



**COMMISSION ON REVENUE ALLOCATION**  
*Promoting an Equitable Society*

**SOUND MANAGEMENT OF PUBLIC FINANCE STRUCTURES  
AND PROCESSES**

**6<sup>TH</sup> APRIL, 2016**

# **(A) DEFINITION OF PUBLIC FINANCE MANAGEMENT**

- It is the administration of funds to deliver services by the government to a people over a specific period of time
- It entails
  - ❖ Revenues
  - ❖ Expenditure
  - ❖ Stabilisation

## **(B) STRUCTURES OF PUBLIC FINANCE**

- **This is the ‘what’ in Public Finance.**
- **The substantive structures upon which public finance revolve**

# **1.Fiscal Framework**

- **Sound policy framework at Macro-level**
  - **Globalization**
  - **Structure of government- clarity on function assignment**
  - **Institutional arrangement – Independence, Interdependence and Accountability**

## **2. Collection of Revenue**

- **Sources of revenue**
- **Appropriate Tax Policy and Legislation**
- **Consultation and coordination between tax policy and tax administration institutions**

## **Collection of Revenue (Cont'd)**

- **Accuracy in revenue forecasting**
- **Transparent , predictability and fairness in collection**
- **Full and timely accounting**
- **Control of arrears and write-offs.**

# Debt and Cash Management

## Note

- Remember government funding activities communicate government policy to the markets, and determine cost of borrowing
- Determines the level of risk and uncertainty

### **3. Debt and Cash Management**

- **Sustainable public debt in the present and for future generations**
- **Establish clear and sustainable deficit targets for short, medium and long term**
- **Proper guidelines to manage contingent Liabilities, government guarantees, pension fund- consolidate debt to reduce cost and set subnational and other entities' borrowing**



### **3. Debt and Cash Management (Cont'd)**

- **Strict adherence to budget approvals– no leveraging by incurring expenditures (pending bills)**
- **Proper management of contractual obligations**
- **Prudent cash management across public sector**
- **Proper record keeping and full disclosure**
- **Capital expenditure must be supported over the long term by recurrent allocations**

## **4. Effective Planning**

- **Develop and institutionalize planning**
- **Planning needs based on realistic expectations**
- **Capacity to manage Public Private interface**
- **Flexible plans**

## 5. Resource Allocation and Budgeting

- **Resources Allocation** should be guided by overall economic policy
- **Budgets must be Comprehensive, informative and accurate. (*Must include all government revenues and expenditure*)**

## **5. Resource Allocation and Budgeting (Cont'd)**

- **Penalties for budget overruns**
- **Liabilities and assets of government**
- **Annual budgets based on medium-long term plans (predictability)**
- **Budgets should be participatory and transparent-  
all stakeholders**

## **6. Budget Implementation**

- **Budgets must be approved**
- **Good performance and value for money**
- **Strengthen institutions – accountant general, standards Board, controller of budget**
- **Timely and full accountability of expenditures**
- **Clear rules on formats, frequency and timings of reports**

## **7. Procurement**

- **Procurement laws in place**
- **Guidelines and regulations clearly spelt out**
- **Sanctions for non-compliance**
- **Centralized Procurement authority**

## **8. Internal and External Oversight**

- **Internal Audit**
- **Auditor General- External Audit**
  - **Parliamentary**
  - **Judicial process**
  - **The public**
  - **Media, Civil Society**
  - **International bodies**

## **8. Internal and External Oversight (Cont'd)**

- **Reward and celebrate good financial management**
- **Goal- Effective financial management**



## **C: PROCESS OF PUBLIC FINANCE MANAGEMENT**

- 1. Develop a strategic reform framework- homegrown strategies**
- 2. Address structural issues**
- 3. Political Will (*Public Finance is a political process*)**
- 4. Establish and Strengthen institutions- clarity of mandate and independence with appropriate competencies, properly financed**

## **PROCESS (Cont'd)**

- 6. Make use of all available skills- harnessing global best practice**
- 7. Develop capacity for timely and accurate statistical data**
- 8. Build relationships**
- 9. Monitor and evaluate- set measurable performance targets, focus on both outcomes (Effectiveness) and inputs (efficiency).**



**THANK YOU**