and the research objectives. The chapter also provided recommendations based on the findings observed in Chapter 6.

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