

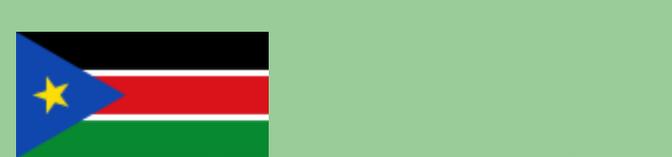
HESPI Training on Public Expenditure Management for Middle-Level Government Officials of South Sudan

Fantahun Belew Asfaw
Grand Juba Hotel
Juba
April 20-21, 2018



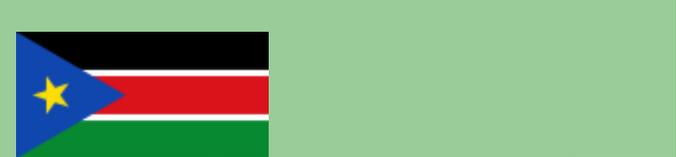
Monitoring and Reporting of Public Expenditure





Outline

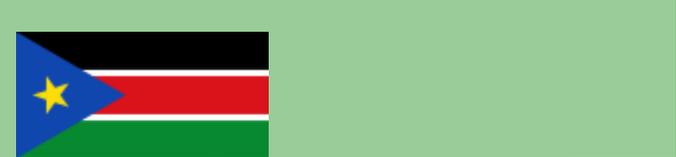
- Budget Monitoring and Tracking
- Public Expenditure Reporting
- Role of Middle Level Officials in Monitoring and Reporting
- Role of Accounting Officials, MDAs



Budget Monitoring and Tracking

Why Budget monitoring and Tracking

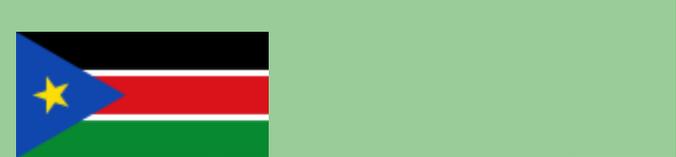
- To gain an understanding of how public funds have been utilised, and how they contribute to government policies,
- Evaluating the budget outcomes and impact beyond efficient input management;
- Assess how efficiently and effectively functions, programs, and activities are done in order to meet national objectives and goals;



Budget Monitoring and Tracking...

Fundamentals for Budget Monitoring and Tracking

- The budget design process from the outset should develop and utilize performance measures for functions, programs, and/or activities.
- Define and keep track of indicators to consider what they are trying achieve with policies;
- Creating a strong link between budget monitoring (understanding how public resources are being utilised) and performance-based budgeting;
- Designing appropriate tools, methods and approaches for monitoring non-financial performance;



Budget Monitoring and Tracking...

Fundamentals for Budget Monitoring and Tracking

- The budget process should be linked to specific program goals and objectives.
- Budget tracking should go to the extent of identifying impacts of a particular budget;
- There are several types of performance measures: inputs (resources), outputs (efficiency) and outcomes (effectiveness);

Budget Monitoring and Tracking...

Input measures the financial, administrative and regulatory resource

Output measure the immediate and concrete consequences of the measures taken and resources used:
Ex: Number of schools built, number of teachers trained

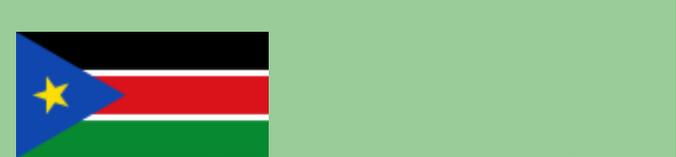
Outcome measure the results at the level of beneficiaries. *Ex: school enrolment, percentage of girls among the children entering in first year of primary school*

Impact measures the consequences of the outcomes. It measures the general objectives in terms of national development and poverty reduction. *Ex: Literacy rates, unemployment rates, life expectancy*

Budget M&T Instruments

Participatory Budgeting (PB):

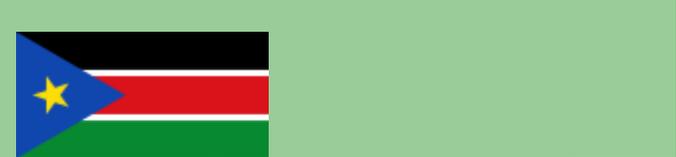
- PB aims to:
 - Bring citizen voice into the budgeting process through greater inclusion,
 - Increase transparency and understanding of budget constraints,
 - Improve targeting of public spending, and
 - Reduce corruption.



Budget M&T Instruments ...

Independent Budget Analysis (IBA):

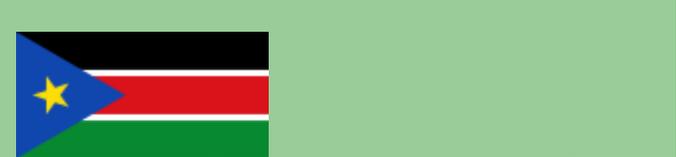
- Improve information sharing and public understanding of the budget;
- Influence budget allocations;
- Improve targeting of funds for vulnerable groups, including women and children;
- Initiate debates on sector specific implications of budget allocation;
- Influence revenue policies.



Budget M&T Instruments ...

Participatory Performance Monitoring:

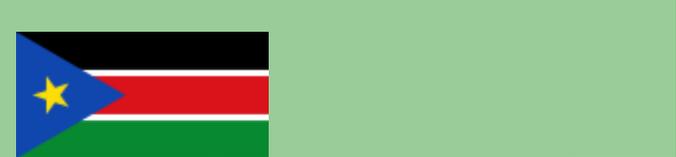
- It is the involvement of citizens, users of services, or civil society organizations in monitoring and evaluation of services delivered and public works.
- Improve quality, accessibility, and relevance of service delivery and public works,



Budget M&T Instruments ...

Public Expenditure Tracking Surveys (PETS)

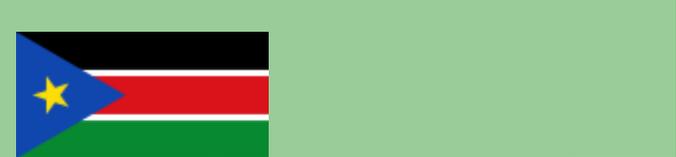
- Uses to track the flow of public resources (including human, financial, or in kind) from the highest levels of government to frontline service providers.
- Fight corruption by uncovering leakages in the system between the source and the destination in the flow of funds or goods;
- Detect problems of service delivery in the form of staff absenteeism or ghost workers and
- Improve the efficiency of budget execution.



Budget M&T Instruments ...

Public Expenditure Tracking Surveys (PETS)

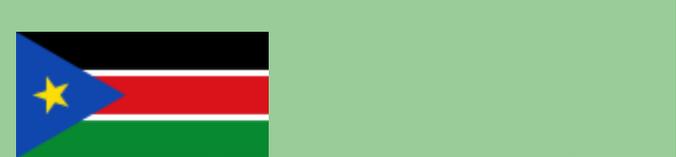
- Tracing the flow of public resources for the provision of public goods or services from origin to destination.
- help to detect bottlenecks, inefficiencies and/or corruption in the transfer of public goods and resources ;
- Helps governments, citizens and CSOs ensure that allocated public resources effectively reach their intended beneficiaries;
- It can help identify and address problems and weaknesses in systems of public expenditure, transfer and service delivery; and
- Compare budgetary allocations to actual spending



Budget M&T Instruments ...

Key steps in implementing public expenditure tracking:

- Determine the scope and purpose of the tracking exercise;
- Identify partners and key stakeholders;
- Design the research/survey;
- Gather and analyze the data;
- Public dissemination of findings and advocacy;
- Explore possibilities for institutionalization,



Budget M&T Instruments ...

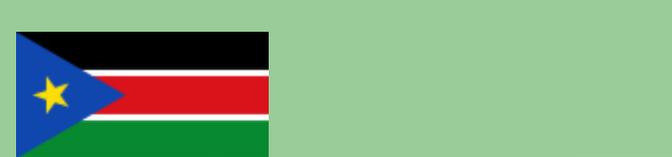
Citizens' Report Cards

- Citizens' Report Card is a methodology that more directly aims to get feed-back from users of public services;
- It is a survey that asks citizens to rate the providers (or provisions) of public services, such as health services, water providers, schools and municipal officials.
- The Citizens' Report Cards is an effective means of gauging client satisfaction of public services.



Budget M&T Instruments ...

- Generate citizen feedback on the degree of satisfaction by various public service agencies;
- Encourage citizens to adopt pro-active stances by demanding more accountability, accessibility and responsiveness from service providers;
- Serve as a diagnostic tool for service providers, external consultants and analysts/researchers to facilitate effective reform; and
- Encourage public agencies to adopt and promote citizen friendly practices, design performance standards and facilitate transparency in operations.



Types of Budget and Financial Reports and Content

Legal Basis

PFMA- Act, stipulates that: (Article 32)

- The Ministry of Finance and Economic Planning has to produce an interim quarterly reports to the Assembly within 30 days of the stated period,
- All Ministries and other Spending Agencies have to make semi-annual and annual reports to the Assembly on the use of the public funds spent and outputs achieved.
- Preparing accounting information and data after being categorized and analyzed that enable expenditures or other socio-economic indices to be conducted.

Types of Budget and Financial Reports and Content

Objectives:

- Reporting the performance of the fiscal outturn in a more responsive, responsible, and accountability manner;
- Financial reports give information how well the government is doing, and how resources are used in conformity with legal authorization;
- Indicating the status of resources and expenditures against forecasts and historical performances;
- Providing base line information for policy making and macroeconomic management

Types of Budget and Financial Reports and Content

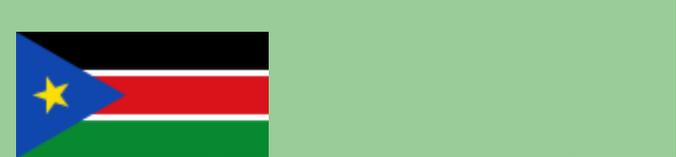
Objectives:

- Fulfilling the legal framework requirement,
- To monitor and follow up the country's development strategy;
- To provide information to development partners,
- To promote transparency and participation in budget management,
- To monitor and follow up macroeconomic aggregates,

Types of Budget and Financial Reports and Content

Principles of Financial Fiscal outturn reports

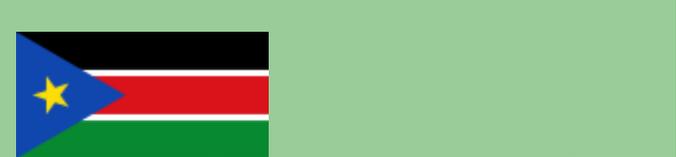
- **Relevance;** - expected to contain the relevant information for the intended purpose.
- **Timeliness:** - Timely information is very essential to act immediately and design future plan.
- **Reliability:-** the report should be verifiable and free to bias.
- **Completeness:-** expected to cover all aspects of government activities.
- **Consistency:-** Internal consistency and Consistency over time is very essential.
- **User friendly:-** financial report users varies from experts in the area to the ordinary citizen



Types of Budget and Financial Reports and Content

Budget Document

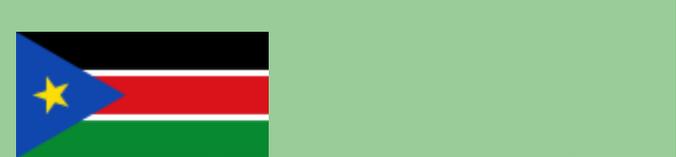
- The budget is the government's key policy document. It should be comprehensive, encompassing all government revenue and expenditure
- Includes a medium-term perspective illustrating how revenue and expenditure will develop during, at least, the two years beyond the next fiscal year.
- Expenditures should be classified by administrative unit (e.g. ministry, agency) including economic and functional categories;
- Comparative information on actual revenue and expenditure during the past year and an updated forecast for the current year;
- The draft budget should be submitted to Parliament in advance to allow Parliament to review it properly;
- The budget should be approved by Parliament prior to the start of the fiscal year.



Types of Budget and Financial Reports and Content

Monthly reports

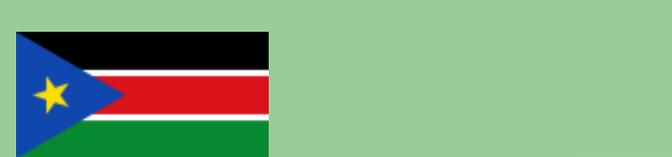
- Monthly reports show progress in implementing the budget. They should be released within four weeks of the end of each month.
- They should contain the amount of revenue and expenditure in each month and year-to-date.
- A comparison should be made with the forecast amounts of monthly revenue and expenditure for the same period. Any in-year adjustments to the original forecast should be shown separately.
- If a significant divergence between actual and forecast amounts occurs, an explanation should be made.
- Expenditures should be classified by major administrative units (e.g., ministry, agency).
- Supplementary information classifying expenditure by economic and functional categories should also be presented.
- The reports, or related documents, should also contain information on the government's borrowing activity;



Types of Budget and Financial Reports and Content

Mid-year report

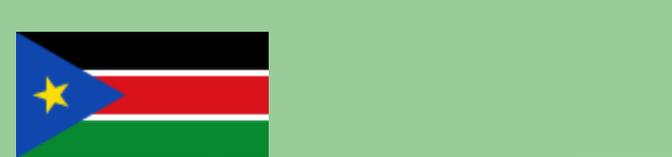
- The mid-year report provides a comprehensive update on the implementation of the budget, including an updated forecast of the budget outcome for the current fiscal year and, at least, the following two fiscal years.
- The report should be released within six weeks of the end of the mid-year period.
- The economic assumptions underlying the budget should be reviewed and the impact of any changes on the budget disclosed;
- The mid-year should contain a comprehensive discussion of the government's financial assets and liabilities, non-financial assets, employee pension obligations and contingent liabilities;



Types of Budget and Financial Reports and Content

Year-end reports

- The year-end report is the government's key accountability document;
- It should be audited by the Supreme Audit Institution, and be released within six months of the end of the fiscal year.
- The year-end report shows compliance with the level of revenue and expenditures authorized by Parliament in the budget.
- Any in-year adjustments to the original budget should be shown separately.
- The year-end report, or related documents, should include non-financial performance information, including a comparison of performance targets and actual results achieved where practicable.
- Comparative information on the level of revenue and expenditure during the preceding year should also be provided. Similar comparative information should be shown for any non-financial performance data.
- Expenditure should be classified by administrative unit (e.g. ministry, agency) classifying expenditure by economic and functional categories should also be presented

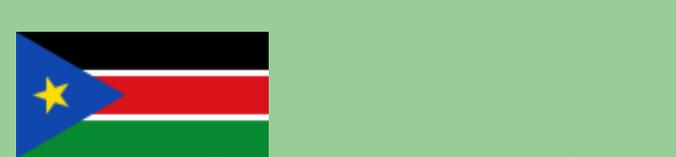


Types of Budget and Financial Reports and Content.

What do we have now

From Q1 2017/18 Fiscal Report produced in April 2018

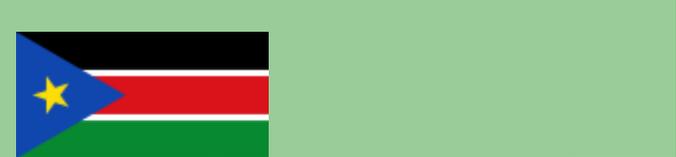
- *Fiscal summary*
- *Revenue summary*
- *Expenditure Overview*
- *Financing Overview*
- All Expenditures, By Agency



Types of Budget and Financial Reports and Content.

Missing Information

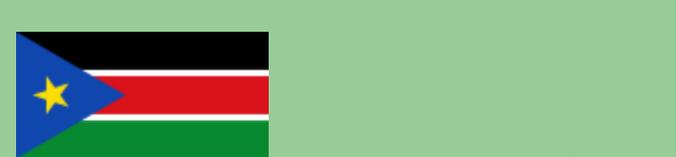
- provide information on selective macroeconomic developments,
- Reviews global financial and economic developments having direct and indirect impact on the economy,
- Tax revenue breakdown in major tax structure;
- Reports on debt management and debt arrears;
- Comparative performance analysis with the corresponding period of last year.



Types of Budget and Financial Reports and Content

Experiences of Other African Countries

- Most countries produce two reports one dedicated to fiscal and few important and frequently changing behavioral variables. The other one on macroeconomic variables, the real, fiscal, monetary and external sectors.
- The light report focuses on fiscal and some macro variables usually produced every month whereas the detail report on macro variables turned out quarterly.
- The detail varies from country to country based on the unique nature of the economy as well as the prevailing global macro-economic situation.



Types of Budget and Financial Reports and Content

Experiences of Other African Countries

- All reports contain tables, graphs and descriptive commentary and analysis that go beyond data dissemination,
- Most countries focus on fiscal, inflation, exchange rate, export, money supply and foreign exchange reserve.
- On expenditure data most countries focused on economic classification and paid less attention to functional.
- Some countries avail information on poverty focused expenditures,
- Few countries produce special reports on debt, and over all Public Finance Management developments,



Types of Budget and Financial Reports and Content

- Ghana produce midyear progress report in view of the budget speech delivered during the budget approval process.
- Most compared performances of the period under review against forecasts (budget) and the same period of the preceding year.
- A number of countries compare performances against GDP.
- In most countries reporting is prepared by Macro sections of the Ministries.

The Role of Middle Level Officials in Budget M&R

- Advising and provide support on the budget process and annual review of related policies;
- Providing technical inputs with the preparation, of in year and year ending reports;
- Establish management system on separation of powers and regular reporting lines for all role players to ensure transparency and accountability;

The Role of Middle Level Officials in Budget M&R

- Support, analyses and evaluate the financial reports to reflect non-financial reports against the designed strategies and goals;
- Working together to enhance the collective knowledge, capacity and skills of officials in budget monitoring and reporting;
- Ensure the realization of the legislative framework governing financial and non-financial reporting;
- Support and contribute to the timely preparation, submission and publication of financial reports, including monthly, quarterly, mid-year and annual reports;
- Ensuring that the content of financial reporting is specific (unambiguous), measurable, accurate and valid, reliable and time specific.

Role of Accounting Officials

- Each Spending Agency budget management has to be headed by an Accounting Officer assisted by the other relevant officers;
- Design and Implementing finance strategies, which enhance good financial management and decision-making practices within the area of responsibility.
- Implementing financial policies and systems to ensure efficient and effective financial administration and control;
- Implementing and maintaining financial management guidelines, financial instructions, credit control procedures, debt collection and related financial policies

Role of Accounting Officials

- Managing the control of assets according to policies and procedures.
- Implement best and recognized accounting techniques ;
- safeguarding of public funds and property under his control;
- maintain regularity and propriety of all the transactions in each Appropriation Account bearing his signature;
- Ensuring that all relevant financial considerations are taken into account and, brought to the attention of the Minister where there is concern

Role of Accounting Officials

- Ensuring that there are adequate financial management systems in place to support the proper administration of the institution in an economic and efficient way.
- Ensuring the adequacy of arrangements within the institution to ensure the correctness of all payments;
- Establish and ensure the efficiency of internal audit, including regularly reviewing the internal audit function;

Role of Accounting Officials

- Ensuring that there is a clear framework for control (including financial reporting) and accountability for public funds in bodies operating under the aegis of the Department;.
- Accounting Officers are required to include with the Appropriation Account for their
- Department/Office a statement on their organisation's systems of internal financial control;

Some Experiences from Ethiopia on PFM Reform

Established an Expenditure Management and Control Program
Consists of sub-programs:

- Legal framework,
- Budget Reform;
- Cash management,
- Accounts,
- Public Property and Procurement
- Internal audit,
- External Audit
- IFMIS
- Enhancing Financial and Auditing Profession

Some Experiences from Ethiopia on PFM Reform

- Legal framework,
 - PFM Law
 - Regulation
 - Directives
 - Procurement law and Directives

Some Experiences from Ethiopia on PFM Reform

- Budget Reform
 - MTEF
 - Budget Calendar
 - Program Budget
- Cash management
 - Single Treasury Account;
 - Zero-Balance ;
 - Modified Cash Basis;
 - Electronic Payments

Some Experiences from Ethiopia on PFM Reform

- Accounts
 - Comprehensive Chart Account
 - Eliminate back-logs in accounting closing and make up-to date
- Public Property and Procurement Management
 - Introduce legal framework;
 - Organized independent authority
 - Separate Procurement policy design and property procurement and management

Some Experiences from Ethiopia on PFM Reform

- Internal audit
 - Establish internal control and internal audit in each spending institutions;
 - Design and implement internal audit manual;
 - Ensure internal auditors independence;
 - Provide training for internal auditors;
- External Audit
 - Develop manuals
 - Ensure its independence;
 - Introduce performance audit;
 - Strengthen by manpower

Some Experiences from Ethiopia on PFM Reform

- IFMIS
 - Computerization of PFM system,
- Building Financial and Auditing Profession
 - Established and independent organization;
 - Design manuals and training documents;
 - Control and register professionals in auditing and accounting;
- Rolling out all to sub-national Governments



Thank you

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