



Good Financial Governance

A key CABRI concern

CABRI 6th Annual Seminar

Mauritius

18 and 19 May 2010



CABRI work on GFG

- Programme of work in 2010
- Aimed at influencing global debates in interest of improved PFM reforms in member states
 - What are key elements of GFG?
 - What has been achieved so far?
 - What are obstacles?
 - What are reform priorities from Africa's perspective?
- Draws on experience of members
- Comprises interlinked work-streams
 - Collaborative research
 - Engagement through members and with partners institutions at political level to enable a political declaration



Arrangements

- Overall project is collaborative
 - Partners are AfDB, CABRI, ATAF, AFROSAI and GTZ.
 - Also involve relevant other African professional networks
- CABRI coordinates research project
- Each of three networks coordinate their ‘input’ papers
 - Three research teams
- Consultative research process



How do we define GFG?

Good financial governance is the legitimate use of power and authority in the management of a country's financial resources with integrity, transparency, accountability, equity and a result orientation to promote development.

Good financial governance significantly contributes to effective resource mobilisation, sound fiscal management, the effective and efficient use of resources and underpins transparent and accountable governments.

Good financial governance requires building effective systems to mobilise resources and manage financial liabilities and assets, as well as building effective budgeting, budget execution, accounting, reporting and audit systems and robust oversight institutions. The reforms necessary to build these systems will vary from country to country.

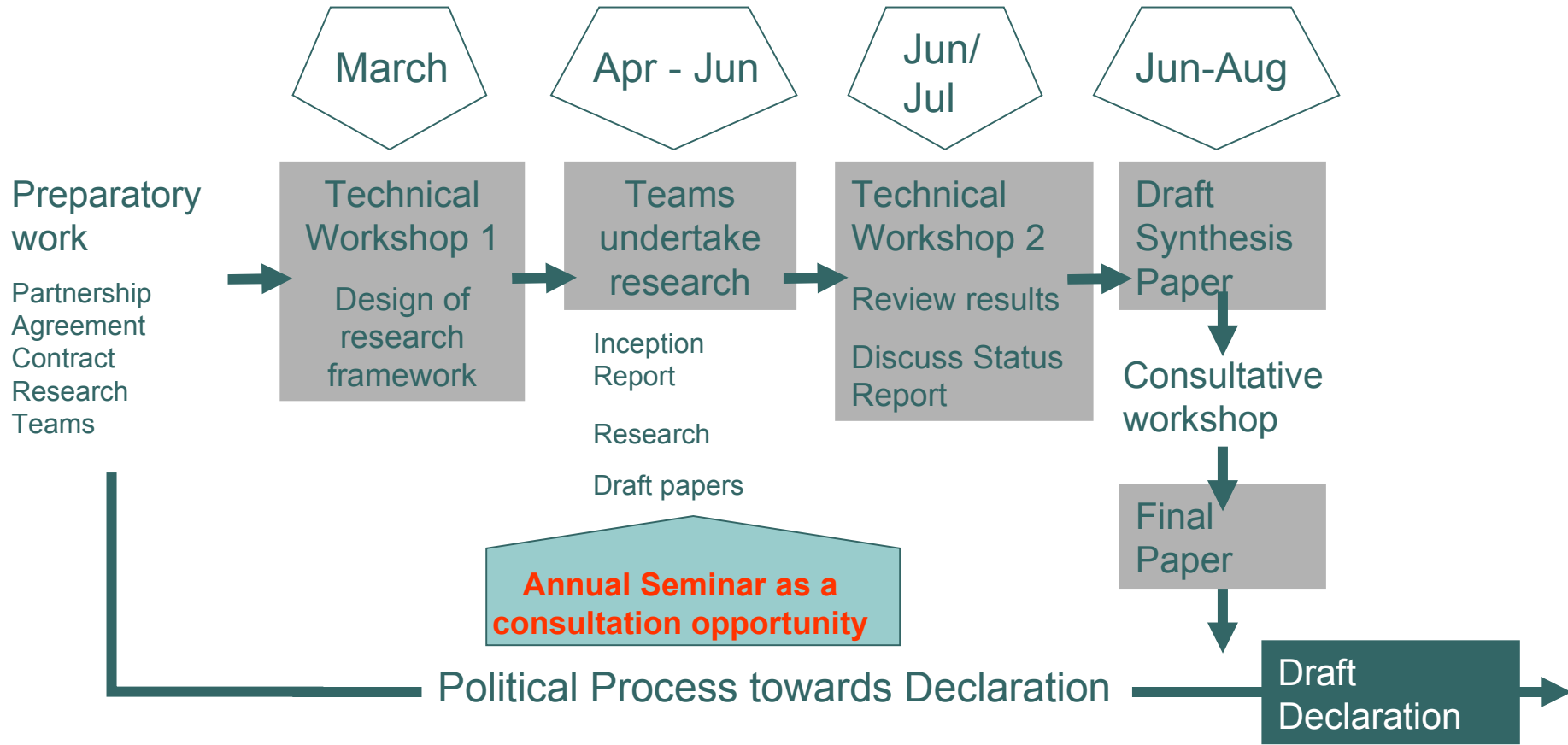
The research will endeavour to understand the progress made and challenges that African countries face in building these systems, achieving good financial governance and ensuring that it translates into improved public finance management outcomes. It will identify priorities for reform in different contexts.



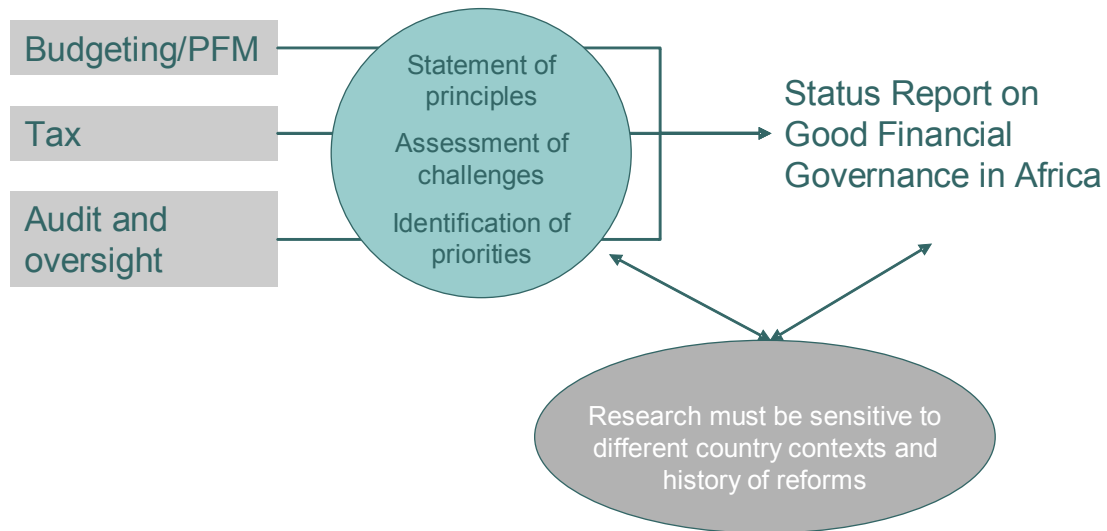
Declaration on GFG

- Declaration on Good Financial Governance to be considered for adoption by African Ministers of Finance
- What form could a declaration take?
 - Broad statement of principles
 - Acknowledgement of challenges
 - Commitment to actions/outcomes
 - Specific, measurable, achievable, relevant, time-bound priorities
- Research should be able to support drafting of a declaration to level of commitment to actions/outcomes
- Declaration may frame reform agendas across continent and at country level going forward
 - Set priorities, manage expectations, clarify limits
- Process towards a Declaration intertwined with research process

Research process



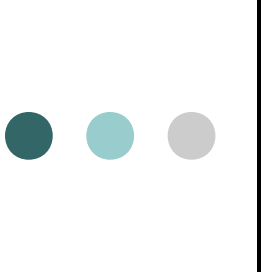
Research outputs





Consultation mechanisms

- This seminar
- Through reference group
 - Selected participation in technical workshops
 - Participation in consultative workshop
 - Comments on research documentation
- Directly by providing comments on research outputs



6th Seminar as a consultation opportunity

- This presentation
 - Sketch research frame and overall approach
- Within sessions
 - Presentation of detailed research queries in Budget preparation, Budget execution and Accounting and oversight
 - Opportunity to provide input into research
- 2nd Plenary
 - Sharing conclusions from group work
 - Consolidation of feedback
- Engagement with researchers outside of formal sessions



Research framework

- Three teams, four ‘input’ papers
 - Tax and tax administration
 - External Audit
 - Oversight
 - Across PFM and External Audit Team
- One set of questions
 - What are key elements for GFG in area?
 - What achievements, what obstacles?
 - What are priorities?



PFM Paper

- PFM area broken down into component parts
 - Budget cycle
 - Budget preparation
 - Budget execution
 - Accounting and financial reporting
 - Other
 - Financial asset and liability management
 - Decentralisation
 - Oversight
- Each part again broken down into key elements for GFG



Budget preparation

- Key objectives are affordability, addressing priorities, value for money and credibility
- Key elements for achieving GFG through sound budget preparation
 - Legal framework
 - Systems for Macroeconomic Forecasting
 - Systems to develop a credible fiscal framework
 - Credible forward estimates
 - Revenue sources (domestic, foreign)
 - Expenditure forecasts
 - Sustainable Debt
 - Credible Sector Expenditure Policies/Plans
 - Legitimate resource allocation process
 - Cabinet involvement
 - Pre-budget statements
 - Functional budget structure and classification (included in Chart of accounts)
 - Clear and comprehensive budget presentation, consistent with budget reporting



Budget Execution

- **Predictability, control, flexibility**
- **Necessary institutions for fiscal discipline and stabilisation**
 - CASH MANAGEMENT
 - Including issues of Single Treasury Account
 - COMMITMENT CONTROL
- **Necessary institutions for effective and efficient use of resources**
 - RULES DETERMINING FLEXIBILITY vs COMPLIANCE WITH ANNUAL FINANCE LAW
 - PROCUREMENT
 - MONITORING PERFORMANCE
- **Necessary institutions protecting rule of law and integrity**
 - CHECKS and BALANCES in EXPENDITURE CHAIN, eg PAYMENT CONTROLS



Accounting and Financial reporting

- Accuracy, comprehensiveness, interpretability and timeliness of financial reporting
- Legal and Regulatory Framework
- Credible accounting system
 - Chart of accounts
 - Accounting standards in use
 - Clear assignment of responsibilities
 - Capacity and compliance
 - Integrated financial management systems
- Credible reporting system
 - Transparency, timeliness, accountability



Financial Asset and Liability Management

- Long term fiscal management and good governance of state assets
- Debt management (sustainability)
 - Is a comprehensive framework in place?
- Contingent liabilities
- Management of financial assets
- Transparency and Monitoring systems



Decentralisation

- Global treatment of decentralisation
- Principles of sound PFM at national level also hold for sub-national levels
- But there are issues around revenue/expenditure assignment and intergovernmental governance of fiscal transfers that are important for GFG
- Focus is on key elements that need to be in place for GFG when fiscal decentralisation to lower levels of government is in place
- Key elements
 - Alignment
 - Clarity of roles and responsibility
 - Clear rules
 - Transparency



Oversight

- Oversight paper looks at internal and external oversight
- Internal oversight
 - Internal audit (eg issues of mandate, structures, capacity)
- External oversight
 - Direct
 - Role of parliament (ex ante, during the fiscal year, ex post)
 - Mandate, structures, capacity
 - Indirect
 - SAIs (in external oversight paper)
 - Other structures



Common methodology across papers

- Consultation with members
- Desk research:
 - Standards and how they apply
 - AFROSAI / CABRI sources
 - International databases of country systems
 - Eg PEFA, CFAA, OBI etc
 - Credible secondary sources
 - Including UNECA, APR reports, papers
 - Targeted country experiences / country case studies of success
- Surveys
 - Not for PFM paper (survey done 2008)



PFM team

- Moses Bekabye
 - Budget preparation, financial asset and liability management and decentralisation
- Kwabena Adjei-Mensah
 - Budget execution
- Prof Ato Ghartey
 - Accounting and Financial Reporting
 - Oversight



Group work

- 3 groups -- grouped by researcher
- 15 minute presentation of research queries in area (CABRI researcher)
- 75 minutes facilitated discussion
- Researchers will act as rapporteurs to 2nd plenary
- Focus questions for groups:
 - Are all important factors covered for achievement of GFG in Africa in the research area?
 - Are some factors more important than others?
 - Against which aspects of the research framework has progress been made?
 - Has this facilitated GFG? If not, why not?
 - What prevents progress in developing the necessary technical systems for GFG?
 - What should be the priorities for a GFG-oriented reform agenda?