

PUBLIC FINANCIAL MANAGEMENT AT THE CENTRAL AND LOCAL GOVERNMENTS

**JOINT PRESENTATION TO THE GBS
ANNUAL REVIEW MEETING ON 7th
DECEMBER 2010:**

PHASE I Mid 1990s to 2003

- Minimizing resources leakages & fiscal discipline
- Installation of IFMS
- Automation and computerization of MTEF

PHASE II 2004 to 2008

- Sound macro-economic & Fiscal Management
- Predictable flow of resources
- D by D at LGAs
- Capacity building to Accountants , Auditors and Procurement

PHASE III 2007 to 2010

- Implementation focused on Key Results Areas and General Budget Support Key Issues such as;
- Improvement on IFMS operations through automatic system.
- Improvement of the Budget & Cash Management.
- Improvement of Systems & Structures.
- Strengthened the Oversight Functions and Audits

PFM reforms : fruits and effects

- Stronger NAO
- Stronger PPRA
- Able to process payments electronically for 46 MDAs as part IFMS roll out
- Timely generations of financial statements on cash basis and according to international standards -IPSAS.

PFM reforms : fruits and effects.....continued

- Government budget is now classified by functions in line with international standards
- Reconciliation backload is almost cleared
- GoT has instructed BoT to close more than 13,000 dormant accounts in Commercial banks

The status of **the 5 key messages** for GBS 2010

1. Government commitment to deliver on a prioritized PFM Key issues Action Plan covering six (6) main areas among which are cash management, flow of funds, quality of reporting and budget management improvements, IFMIS performance and next PFMRP phase

Status on key messages.....cont''

Status as at 1st Nov 2010.

- The joint assessment on the agreed actions showed that out of 24 short term actions, 15 have been assessed as satisfactory, 1 on track, 5 not done, 2 as split and 1 as not applicable.
- Overall assessment Moderately Satisfactory

Status on key messages.....cont”

2. Review of Public Finance Act (2001) and Local Government Finance Act, (1982)

Status as at 1st Nov 2010

- The revised final draft Miscellaneous Amendments of the Public Finance Act (2001), were past by the June/July 2010 session of Parliament.
- The draft Local Government Finance Bill is at the Cabinet Secretariat.

Status on key messages.....cont”

3. Increase the oversight function of the Accountant General over Local Government Finances
 - Miscellaneous Amendments to the Public Finance Act (PFA) 2001 incorporate provisions for oversight function over Local Government Finances by inserting “Local government authority” as appropriate. (CAP 348). Also there is a provision for appointment of an Assistant Accountant General for Local Governments.

Status on key messages.....cont”

4. Implement measures to increase budget transparency, including continuous updating of information on the LGA budgets and expenditures on government websites
 - A Budget Background and Medium Term Framework 2009/2010-2012/13 distributed in November 2009;
 - The Plan and Budget Guidelines for 2010/11-2012/13 was published in February 2010;
 - Government Budget Speech 2010/11 posted on website.
 - The PMORALG website was updated to include actual expenditures for 2008/9 and 2009/10.
 - The Open Budget Index indicates improvements.

Status on key messages.....cont”

5. Agreed to prepare the new phase of the PFMRP
 - Current phase extended until end F/Y 2010/2011. A joint GoT/DP retreat took place in October 2010 to chart out the next phase.

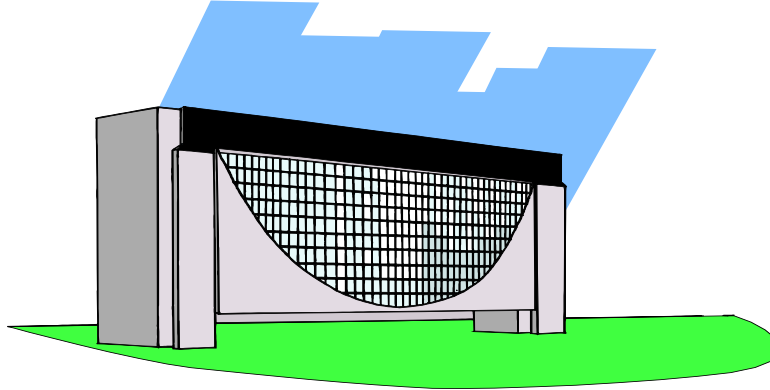
Other highlights

- Improved dialogue
- Dialogue meetings took place as planned
- PEFA study concluded
- Conducted Joint Supervision mission in Sept 2010 to interact , assess, learn , build trust and hence fruitful dialogue on PFM
- The overall assessment PFMRP underlying process was **Moderately satisfactory**.

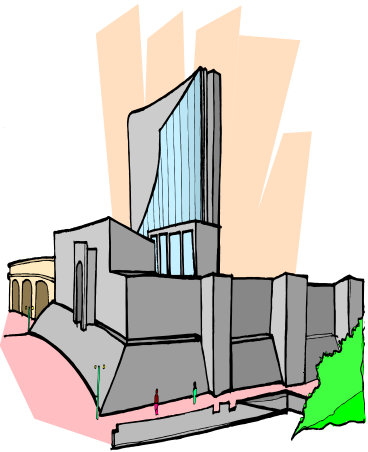
Challenges in PFM.

- Flow of funds to reach final or the intermediary service delivery units.
- Planning & Budgeting and its Financing at all levels
- Accountability and Transparency
- Legal and Regulatory Frameworks

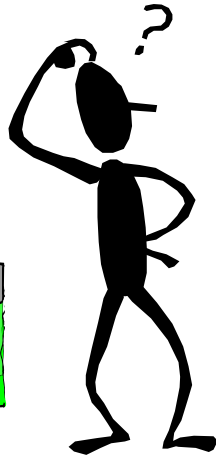
...Diversity of exigences &
divergences in expectations



MDAs/LGAs



**MoFEA
PMO-RALG**

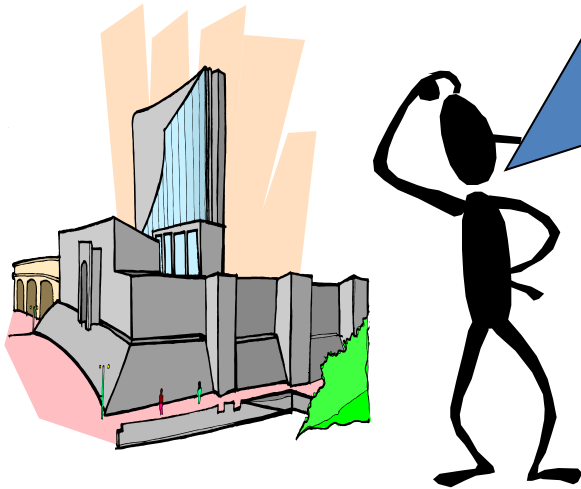


DPs



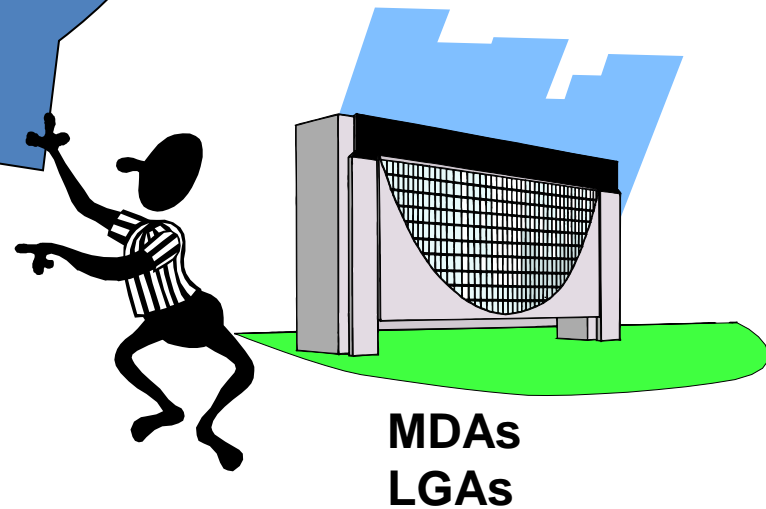
SDUs

We have not collected enough revenue for this beginning of F/Y. Cash ceiling Committee will have to cut and re-prioritize... sharp.



MoFEA
PMO-RALG (?)

We presented cash and procurement plans on time, in line with our voted budget. We need the money to implement our planned activities!
About xxx primary schools/health care centers are waiting for this.



O.k, in order to disburse funds to the holding account, we need to receive the annual progress report of the programme plus the audit results, not very convincing this year...



DPs

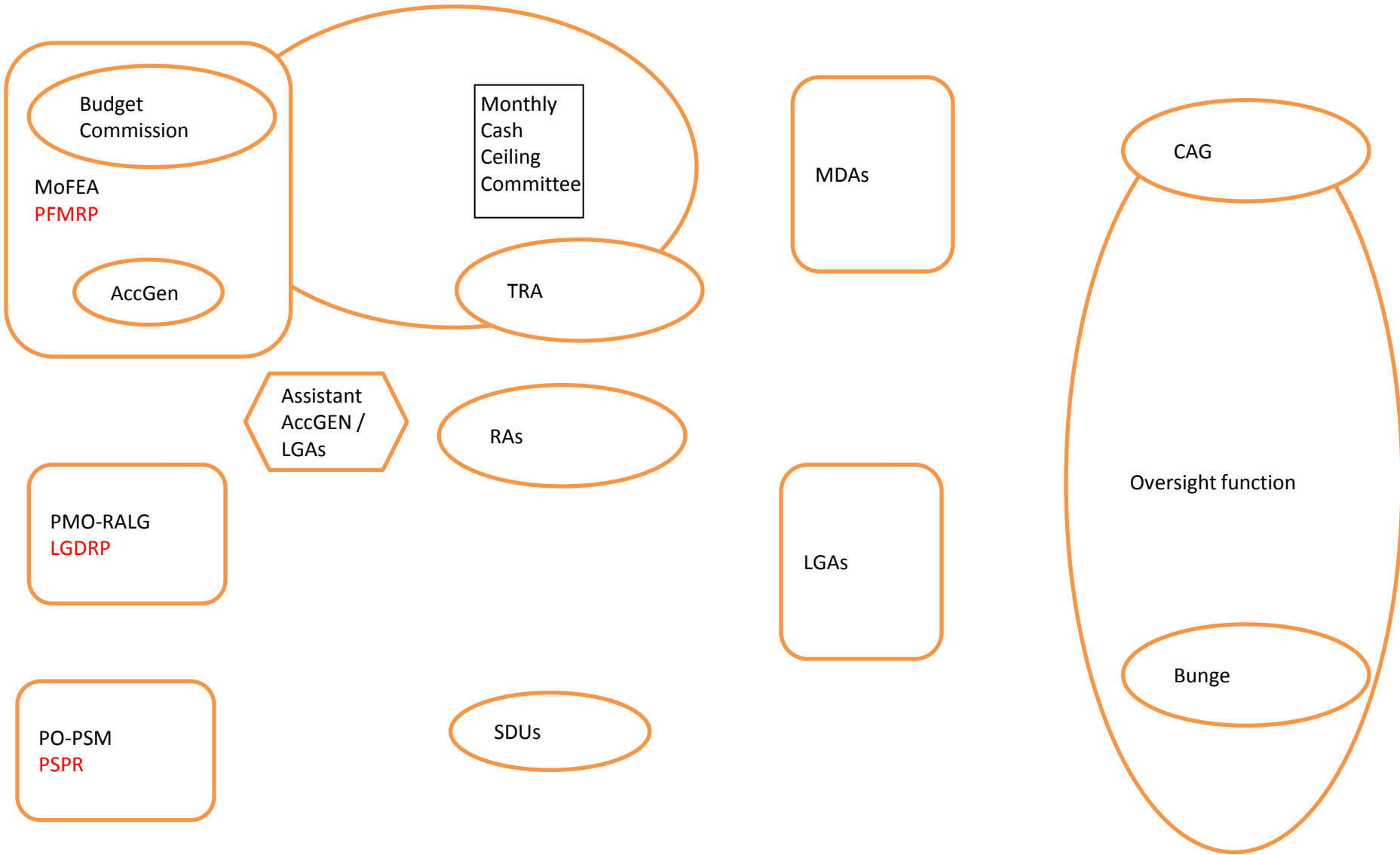
We still dont have books, 2 months after the beginning of the school year. Results will be disastrous!



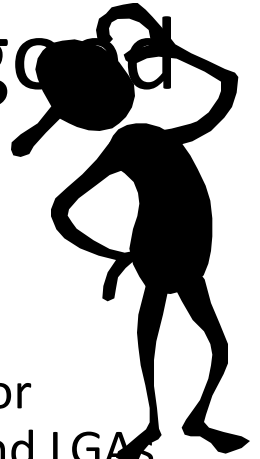
Primary school, remote area

Well, let's have a look, how
this all flow of funds/cash
management works?
At local level for example...





Ok, let's try to ask ourselves the good questions!



- The chain of key players such as PMO-RALG, Commissioner for Budget, Accountant General, Line Ministries, RASs, donors and LGAs themselves – is there a need to make an assessment of this chain?
- Incomplete documentation makes it impossible to follow through with payments – is there a need to focus even more on reporting?
- Money sent but the Accountant at the LGA does not get Exchequer notification issue for the transfers to the LGA accounts as is automatically sent to the RAS offices where a particular LGA is located – is there a need to look at the flow of information that should flow parallel to flow of funds?

Questions to ask ourselves:

- Is the process which involves key players such as PMO-RALG, Commissioner for Budget, Accountant General, Line Ministries, RASs, LGAs and DPs clear to everyone?
- Recognizing that some payments are not following through because of incomplete documentation what can be done to rectify this?
- On flow of funds and information: Does the money sent to the LGA and the Exchequer notification sent to RAS represents a significant issue? How do we make sure that funds and information flows in parallel?
- Recognizing that we have many different accounts to manage, with different procedures, how can we improve and streamline the various processes? Are Both GoT and DPs ready to review jointly this issue with an open mind?

Conclusion

- Continue with last year uncompleted key issues and sustain achievements in PFM
- GoT to propose actions for emerging new PFM issues.
- Develop the next phase of PFM reforms that will take PFM in this country to another level.