

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

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The Public Sector Finance Management and its Transparent Execution

- The Basis for Public Sector Budgeting
- Principles, the legal framework and institutional arrangement
- Budget Actors and their relationship
- Budget Execution and External Scrutiny

What is a Public Budget

- ▶ Budgeting is a public tool which traditionally was used to distribute available resources evolving to a complex tool used to deliver the national agenda.
- ▶ The Public sector budget has increasingly changed from accounting for use of resources to being a contract between a Government and its Citizenry
- ▶ The budget is thus a policy document used for convey governments strategies and the resources it will use to deliver its objectives

Objectives of effective Budget

- ▶ Aggregate Fiscal Discipline- ensure that public spending is in line with available resources
- ▶ Allocative Efficiency-allocating resources effectively between different expenditure areas in pursuit of the desired development objective
- ▶ Operational Efficiency- ensure that resources are used in such a way that they provide maximum value for money

Budget Formulation Process

- ▶ Setting up the fiscal targets and the level of expenditure compatible with this targets
- ▶ Formulating Expenditure Policies
- ▶ Allocating resources in conformity with both policies and fiscal targets
- ▶ Addressing operational efficiency and performance issues

Budgetary Governance

- ▶ Budgetary governance is the process of formulating the annual budget, overseeing its implementation and ensuring its alignment with public goals;
- ▶ OECD Budgetary governance sets out ten principles which provide concise overview of good practices across the full spectrum of budget activity

Ten Principles of Budgetary Good Governance

1. Manage budgets within clear, credible and predictable limits for fiscal policy

- ▶ Sound fiscal policy
 - ▶ Avoids the buildup of large and unsustainable debts
 - ▶ Uses favorable economic times to build up resilience and buffers against difficult times

Budgetary Governance Cont'd

2. Closely align budgets with the medium-term strategic priorities of government

- ▶ Develop a stronger medium-term dimension
- ▶ Organize and structure the budget allocation in a way that corresponds readily with national objectives

Budgetary Governance Cont'd

3. Design the capital budgeting framework in order to meet national development needs in a cost-effective and coherent manner

- ▶ Capital investment plans should be grounded in objective appraisal of economic capacity gaps, infrastructural development needs and sectoral priorities
- ▶ Costs and benefits of investments

Budgetary Governance Cont'd

4. Ensure that budget documents and data are open, transparent and accessible

- ▶ The document should show the key stages of the budget process
- ▶ It should show the revenues and expenditures; deficit and its financing
- ▶ Information accurate and available in a timely fashion is essential

Budgetary Governance Cont'd

5. Provide for an inclusive, participative and realistic debate on budgetary choices

- ▶ Parliament, citizens and civil society should have access to budget documents and engage with and influence the discussion about budgetary policy options
- ▶ Citizens' participation in designing development planning, resource mobilization and allocation is an important tool in promoting good budget practices

Budgetary Governance Cont'd

6. Present a comprehensive, accurate and reliable account of public finances

- ▶ Budget document should account comprehensively and correctly for all expenditures and revenues of the national government
- ▶ Budget should capture all of the financial transactions of government including the total revenues to be collected, funds to be expended, debts to be repaid, and new and all liabilities
- ▶ A comprehensive budget classification is vital

Budgetary Governance Cont'd

7. Actively plan, manage, and monitor budget execution

- ▶ Budget allocations should be implemented fully and faithfully by agencies with oversight throughout the year
- ▶ Cash disbursements should be profiled, controlled and monitored prudently
- ▶ Roles, responsibilities and authorizations of each institution and accountable person should be clearly regulated
- ▶ Budget execution reports, including in-year and audited year-end reports should be produced on a timely basis

Budgetary Governance Cont'd

8. Ensure that performance, evaluation and value for money are integral part to the budget process

- ▶ Parliament should ensure the delivery of public services, the standards of quality and the levels of efficiency
- ▶ Performance information should be provided to inform and provide context for financial allocations in the budget report.

Budgetary Governance Cont'd

9. Identify, assess and manage prudently longer-term sustainability and other fiscal risks.

- ▶ Apply mechanisms to promote resilience of budgetary plans and mitigate potential impact of fiscal risks
- ▶ Fiscal risks should be identified, explained and classified to inform consideration and debate about appropriate fiscal policy course to be adopted in the budget

Budgetary Governance Cont'd

10. Promote the integrity and quality of budgetary forecasts, fiscal plans and budgetary implementation through rigorous quality assurance including independent audit

- ▶ Invest in the skills and capacity of staff engaged in budget formulation
- ▶ Set up independent internal audit function in ministries and agencies
- ▶ Supreme audit institution to provide assurance as to the use of resources

Budget Institutions

Budget Institutions are the structures, rules, and procedures that govern the formulation, approval, and execution of government **budgets**

- ▶ Laws and Regulations
- ▶ Process
- ▶ Organizations

Laws and Regulations

- ▶ The Constitution
- ▶ The Organic Law
- ▶ Financial Regulations
- ▶ Annual Budget Law
- ▶ Procurement Law
- ▶ Civil Service Law

Laws and Regulations

- ▶ The Constitution provides for
 - ▶ The relative powers of the executive and legislative branches of government with respect to public finances
 - ▶ The definition of the financial relations between national and subnational levels of government
 - ▶ The requirement that all public funds be paid to designated accounts and that these funds be spent only under the authority of a law
 - ▶ In Federal States for revenue and expenditure assignments to central and subnational governments

Laws and Regulations

▶ Organic Law

- ▶ Establishes principles of public financial management
- ▶ Guides for budget preparation, approval, execution, control, and auditing

▶ Financial Regulation

- ▶ Detailed regulations and instruction issued by Ministry of Finance

▶ Annual budget law

- ▶ Includes revenues and expenditure estimate for a given year

Laws and Regulations

- ▶ Procurement Law
- ▶ Civil service law
- ▶ Audit Act

Organizational Arrangements

▶ Ministry of Finance

- ▶ Responsible for preparing the budget with input from line ministries in its central budget department
- ▶ Varies from countries to countries
- ▶ Capital Vs recurrent budget
- ▶ Debt management
- ▶ Monitoring budget execution
- ▶ Public procurement and property administration

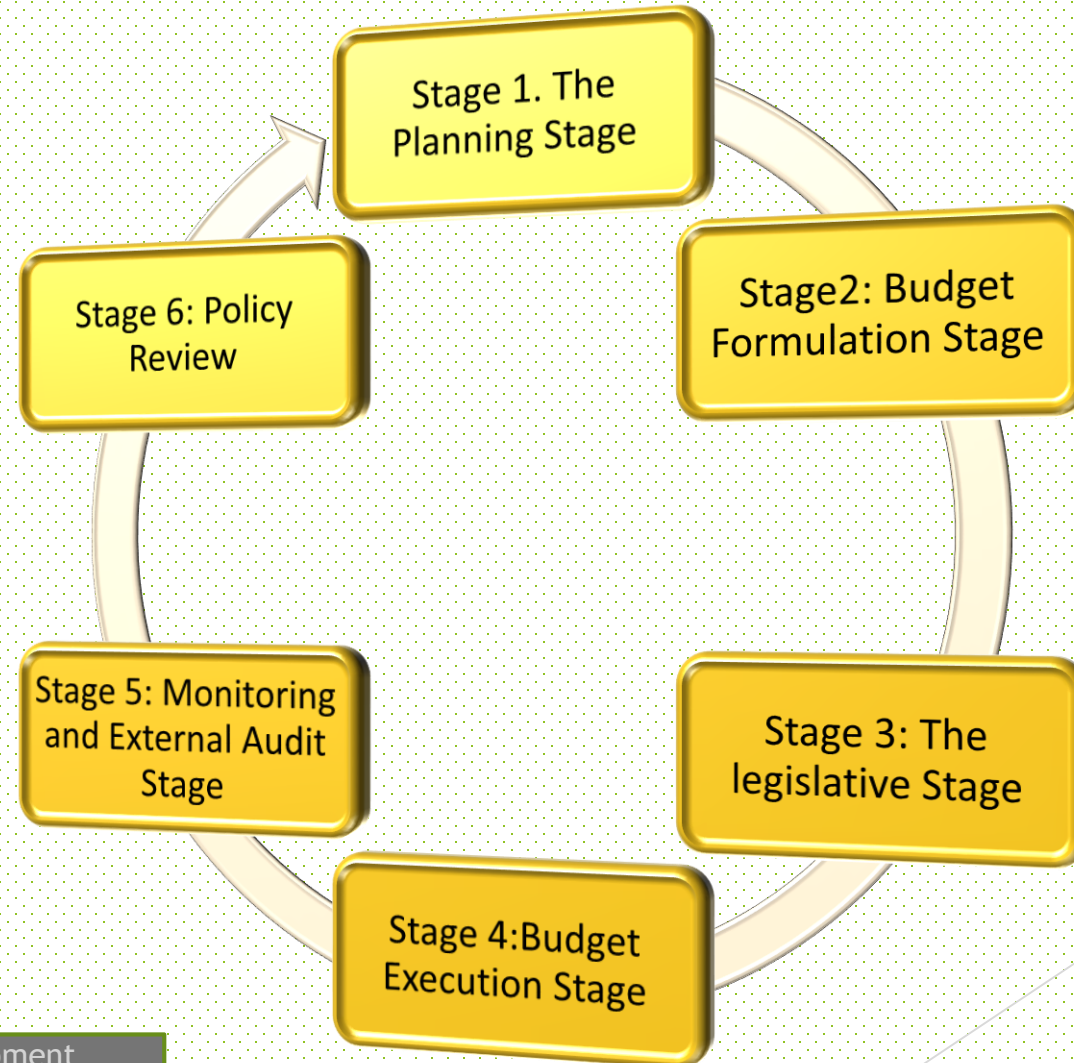
Organizational Arrangements

- ▶ **Office of the Auditor General**
 - ▶ External Scrutiny and control of the budget
- ▶ **The Public Accounts Committee**
 - ▶ External Scrutiny and control of the budget
- ▶ **Revenue Authority**

Budget Actors and their Interrelationships



Steps in National Budget Management



Steps in National Budget Management

- ▶ Fiscal Planning
 - ▶ MTEF involves top down fiscal plan and bottom up sector plans
 - ▶ Ministry of Finance/Planning
 - ▶ Ministries and Agencies
- ▶ Annual budget formulation
 - ▶ Ministry of Finance coordinates the budget formulation
 - ▶ Ministries and Agencies provide information and proposal
 - ▶ Ministry of Finance submits draft budget to Cabinet
- ▶ Approval stage
 - ▶ Cabinet recommends budget to Parliament
 - ▶ Budget and Finance Committee
- ▶ Supreme Audit institutions

Budget Execution and Implementation

Funding released by treasury to spending agencies

Agencies initiate spending (thorough payrolls, procurments, etc)

Payments are made for the good and services procured

Transactions are recorded in the accounting system

In-year and year-end accounting statments and budget reports are prepared for each spending agency

Budget Execution and Implementation

- ▶ Notification of approved and allocated budget
- ▶ Cash flow planning
- ▶ Release of money
- ▶ Initiate expenditure
- ▶ Payment for expenditure
- ▶ Transactions recorded in accounting books
- ▶ Execution reports produced
- ▶ Produce year-end reports for audit

External Scrutiny

- ▶ Interim and annual reports should be scrutinized by
 - ▶ Parliament through the Public Accounts Committee
 - ▶ Auditor General should audit and report to Parliament





HESI

Thank you