

Presentation on Expenditure Management By Team GVF

Workshop on Budget 2016 in
Chandigarh on 7.1.2016

Meaning and Role of Public Expenditure Management

- Government has two roles (i) Collect financial and physical resources from the economy in a sufficient and appropriate manner and (ii) Allocate and use resources responsibly, efficiently and effectively
- These ideas are captured in expenditure management as “spending less”, “spending well”, and “spending wisely” - how to progress towards these goals is the essence of managing expenditure. This also applies to Haryana
- Budget is the main instrument through which the above transactions are planned and carried

Meaning and Role of Public Expenditure Management

- There is necessary distinction between expenditure Policy question of “ what” is to be done and expenditure management policy of “ how” it is to be done
- The mechanisms, techniques, skill-sets and databases, and capabilities to analyse and mine data in outcome oriented manner should be the focus of good PEM.

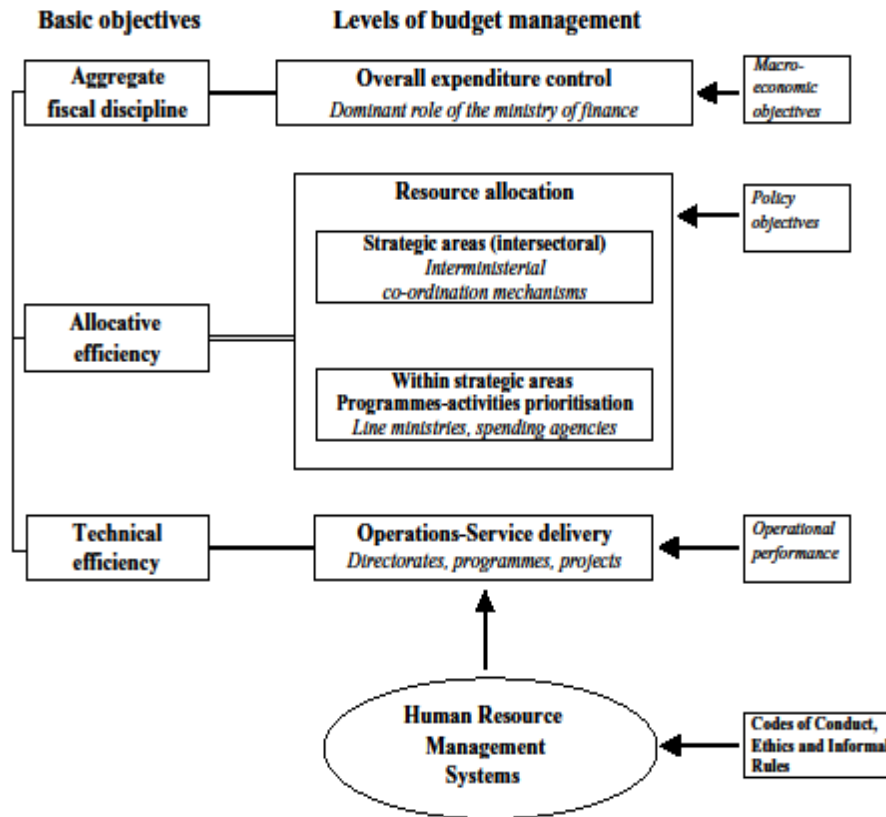
Core Objectives of Public Expenditure Management

- To maintain Aggregate Financial Discipline-Fiscal Sustainability
- To Allocate Resources in accord with Government Priority-Efficient Resource Allocation
- To Promote Efficient Delivery of Services-Operating and Technical Efficiencies
- Transparency*

* Recently Pushed in Prominence by IMF Code of Good Practices on Fiscal Transparency

Core Objectives of PEM- Graphic Presentation

Figure 0.1. BASIC OBJECTIVES OF PEM AND BUDGET MANAGEMENT



Source: OECD Report on PEM

Stages of PEM

- Stage 1: Preparation of Budget
- Stage 2: Execution of the Budget
- Stage 3: Control and Audit of Expenditure

Public Expenditure Management- Institutional Arrangements

- Comprehensiveness of the budgets
- Transparency Mechanisms
- Accountability
 - of whom, for whom and to whom
 - Parliament and citizens
 - Use of ICT to get feed back from service users and citizens

Public expenditure Management- Institutional Arrangements

- Predictability
- Flexibility
- Appropriate participation by concerned officers, employees and other stakeholders for sound formulation of expenditure Programme

Baseline Measures of PEM

- Institutional Framework
- Medium term Fiscal Framework
- Budget Preparation Process
- Budget execution and monitoring
- Accounting and Reporting
- Financial Controls
- Procurement systems

Reforming PEM –Approach and Management

- Approach Issues
 - Need for a comprehensiveness: improving public expenditure management require both institutional reforms and organizational development. PEM ecosystems is made of several subsystems, failure of any one of them can undermine the whole PEM
 - Managing reforms within the Government: Very though of PEM reforms entail reforms in the way the Government functions

Reforming PEM –Approach and Management

- Reforms are a process - seemingly minor context-specific reforms with major impact on the effectiveness of PEM could cumulatively over time result in major improvements.
- This is the PEM reform strategy which many successful countries and economies have adopted. Such a strategy also suits Haryana.
- Learning mind-set and organizations however are essential to obtain desired results from the above strategy.

Managing Reform Process

- Building a Commitment to Reform
- Organizational arrangements to include constituting
 - Steering group-should have mechanism to be aware of new ideas and practices
 - Core unit
 - Working Group
 - Capacity building for each component of reform
 - SUSTAINING REFORMS is Essential

Budget classification, Presentation and Programming

- Establishment of Expenditure classification accordance with international standards
- Preparation of medium term macro economic framework covering period of 3-5 years
- Development of appropriate policy coordination mechanism that fits the institutional, constitutional and political context. Participation of civil society in this is suggested
- Steps be initiated to move in Multi year budgeting and expenditure programme

Execution of Budgeting

- Elements of budget Execution
 - Internal control systems ensure probity, economy, efficiency and effectiveness
 - System of cash management
 - External and internal audits to verify that overall efficacy of PEM operationally and legally.

Expenditure Cycle

- Allocation of Resources
- Commitment
- Acquisition and verification
- Payment

Other important areas of PEM

- Procurement
- Contracting out
- Cash management
- Borrowing

Budgeting and control of Personnel Costs

- Largest components of Expenditure
- Resistance to reduction and reform
- Productivity linkages is the answer?

Systems of internal controls and internal audits

- Financial reporting
- Performance monitoring
- Accounting Controls
- Procurement Controls
- Programme controls

- Thank You