



Research framework

Budget preparation; financial asset and liability management; decentralisation

2nd Session

CABRI 6th Annual Seminar

Mauritius

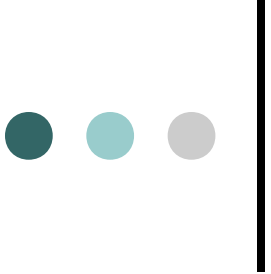
18 and 19 May 2010



Budget preparation

○ Key GFG objectives are

- Affordability,
- Addressing priorities,
- Value for money
- Credibility of the budget
 - Reliability as a plan for spending public resources
 - Legitimacy



Budget process characteristics to achieve objectives

- Characteristics interdependent
- Include
 - Basis in law
 - Framework approach linked to macro-policy and credible forecasts
 - Budget comprehensiveness
 - Good information
 - Clear and sound allocation rules
 - Predictable, inclusive, disciplined budget process
 - Clear, appropriately detailed, comprehensive budget presentation



Required budget preparation systems

- Good information and sound processes cross-cutting underlying requirement for all systems
- Basis in law
 - For budget preparation: stipulate budget format and content, roles and responsibilities, timeline
 - Fiscal responsibility including rules for borrowing
 - Transparency requirements
 - Compliance (research will engage with difference between formal and informal systems)



Required budget preparation systems

○ Fiscal Framework approach

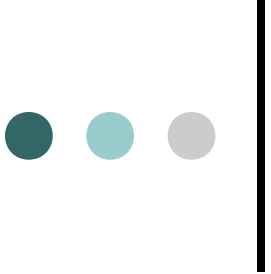
- Macro-fiscal policy basis and comprehensiveness
- Clear and consistent budget structure
- Medium term perspective
- Credible macro, revenue and expenditure forecasts
 - Existence of macro-fiscal model / forecasting capacity
 - Revenue forecasting capacity
 - Debt burden forecasting capacity
 - Clarity on past expenditure and future requirement of current policy commitments



Required systems continued

○ Comprehensiveness

- Inclusive of all fiscal activities
 - general central government
 - sub-national government claims on central budget
 - public sector claims on central budget
- Off-budget items and contingent liabilities
 - off budget only with basis in law



Required systems for budget preparation continued

- Credible, legitimate sector expenditure plans
 - Useful budget classification
 - Programme dimension
 - Linked to charts of accounts
 - International standards
 - Policy basis
 - Planning systems in place
 - Clarity on what is to be achieved through appropriate contextual information
 - Comprehensive of existing spending
 - Credible financial information
 - Timely actual spending information, appropriately classified
 - Costing of forward plans



Budget preparation systems continued

- Legitimate, fair and effective resource allocation process
 - Clear roles and responsibilities
 - Transparent, predictable timetable
 - Discipline in process
 - All claims considered together
 - Rules for budget submissions
 - Ceilings
 - Clarity on basis for decision-making
 - Policy-basis
 - Cabinet involvement
 - Pre-budget statements
- Clear and comprehensive budget presentation, consistent with budget reporting
 - Financial and non-financial information



Financial Asset and Liability Management

- Long term fiscal management and good governance of state assets
- Legal basis for borrowing and managing of debt must be clear and comprehensive
 - Different forms of borrowing
 - Eg external debt, domestic debt, loan guarantees, guarantees under PPP arrangements, exchange and interest rates guarantees and other contingent liabilities etc



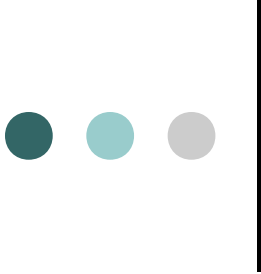
Financial asset and liability management

- Debt management institutions (sustainability)
 - Comprehensive framework
 - Clear rules and practice of decision-making
 - Capacity to track and manage debt efficiently
 - Specialised human resources
 - Choice of most efficient instruments; negotiation
 - Tracking monitoring systems
 - Risk assessment and management
 - Reporting internally and to public
- Institutions to manage financial assets
 - Tracking and monitoring
 - Oversight



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



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)



Group work

- Focus questions for discussion:
 - Are all important factors covered for achievement of GFG in Africa in 3 areas?
 - 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?