# Institutional and personnel capabilities in public finance management in a post-conflict environment: the case of the Central African Republic

CABRI

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# Contents

# I. Background

The most recent PEFA assessment, conducted in 2010, shows that, overall, the country had weak PFM processes and outcomes. In addition, according to the World Bank, statistical capacity deteriorated significantly as a result of the 2013 conflict, from 58.4 in 2013 to 35.6 in 2018.

| Dimension | Score |
|---|---|
| Credibility of the budget | D |
| Comprehensiveness and transparency | C |
| Policy-based budgeting | C+ |
| Predictability and control in budget execution | C+ |
| Accounting, recording and reporting | D+ |
| External scrutiny and audit | D+ |
| Donor practices | D |

*Source: PEFA Assessment Report, 2010*

Following the end of the conflict, the government has embarked on a PFM reform programme to build budget credibility and restore normal budget expenditure.

# II. Methodology

The data-collection work conducted for this report proceeded in **five stages**:

1. **Scoping**
2. **Instrument design**
3. **Desk research**
4. **Data-collection:** It consisted of in-depth qualitative interviews with 13 key informants in a relevant position to reflect on a particular PFM function (Min. of Finance, Min. of Economy, Min. of Health, National Assembly, Civil Society and IMF).

The qualitative interviews are accompanied by a quantitative survey conducted among 225 public finance officials from two ministries (the Ministry of Finance and Budget and the Ministry of Economy, Planning and Cooperation).

**5. Validation:** The main findings of the evaluation were triangulated and validated by a workshop of stakeholders (including respondents to key informant interviews) before the drafting of the final report.

# III. Institutional capabilities ( 1/6 )

## Budget accuracy

The review reveals that the CAR struggles with improving budget credibility mainly because key institutional capabilities in revenue forecasting are lacking at the budget-formulation stage. Most stakeholders view the projection of budget aggregates in the CAR to be inaccurate.

“The lack of accuracy is reflected primarily in the recourse to supplementary budget laws in two of the three fiscal years since 2016. As soon as the finance law is voted, authorities are already discussing a revised budget because allocations are insufficient or have been entirely consumed.”

Moreover, the defence sector’s budget is underestimated such that it is often entirely executed before mid-way into the fiscal year.

The IMF also acknowledges that there is a tendency to manipulate the numbers to get away with non-priority spending while keeping up the appearance of meeting the deficit target.

# III. Institutional capabilities ( 2/6 )

## Revenue forecasting

Despite the progress made in increasing overall government revenues, it has a proportional effect on expenditures because ministries, departments and agencies (MDAs) see this as an opportunity to increase their (non-priority) expenditures. Interview respondents identified several factors that they believe have contributed towards errors in revenue forecasting:

- Incomplete understanding of tax potential: the taxpayers' database is outdated;
- Difficulty in determining the economic impacts of tax policy and administrative reforms;
- The current budget nomenclature excludes or misclassifies key sectors of the economy that are stimulating growth, which contributes to underestimation of revenues;
- Lack of programming tools and corresponding skills: there is also a shortage of skilled human resources and high turnover at key positions.

# III. Institutional capabilities ( 3/6 )

## Quality of expenditure planning

Expenditure planning for recurrent expenditures is conducted by MDAs in collaboration with all their directorates where they assess their needs before a decision is taken by the chief of staff and/or minister to determine each directorate's budget envelope. Following that, MDAs negotiate their envelopes with the Budget Office.

Some of the problems encountered in expenditure planning include:

- MDAs internal capabilities to draft a budget;
- Capital expenditure planning;
- Misalignment between commitment plans and the Treasury plan;
- The frequent occurrence of exceptional expenditures such as official travel and medical evacuation expenses;
- Expenditure planning errors are not accounted for in subsequent budget cycles and there is no established process to review the accuracy of projections ex-post.

# III. Institutional capabilities ( 4/6 )

## Budget execution

The country has a relatively high wage bill, which is nearing 60 percent of own resources. However, the overall sentiment is that most departments are understaffed when one adjusts for relevance of skills. Civil service recruitment takes place, for the most part, at the central level.

For commitment and expenditure control, the CAR has accumulated arrears partly due to previous regimes' poor financial governance, especially during the conflict.

Cash management is a critical challenge for the government of the CAR, as manifested in the chronic discrepancy between commitment plans and Treasury resources. MDAs submit engagement plans as long as they see that the credit line is available, even though there is no link between these engagement plans and cash flow plans of the Treasury or procurement plans.

# III. Institutional capabilities ( 5/6 )

**Reporting**

On a quarterly basis, all MDAs are required to produce budget execution reports, which are used by the Ministry of Economy for forecasting. They also publish administrative reports that are generally meant for internal use or activity reports for development partners.

The key systemic and organisational challenges impacting on effective and timely reporting include:

(i) shortages of time because staff are usually overwhelmed by their daily operations and need to find time to work on reports, and

(ii) absence of planning and/or statistics departments and experts to produce quality reports.

**Auditing capabilities**

Audits are the responsibility of the Inspector General of Finance, who conducts random checks or is mandated by the government to do so. The primary responsibility for the detection of fraud within the standard PFM system rests with the Inspectorate General of Finance.

# III. Institutional capabilities ( 6/6 )

## Auditing capabilities

Moreover, there are finance inspectors within each ministry. However, internal audit is rare. The Inspector General faces challenges that range from reducing the number of inspectors (from 30 to 21) and limited logistics to undertaking covert investigations.

## Detection of fraud and corruption

The IGF office reports irregularities which could justify criminal prosecution of civil servants. The National Committee for the Fight against Corruption (CNLC) is an institution within the Prime Minister’s office that is responsible for fighting fraud and corruption, but its mandate is not well known. Additionally, there is a National Agency for Financial Investigation (ANIF) in the Ministry of Finance that is responsible for detecting fraud.

## Public engagement

There is little engagement by the public and civil society on issues related to PFM. Besides accessing information and reports on key ministries’ websites, civil society sometimes makes specific requests for documents but does not generate real feedback on them.

# IV. Personnel capabilities ( 1/6 )

## Characteristics of the sample officials

**Sample**

**255**

Officials from the Ministry of Finance and Budget (158) and from the Ministry of Economy, Planning and Cooperation (**67**)

**Male** **70%**

**Female** **30%**

**42,4 years**

Average age

**04 years**

Years of experience: at current post

**63,5%**

Postgraduate training

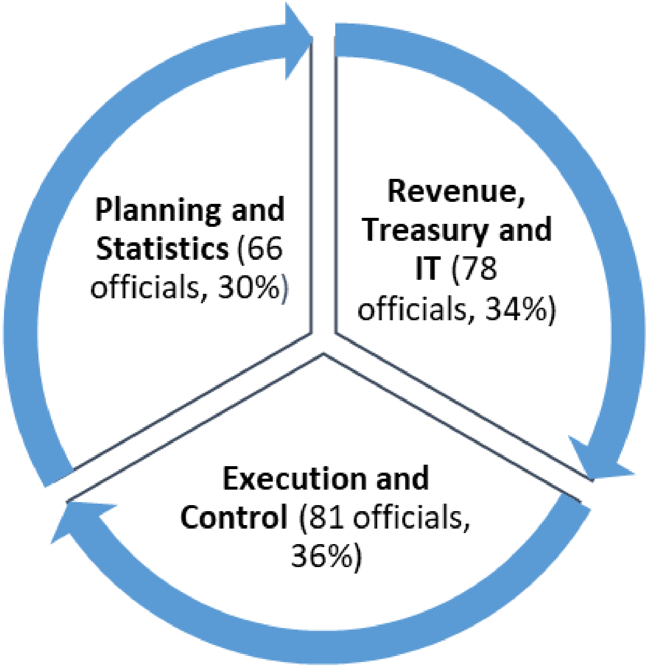
**10 ans**

Years of experience: in the current organisation

# IV. Personnel capabilities ( 2/6 )

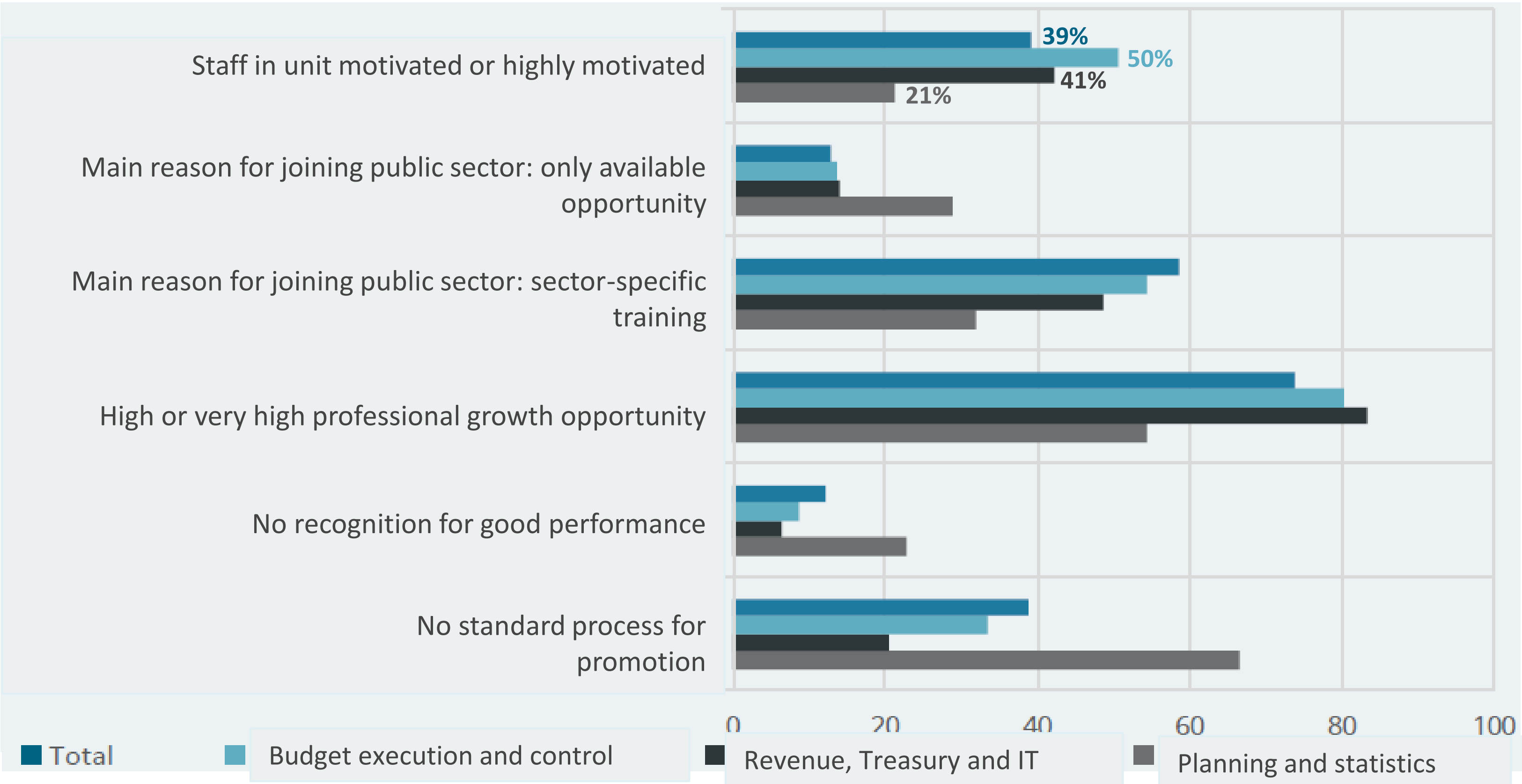
## Distribution of sample officials in PFM functions during the budget cycle

**3 broad categories of PFM functions have been identified.**



# IV. Personnel capabilities ( 3/6 )

## Personnel motivation and related indicators




Only 39% of respondents answered that their colleagues in the same unit were either motivated or highly motivated. This percentage is even lower among planning and statistics officials (21%).

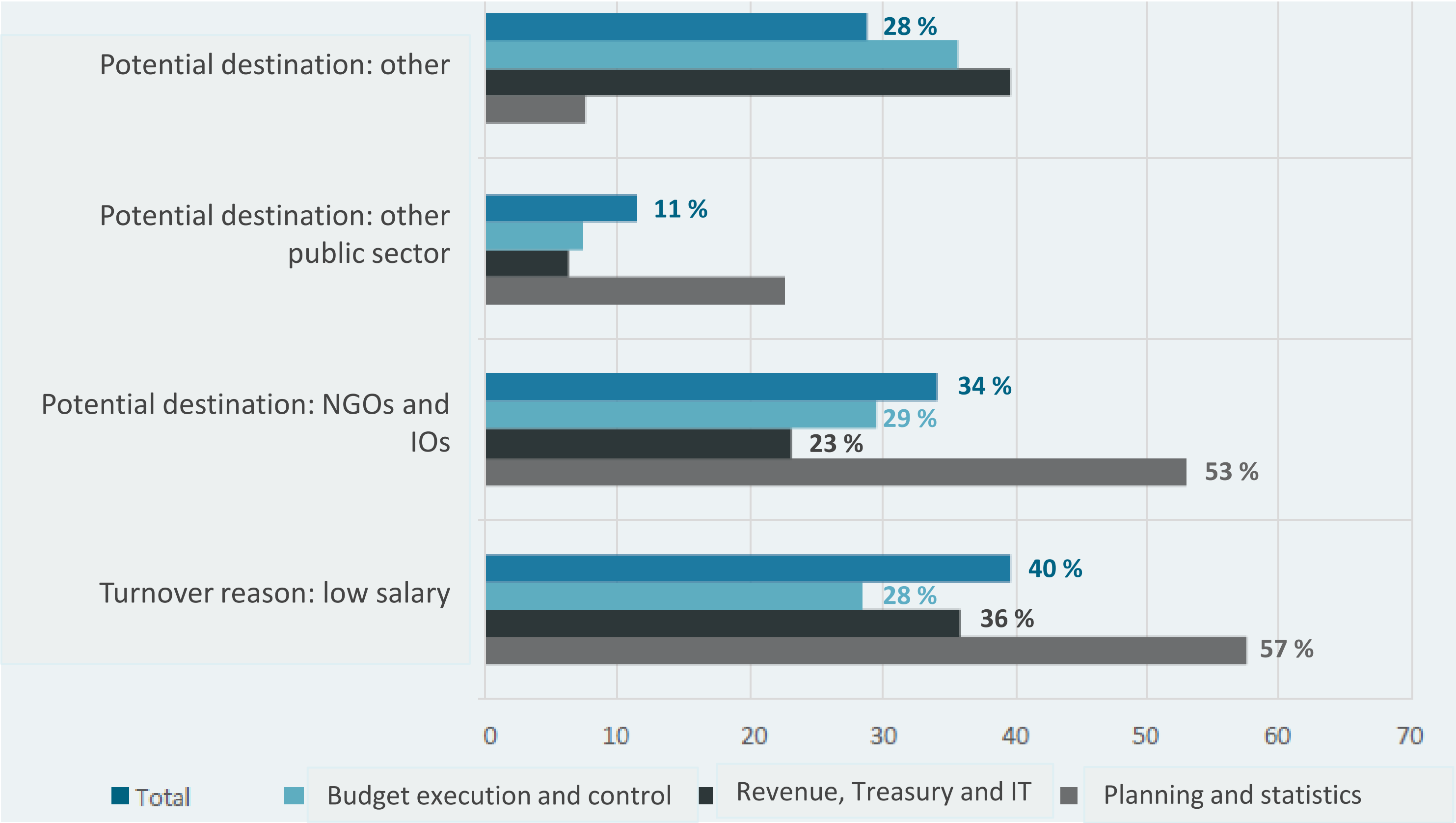
# IV. Personnel capabilities ( 4/6 )

## Staff turnover prediction

- There is a correlation between low motivation, low professional growth opportunities and lack of recognition for good performance.
- Officials in revenue, Treasury or IT functions are 96 percent more likely to wish to stay longer than are planning and statistics officials.
- Officials in budget execution or control functions are 165 percent more likely to want to stay longer compared to officials with planning or statistics responsibilities.
- One more year of age increases the likelihood of staying by 9%.
- Officials with postgraduate training are 42% less likely to stay than officials without.

# IV. Personnel capabilities ( 5/6 )

## Potential turnover reasons and destinations




Nearly 40% of respondents said that low salary would be the main reason for leaving. NGOs and international organisations seem to be the most popular destination in case of leaving.

# IV. Personnel capabilities ( 6/6 )

## Skills mismatch

**70%** of the officials feel that the skills mismatch has affected the unit's performance.

One way to remedy a skills gap at the time of appointment is to conduct regular on-the-job training.

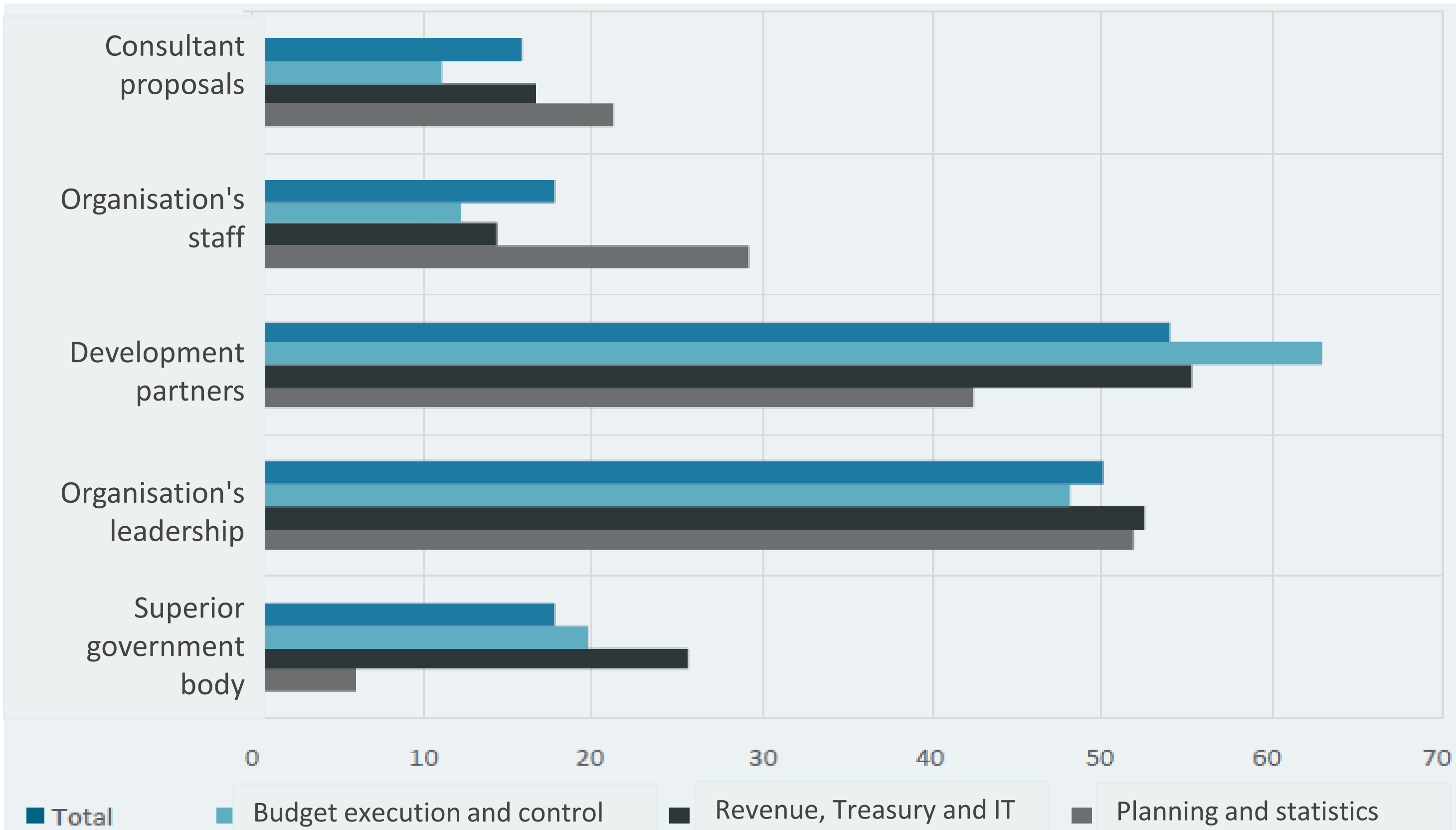
**59%** of the respondents said they receive on-the-job training at least once a year.

**87%** believe that the on-the-job training they have received is well-targeted for their needs.

**16%** of interviewed officials said they had a senior colleague that mentored them.

# V. Reform ecosystem ( 1/5 )

## Origin of new ideas/practices




An important aspect of ownership is originating the reform idea in the first place. Development partners are shown to have the most influence in generating reform ideas in the CAR, particularly in the budget execution and control functions.

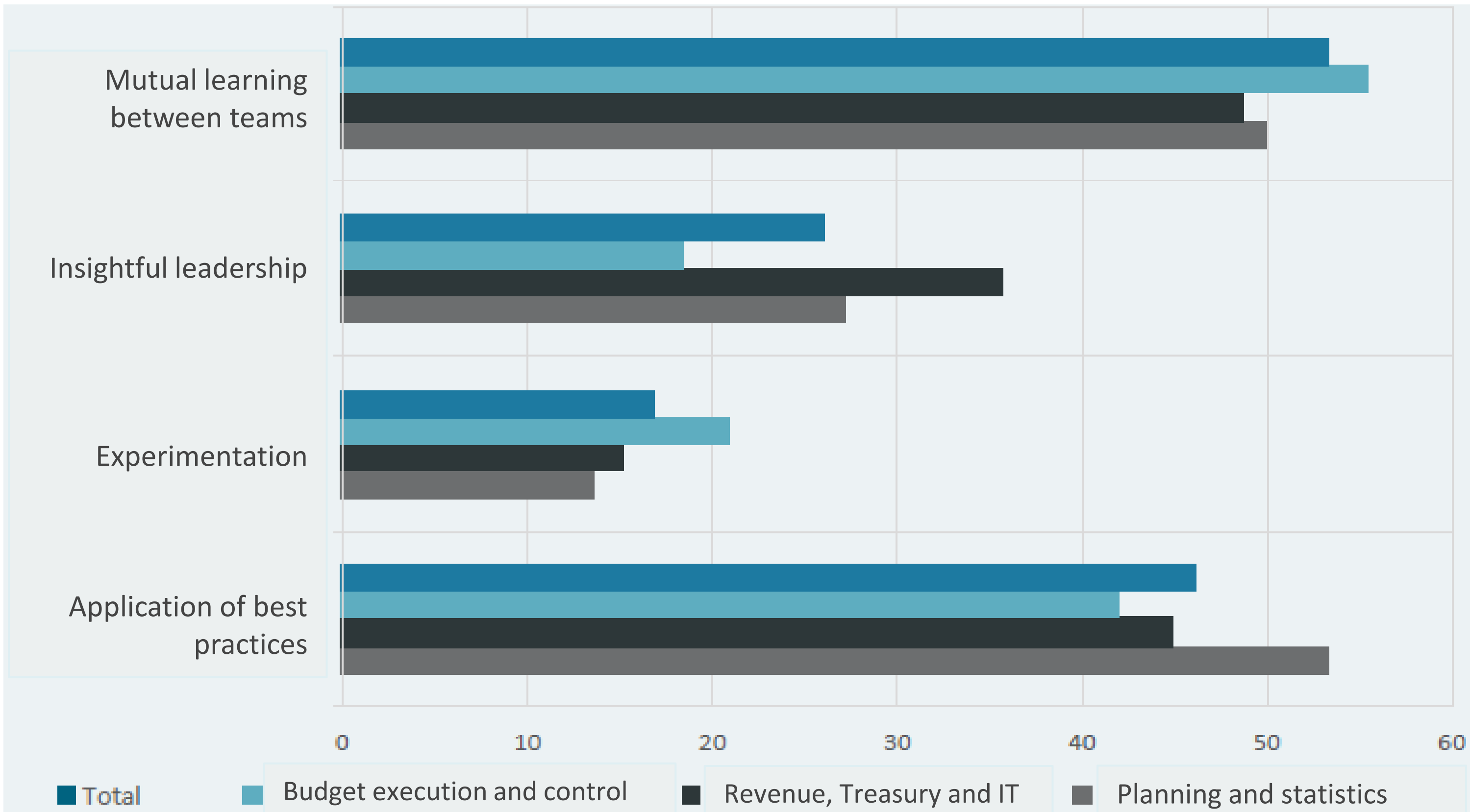
# V. Reform ecosystem ( 2/5 )

## Sequencing of reforms and engaging other units

- **Overall,** 59% of respondents say that basic reforms are first deployed in their unit before related ones. However, **planning and statistics functions are favouring comprehensive reforms** over prioritising basic reforms.
- The majority of PFM functions (revenue, Treasury, budget execution and control) seem to focus on **sensitising other units** in the same organisation before implementation begins.
- Planning and statistics functions, on the other hand, either i**nvolve other units at the planning stage or leave it up to superior bodies to do the co-ordination**.

# V. Reform ecosystem ( 3/5 )

## Main factors behind improved performance

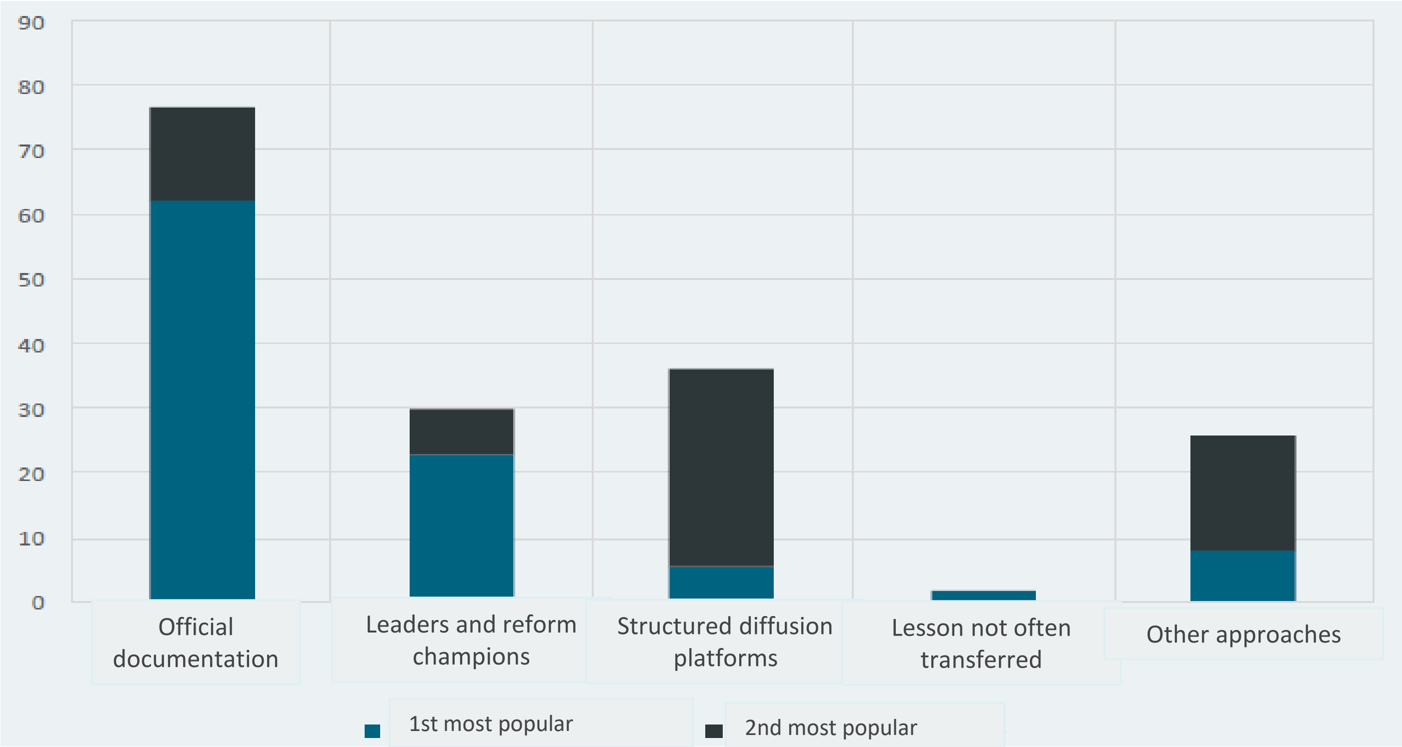



**Mutual learning between teams** appears to be the leading driver of improved performance in most units. **Application of best practices** is reported to have the highest impact in planning and statistics.

# V. Reform ecosystem ( 4/5 )

## Most popular approach for transferring past reform lessons

Most reforms start as pilots or are first implemented with limited scale/scope.

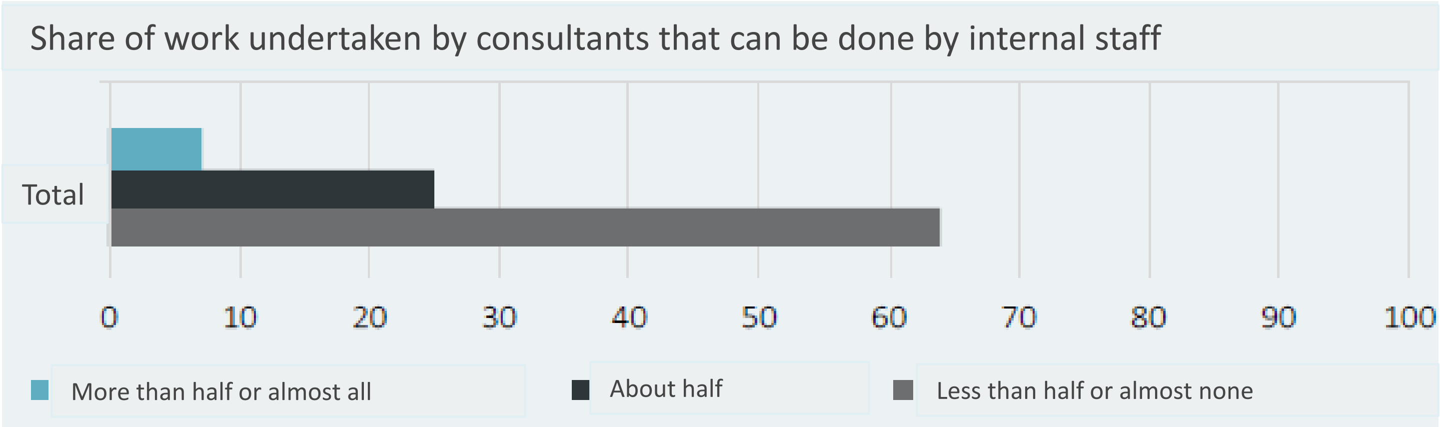



Official documentation is the most prominent form of transmitting reform lessons as a first option. It is followed by structured diffusion platforms.

# V. Reform ecosystem ( 5/5 )

## Involvement of external consultants

- For the time being, given the broad scope of public finance responsibilities, **the CAR appears to relying heavily on technical assistance and external consultants to bridge the skills gap.**
- The involvement of external consultants is more visible in reform initiatives than in day-to-day activities.
- In the majority of cases, **less than half or almost none of the activities undertaken by external consultants could be carried out by internal staff.**



# Conclusion

- Following the end of the civil war, the CAR has been undergoing a process of rebuilding its state institutions, particularly in the field of PFM.
- Most stakeholders agree that the annual budget the government passes at the beginning of the year is often far from credible, with erroneous revenue forecasting.
- In addition to systemic and organisational capabilities, public finance institutions in the CAR are constrained by low personnel motivation and high levels of skills mismatch. Personnel problems are particularly severe in the planning and statistics function.
- There are very few mentoring opportunities available for newly recruited officials. For the time being, the CAR appears to be relying heavily on technical assistance and external consultants to bridge the skills gap in PFM.
- However, there should be a transition plan in place to use technical assistance to catalyse internal capability building.

**Thank you for your kind attention!**