



# HESPI Training on Public Expenditure Management for Senior Government Officials of South Sudan

Fantahun Belew Asfaw  
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# Comprehensiveness of the Budget and Consistency with Macro-economic Objectives





# Outline

- **Ensuring Comprehensiveness of the Budget Planning**
- **Budget and Consistency with macro-economic objectives**
- **Government and public participation**



# Legal Basis

## **PFMA- Act, stipulates that: (Article 16-17)**

- Detailed forecast of proposed revenue for the forthcoming year shall be presented to the Assembly within a consistent three (3) year macro-economic framework,
- multi-year projects and programmes, the detailed estimates of proposed expenditure for the forthcoming year shall be presented to the Assembly within a three year Medium Term Expenditure Framework
- Public spending shall match with the available financing;
- No Government expenditures shall be off-budget.
- The appropriation shall be for budgetary expenditure for the forthcoming financial year in its totality,



# Comprehensiveness of the Budget

- Budgets should be comprehensive, transparent and realistic.
- In order to promote these objectives, a budget should contain the following elements:
  - a macroeconomic framework and revenue forecast,
  - a discussion of budget priorities,
  - planned expenditure and past outturns,
  - a medium-term outlook and details on budget financing, debt and the government's financial position
- all expenditures and revenues of the national government (Central+Sub-national)



## Comprehensiveness of the Budget...

- **Comprehensiveness of the budget is explained by:**
  - Completeness of the coverage of government operations in the budget document;
  - comprehensive and include all sources of revenue and all expenditures incurred in a given period
  - Containing budget estimates in gross;
  - The implementation of comprehensive budget classification;



## Comprehensiveness of the Budget...

**Comprehensiveness of the Budget is important for :**

- **Policy formulation and performance analysis.**
- **Allocating resources efficiently among sectors.**
- **Ensuring compliance with the budgetary resources approved by the legislature.**
- **day-to-day administration of the budget;**
  - **to have a meaningful budget tracking analysis and identify the efficiency and effectiveness of the allocation of scarce resources to specific public services.**



## Budget and Consistency with macro-economic objectives

- The budget process starts with the planning stage;
- This stage is the most critical in linking the annual budgetary process with medium and long term development objectives of the country and having feasible and credible budget.
- The planning stage encompasses:
  - economic and budget review of previous years,
  - the setting of future policy directions,
  - determination of available resources,
  - setting program priorities and distribution/allocation of the corresponding resources.



## Budget and Consistency with macro-economic objectives...

- Public budgets translate a government's policies, political commitments, and goals into decisions on how much revenue to raise, how it plans to raise it, and how to use these funds to meet the country's competing needs,
- Budgets should be closely aligned with the medium-term strategic priorities of government:
- To promote alignment with the multi-year planning, prioritisation and goal-setting functions of government, the budgeting process should
  - develop a stronger medium-term dimension, beyond the traditional annual cycle; and
  - organise and structure the budget allocations in a way that corresponds readily with national objectives.



## Budget and Consistency with macro-economic objectives...

- A medium-term expenditure framework (MTEF) is an important tool in setting a basis for the annual budget.
- One-year time horizon of the annual budget process is too short to enable the government to assess current spending decisions in the light of future claims on resources.
- Budgeting on short-term perspective encourages incremental decisions, where the next budget is built on the previous one, with only marginal adjustments.
- The MTEF seeks to counter this tendency by extending the time horizon to the medium-term (typically, 3-5 years);
- MTEF involves both the top-down fiscal plan and the bottom up sector planning.
- MEFF is a rolling plan that is updated each year to accommodate changes in the economic developments and adjust the expenditure carry-over of programs and projects not implemented in the previous fiscal year;



## Budget and Consistency with macro-economic objectives...

### **MTEF has the benefits to:**

- Improve macroeconomic balance by developing a consistent and realistic resource framework;
- Improve the allocation of resources to strategic priorities between and within sectors;
- Increase commitment to predictability and transparency of both policy and funding so
- Provide them with a hard budget constraint and increased autonomy, thereby increasing incentives for efficient and effective use of funds.
- setting fiscal targets which would be a basis for the preparation of the annual budget.



## Budget and Consistency with macro-economic objectives...

The MTEF document mainly contains the assumptions and forecasts

- Economic Growth and GDP;
- External sector (Import and Export);
- Inflation;
- Exchange Rate;
- Government revenues projections;
- the allocation to capital and recurrent expenditures for the federal government;
- the allocation to the total block grant transfers to the regional governments; and
- The fiscal deficit.



# Government and Public Participation

## *Objectives:*

- Help in prioritization of development needs;
- Enhance budget efficiency and effectiveness;
- promotes Government service delivery;
- Facilitate budget formulation and implementation;
- provide governments with valuable information flows about the use or misuse of public expenditures at a local level and the quality of service delivery.



## Government and Public Participation...

### Why Government response to participatory budgeting is weak?

- ***Lack of Government Political Will to Engage with PB:***
- A number of Governments are either neutral or hostile towards participatory budgeting, at least initially.

### They have reasons:

- It is more difficult to make the tough choices necessary between competing fiscal demands if budget formulation is subject to public discussion;
- Leakages of key features of the budget prior to presentation in the legislature will lead to speculation and may have a destabilizing effect on markets;
- Creating formal openings for budgetary participation will challenge their capacity and limit their ability to act decisively.
- Creating the need for consultations with multiple civil society stakeholders is time-consuming and open-end;
- lead to substantial delays in the passage of the budget;
- Civil society groups doing budget work is unclear and.
- The capacity of the poor to contribute meaningfully to “complex” discussions about budget settings is weak;



## Government and Public Participation...

- **Government Capacity Constraints:** Even when political will is not a major obstacle to government engagement with participatory budgeting, issues of government capacity — financial, intellectual and political is a challenge;
- **Personnel and Resources Gaps:** Finance ministries may have weak capacity owing to a loss of senior personnel;
- **Analytical Skills:** Weak analytical capacity can hamper the implementation of PB programmes;



## Government and Public Participation...

### What to do to promote Government Engagement in PB?

- Create political will and enhance weak government capacity.
- Strengthen external pressure from civil society and their partners;
- Work closely with civil society to leverage additional knowledge and capacity.
- Realize concrete benefits from forming closer relationships with civil society.
- Encourage specialized civil society groups doing budget work and use their input in the budget process;



# Government and Public Participation...

- **Participants in the Budget Process**

- Participants in the budget process can be categorized in to two.
- These are government and non-government actors.

- **Government**

- From the government side all public institutions including the Legislator, Cabinet, the Ministry of Finance; line Ministries and Auditor General involved in the planning, formulation and implementation of the budget.



# Government and Public Participation...

## Legislators

- Legislatures have a critical role to play at all stages of the participatory budget process:
- **Formulation:** Parliament can make demands about spending priorities for specific sectors or policy areas before the budget is submitted to it.
- **Analysis:** Once the budget is submitted in the legislature, parliamentary analysis and review of the of the budget may lead to amendments, or in exceptional cases a refusal to approve budget appropriations.
- **Tracking and performance evaluation:** produce valuable analysis that tracks the use, outcome and impact of public spending.



# Government and Public Participation...

## Promoting Participation of Parliaments in the PB Process

- Provide in-house technical expertise to contribute meaningfully to the budget process.
- Argue for an increase in the powers of the legislature to amend and review budgets.
- Expand the role of Parliamentary Committees in budget process.
- Allow more time for the legislative review of budget proposals.
- Provide monthly or quarterly public expenditure reporting to parliament;
- Form alliances with civil society and others;



# Government and Public Participation...

## The Executive

- The Cabinet/President offices engage in setting and /or approving the policy priorities,
- Ministry of Finance formulate the budget including planning and designing the entire budget;
- Line ministries plan and advocate for their resource needs and submit to MoF;



# Government and Public Participation...

## Non-Government Actors

- Currently in realizing sound budget formulation and implementation process, the role of clear transparency and accountability has been increasingly recognized.
- There is a growing acceptance that the active engagement of citizens, civil society, and the media in budget processes is an ideal practice in budget formulation and implementation.
- A transparent and inclusive budget process is now seen as essential to facilitating investment, ensuring efficient outcomes, and holding government accountable for managing public resources.
- Thus outside of government, other actors are actively involved in budget evaluation and monitoring.
- Basic actors in the process therefore include citizens, CSOs; the media and donors.



# Government and Public Participation...

## Citizens/Members of the Public

- They are directly affected by government budgets—they are the beneficiaries of publicly funded programs,
- Contribute to finance government budget through paying taxes.
- Citizens' participation in planning and budgeting allows them to decide in the allocation of resources and involve in development projects selection.
- Contribute in ensuring the three principles namely, accountability, participation and transparency in resource allocation and utilization.
- Strengthen policy choices, increase public support for budget decisions, and strengthen oversight,
- provide critical information on needs and priorities and, and engage in monitoring how the budget is actually carried out,
- Reduce mismanagement and opportunities for corruption, thus further enhancing budget efficiency and effectiveness.



# Government and Public Participation...

## Civil Society Organizations (CSOs)

- Help improve budget policies by providing information on public needs and priorities through their connections with citizens, communities, and sectors.
- Play an important role in holding the executive accountable for how it uses public resources.
- Help the executive to choose appropriate programs, and fight corruption.
- Given their knowledge of a policy issue, such as health or education, with a solid knowledge of budgets and an effective advocacy strategy they can positively influence policy decisions.
- Better positioned than governments to explain budgets to ordinary people in more accessible language, and to disseminate this knowledge to local communities.



# Government and Public Participation...

Civil Society can contribute to the quality of budget process through:

- contribute critical information on the public's needs and priorities that can lead to stronger policy choices;
- draw more people into the debate by collecting, summarizing into easily understandable formats, and spreading budget information;
- train members of the public to understand and analyze government budgets themselves;
- supplement government's capacity to budget effectively by providing technical support;
- give an independent opinion on budget proposals and implementation;
- hold public officials accountable for using public resources efficiently and effectively to achieve desired outcomes; and
- Develop important new allies in government, including program managers in government agencies, legislators, and auditors.



# Government and Public Participation...

## Media

- Keeping the public and other stakeholders informed and holding the government accountable by reporting on any differences between what is promised in the budget and what is delivered.
- Providing updates on what is happening at different stages in the budget process;
- Stakeholders in the budget process use the media as a tool to reinforce support for their positions;



**Thank you**

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