

Recent Public Financial Management Publications and other Resources

In this section we review some recent publications which may be of interest to readers of the Journal. We would be pleased to receive reviews and suggestions of other resources which we should refer to in future issues.

1. Theory and Practice of Government Accounting in Nigeria - Eddy O. Omolehinwa and J. K. Naiyeju (2011)
2. Model Law on Public Procurement - UNCITRAL (2011)
3. A Guide to Public Financial Management Literature for Practitioners in Developing Countries - Rebecca Simson, Natasha Sharma & Imran Aziz (2011)
4. Buying Better Governance: the political economy of budget reforms in aid-dependent countries - Paolo de Renzio (2011)
5. Supporting Capacity Development in PFM - A Practitioner's Guide (OECD DAC 2011)
6. Good Practices in Supporting Supreme Audit Institutions – OECD DAC (2001)
7. Annual Financial Reporting by Governments - what is good practice in sub-Saharan Africa? (Stephen Emasu, Mercy Nyangulu and Andy Wynne (2012)
8. A Guide to Transparency in Public Finances: Looking Beyond the Budget - International Budget Partnership (2011)
9. Economic Report on Africa 2011: Governing development in Africa - the role of the state in economic transformation - UN Economic Commission for Africa and African Union (2011)
10. Counting the Bottom Billion - Measuring the Wealth and Progress of African Economies - Morten Jerven (2011)
11. Les budgets nationaux au service du développement et de la réduction de la pauvreté - Mohamed Moindze (2012)

1. Theory and Practice of Government Accounting in Nigeria - Eddy O. Omolehinwa and J. K. Naiyeju (2011) Pumark Nigeria Ltd – pumarkbooks@yahoo.com

This is a comprehensive textbook which covers existing practices at the Federal and state levels in Nigeria, but also discusses current developments and reforms. Nigeria is a large country (one in five Africans are from Nigeria) and has a well developed publishing industry with a range of books of public financial management. However, few are written by such experienced and eminent authors.

J. K. Naiyeju is a former Accountant General of the Federation of Nigeria and Eddy O. Omolehinwa is a Professor of Accounting at the University of Lagos. Together they provide a formidable team to effectively cover the subject matter.

The first chapter provides an overview of the subject (and is reproduced as a paper earlier in this issue of the Journal). The second chapter considers the legal requirements and the national and international standards which may apply in Nigeria. This is complemented by Chapter 3 which provides details on the Fiscal Responsibility Act, 2007. This requires a medium term expenditure framework (MTEF) and limits the annual budget deficit to 3% (an optimistic level with recent pressures).

Chapter 4 considers the key roles of financial officers in government and is complemented by the next chapter on the various core institutions, especially the National Assembly and the Budget Office.

Chapter 6 provides a critical review of the experience of adopting accrual accounting in countries like New Zealand the Britain. The following chapter provides a historical view of budgetary reform, which has involved a number of experiments and innovations, many of which have not been clearly successful or stood the test of time. Although the general push to programme budgeting is still be pursued despite this being repeatedly attempted in Nigeria and other places over the last forty years. The next two chapters consider the current practice of budget formulation and implementation in Nigeria.

Individual chapters then consider accounting for capital projects; the varied sources of revenues; cash planning and management; special accounts; procurement and public borrowing.

Chapter 16 covers recent reforms of the financial reporting system in Nigeria, considering in particular e-payments and the Government Integrated Financial Management System which, at a cost of \$29million funded by the World Bank, went live in early 2012.

Chapters 17 and 18 cover an outline of current financial reporting by the Federal and state governments and more general issues of accountability. The books final chapter discusses the issues around a sovereign wealth fund in the light of the Nigeria Sovereign Investment Authority Act, which the president signed into law in May 2011.

This book provides an authoritative introduction to government financial reporting, which will be valuable within and outside Nigeria alike. The extensive and critical coverage of international guidance and good practice means that this book will be of interest to all those with in interest in the quality of their government's financial reporting across the Global South.

2. Model Law on Public Procurement - UNCITRAL (2011)

http://www.uncitral.org/pdf/english/texts/procurem/ml-procurement-2011/ML_Public_Procurement_A_66_17_E.pdf

The Model Law on Public Procurement contains procedures and principles aimed at achieving value for money and avoiding abuses in the procurement process. The text

promotes objectivity, fairness, participation and competition and integrity towards these goals. Transparency is also a key principle, allowing visible compliance with the procedures and principles to be confirmed.

The 2011 Model Law replaces the 1994 UNCITRAL Model Law on Procurement of Goods, Construction and Services. While the 1994 text was recognized as an important international benchmark in procurement law reform, in 2004, the Commission agreed that the 1994 Model Law would benefit from being updated to reflect new practices, in particular those resulting from the use of electronic communications in public procurement, and the experience gained in the use of that Model Law as a basis for law reform. Nonetheless, the principles and main procedures from the 1994 text, the foundation of its success, have not been changed.

3. A Guide to Public Financial Management Literature for Practitioners in Developing Countries, Rebecca Simson, Natasha Sharma & Imran Aziz (2011) ODI: London
www.odi.org.uk/resources/docs/7542.pdf

This guide has been prepared for people seeking to deepen their knowledge on public financial management (PFM) in developing countries. It caters to the needs of newcomers to the field who want to familiarise themselves with the introductory PFM literature, as well as practitioners broadening their PFM knowledge beyond their own area of expertise.

The world of PFM literature can be daunting, ranging from heavy handbooks on PFM reform and theoretical academic papers by economists and political scientists to country-specific evaluations and case studies. Navigating this sea of material can be difficult and time-consuming. In this guide, we have selected handbooks, guidance notes and articles that we think would be useful to the people implementing PFM systems: recommended readings are practical, concise, user-friendly and focused primarily on PFM systems in developing countries. As our objective is to save the reader time, we have consciously kept the lists short. Most of the recommended readings are available free online.

The paper is divided into two main parts. Part I provides an overview of the budget cycle architecture and recommends literature that describes what a sound PFM system looks like and explains why. It also highlights specific areas where there is disagreement about the best approach, or where implementation practices differ widely between countries. Part II sheds light on the gap between theory and practice, tackling the challenges low capacity and political and economic realities pose for the ideal PFM system. The literature covers PFM reform strategies on how to prioritise and phase reforms and what preconditions are required for reforms to be successful. It also discusses PFM diagnostic tools and some findings from evaluations of PFM programmes.

4. Buying Better Governance - the political economy of budget reforms in aid-dependent countries, Paolo de Renzio (September 2011)
GEG Working Paper 2011/65: Oxford

<http://www.globaleconomicgovernance.org/wp-content/uploads/DeRenzio.Buying-Better-Governance1.pdf>

This paper investigates the factors affecting the success of reforms of government budget institutions across a sample of 16 aid-dependent countries over the period 2001 to 2007. More detailed analysis is then undertaken of the experience of Mozambique and Burkina Faso.

There was an increase in funding for technical assistance from US\$ 170 million in 1997 to US\$ 1.6 billion in 2007. However, only half of the 16 countries improved the quality of their budget systems over the study period.

The results show that, unsurprisingly, economic and political stability are preconditions for successful budget reforms. In addition, the following are the main findings:

1. A minimum degree of government leadership and commitment to reforms is the most important factor shaping budget reform outcomes. Higher levels of leadership and commitment are influenced by:

- past reform experiences and historical legacies in the relationship between governments and donors
- levels of technical capacity and by the degree of politicization of the bureaucracy.

2. Degree of centralization of budget institutions, or more specifically the relative strength, power and influence of the Ministry of Finance *vis-à-vis* sector ministries

3. The overall fragmentation of aid flows and co-ordination in the ways in which technical assistance is delivered were important external factors. Lack of transparency and coordination, a multiplicity of implementation and reporting mechanisms, and high levels of volatility and unpredictability can all have a negative impact on different aspects of the quality of budget institutions

4. Surprisingly, the level of technical assistance and the use of so-called programme aid modalities (budget support and SWAs rather than project aid) were less important for the success of budget reform.

“Donors’ hopes of ‘buying’ better budget governance, therefore, are more likely to be enhanced not by additional technical assistance or general budget support, but by better behaviour, reducing the perverse incentives induced by aid fragmentation and increasing coordination in the delivery of technical assistance.”

5. Supporting Capacity Development in PFM - A Practitioner’s Guide, OECD DAC (2011)

Volume 1:

www.oecd.org/dataoecd/57/13/48782679.pdf

Volume 2 (case studies)

www.oecd.org/dataoecd/57/12/48782733.pdf

The Guide is intended to assist users in partner countries and development partners in designing and implementing initiatives aiming to strengthen institutional and human resource capacities in this particular component of country systems.

The guide is based on a literature review of capacity development and public financial management, five case study countries (Nepal, Rwanda, Lesotho, Mali and Morocco) and discussions⁷ with key practitioners from government, technical assistance centres and donors.

Part One sets out the theory and context. It covers definitions of key concepts for public financial management capacity development, then discusses the nature of capacity development, some of the key principles in support to capacity development generally and sets out some of the findings from the country case studies and highlights some of the lessons learnt over the past decade. Some of the challenges in implementing these lessons are discussed and why there are still 'square pegs in round holes'.

Part Two contains the guidelines themselves – from pre-dialogue to post assessment and beyond. The approach taken for each step is one of setting out the theory (how it should be – good practice principles), the practice (how it really is - the good, the bad and the ugly) and then providing some suggestions for moving towards better practice.

6. Good Practices in Supporting Supreme Audit Institutions – OECD DAC (2011)

<http://www.oecd.org/dataoecd/48/54/49066186.pdf>

Supreme Audit Institutions (SAIs) are the lead public sector audit organisation in a country. Their principle task is to examine whether public funds are spent in compliance with existing rules and regulations. Well functioning SAIs can play an important role in confirming that controls are operating effectively and suggesting ways in which government organisations can operate better. But in many countries, SAIs lack the independence, the resources and the technical skills to carry out the rigorous high quality audit needed by governments, parliaments, citizens, the media and development partners.

This guide has been written to help staff in development partners, namely bilateral and multilateral providers of development cooperation, understand SAIs and how to help them play a more effective oversight role. To increase the usefulness of this guide, checklists are provided throughout the text. Development partner coordinating committees are encouraged to use these checklists when engaging with, and considering supporting, SAIs. However, they are checklists not straitjackets. Their purpose is to promote discussion and reflection, and encourage the development of local solution, not the imposition of external templates.

7. Annual Financial Reporting by Governments - what is good practice in sub-Saharan Africa? - Stephen Emasu, Mercy Nyangulu and Andy Wynne (2012)
<http://www.scribd.com/doc/94003101>

Along with the auditor's report, a government's annual financial statements provide the essential financial data necessary for accountability purposes. It is the prime document enabling parliaments and citizens to hold their governments to account for the effective management its financial resources.

This study aims to identify and collate existing good practice in terms of annual financial reporting by governments in sub-Saharan Africa. As such, it is a bottom-up study of annual financial statements as an aid to revising international accounting standards for governments in the Global South. There have been a range of studies on public financial management in sub-Saharan Africa in recent years, but few of these provide details of how governments report annually on their financial management.

The international accounting standard promoted for governments of sub-Saharan Africa is the Cash Basis IPSAS, but it is not necessarily based on actually existing good practice and, as a result, not a single government globally has actually been able to implement its key requirements (see also - <http://tinyurl.com/wynne9>). Similarly, in Africa at least 31 governments have tried to implement the standard, but none have actually implemented its key mandatory requirements (over nine years after the standard was issued). This standard is now planned to be revised and we hope that the results of this research will facilitate this process.

8. A Guide to Transparency in Public Finances: Looking Beyond the Budget -
International Budget Partnership (October 2011)
<http://internationalbudget.org/wp-content/uploads/Looking-Beyond-the-Budget.pdf>

The International Budget Partnership's Open Budget Survey examines the accessibility in countries around the world of eight key budget reports that governments should publish in order to enable civil society, oversight institutions, and members of the public to participate effectively in budget processes and hold governments accountable for how they use public money. This is a compendium of five briefs that goes beyond the eight key budget reports to examine other areas of public finance that are less well understood and especially vulnerable to efforts to shield them from public scrutiny.

The five briefs are:

1. Extrabudgetary Funds
2. Tax Expenditures
3. Quasi-Fiscal Activities
4. Contingent Liabilities
5. Future Liabilities.

These five guides build on the International Budget Partnership's earlier introduction and like this is available in English, French or Spanish:

Guide to Transparency in Government Budget Reports: Why are Budget Reports Important, and What Should They Include?

<http://internationalbudget.org/publications/guide-to-transparency-in-government-budget-reports-why-are-budget-reports-important-and-what-should-they-include/>

9. **Economic Report on Africa 2011: Governing development in Africa - the role of the state in economic transformation**, UN Economic Commission for Africa and AU (March 2011), Addis Ababa: UNECA
<http://www.uneca.org/era2011/>

Chapter 4, The Role of the State in Economic Transformation in Africa

Africa's high growth rates have not translated into high levels of employment and reductions in poverty... They are also quite volatile, especially in sub-Saharan Africa.

The following analysis looks at economic growth in Africa during 1960–2007, categorized into three sub-periods: 1960–1972, when 26 African countries posted real per capita growth rates equal to, or in excess of, 2 per cent a year (implying a doubling of real per capita in 35 years or less); 1973–2000, when growth collapsed in many African countries; and 2000–2007, when many African countries recorded a growth recovery. In the context of these growth processes, the record of structural transformation during 1970–2007 is reviewed with special reference to the role of the state in promoting economic transformation on the continent. Finally, possible roles for the African state in achieving structural transformation are proposed (page 75).

The main lesson to be drawn from the Malaysian and other relevant development experiences – such as those of Japan, South Korea and Brazil - is that successful economic transformation was achieved by deliberate state involvement, based as it was on a disciplined planning process aimed at transforming the structure of the economy. The evidence shows that the involvement of the state in this process included not only formulation of relevant development policies, but also creation of the required institutions and provision of the required investment (Yusof and Bhattasali, 2008). (page 77)

Growth and transformation in Africa

Notwithstanding Africa's diversity, it is generally recognized that growth performance in the region during the period since independence in the 1960s and up to the first oil price shock of 1973 was at par with that of other regions (Rodrik, 1999: 68). Using the latest version of per capita GDP in 2005 PPP dollars (Summers, Heston and Aten, 2009), during 1960–1972, 26 African countries registered average annual real per capita GDP growth rates in excess of 2 per cent a year, and 13 countries achieved fast growth in excess of 3.5 per cent a year. During this early period, only 10 countries experienced negative growth rates, while 16 countries recorded positive growth rates of less than 2 per cent (page 78).

Africa's average growth improved notably since the turn of the 21st century (page 79).

The same World Bank publication [World Bank, 2006. World Development Report 2006:

Equity and Development, Oxford University Press, Oxford, United Kingdom] identified three areas of public policy interventions from an equity focus: investment in human capacity (early childhood development; schooling; health, safety nets and taxes for equity); expanding access to justice (building equitable justice systems), land (greater equity in access to land), and infrastructure (equitable provision of infrastructure); and promoting fairness in markets (financial, labour and products) (page 87).

Countries that have succeeded in unleashing high growth rates and social development are not the ones that implemented the prescriptions of the Washington Consensus (page 87).

It is therefore important for the state that is accountable and responsive to the needs of its population to assume its developmental responsibility and guide sustainable social and economic development in African countries. The key questions are: How can such a developmental state emerge? What are its characteristics and functions? How do we ensure that it can effectively guide economic transformation and development? How can we ensure that it is accountable and that it acts in the interest of its citizen? (page 90)

10. Counting the Bottom Billion - Measuring the Wealth and Progress of African Economies - Morten Jerven, December 2011

<http://www.world-economics-journal.com/Contents/ArticleOverview.aspx?ID=494>

What do the statistics from the international databases tell us about income and growth in sub-Saharan Africa? Less than we would like to think. The article takes a starting point in per capita GDP estimates in Africa. Recently, Ghana announced a revision of its GDP statistics, increasing its national income estimates by over 60%. This article shows that similar revisions are to be expected in other countries. Many statistical offices are currently using outdated data and methods. It is argued that with the current uneven application of methods and poor availability of data, any ranking of African economies according to GDP levels is misleading. It is argued that the World Bank, prominent among data disseminators, is currently not providing the necessary information to complement its datasets, and that this shortcoming misleads data users.

11. Les budgets nationaux au service du développement et de la réduction de la pauvreté, Mohamed Moindze 2012, Hermann: Paris

Prix : 28.00 €

ISBN : 9782705682248

Se voulant résolument pragmatique et orienté vers les nouvelles finances publiques, l'ouvrage «Les budgets nationaux au service du développement et de la réduction de la pauvreté » édité, en janvier 2012, est centré sur la budgétisation des politiques de développement et de réduction de la pauvreté dans les pays en développement de tradition francophone.

L'ouvrage se veut également exhaustif en proposant une vision d'ensemble des questions relatives à l'élaboration des budgets nationaux basés sur les politiques publiques. Il est composé de deux parties. La première traite des stratégies globales et sectorielles dans leurs

différents aspects de diagnostic, d'élaboration, de costing et de suivi en se basant sur les stratégies de croissance et de réduction de la pauvreté développées par les pays en développement.

La deuxième partie traite d'une manière détaillée la question de la budgétisation basée sur les politiques publiques. Elle comporte cinq chapitres :

- Le premier chapitre examine les « bons » principes d'une budgétisation des politiques publiques, en s'appuyant, dans la plupart des cas, des expériences de nombreux pays. Il présente particulièrement le budget comme un outil de politique économique. La transparence dans la gestion des finances publiques est traitée avec toute son importance. *L'organisation et la gestion budgétaire par programmes y sont également examinées.*
- Le chapitre 2 présente les principaux éléments du cadrage macroéconomique du budget et leur importance dans la réalisation de la discipline budgétaire sans laquelle la mise en œuvre des politiques est compromise.
- Le chapitre 3 examine le développement d'une approche budgétaire pluriannuelle (et particulièrement à moyen terme) qui constitue un élément essentiel d'une budgétisation basée sur les politiques publiques. Après une présentation de ce qu'est un Cadre de Dépenses à Moyen Terme (CDMT), ce chapitre examine ses principales caractéristiques, les procédures et le contenu des documents CDMT. Egalement, les difficultés rencontrées dans la mise en place des CDMT dans les pays en voie de développement et des perspectives pour limiter les échecs sont discutées.
- Le chapitre 5 aborde la notion de bonne gestion de trésorerie infra annuelle et son importance ainsi que ses principaux éléments constitutifs (plan de trésorerie, plans des marchés et d'engagements des dépenses, Compte Unique du Trésor).

Cet ouvrage propose différents encadrés, diagrammes et tableaux élaborés à partir de travaux réalisés dans divers pays et illustrant des bonnes méthodes d'élaboration budgétaire. De même, il cite des exemples et contre-exemples dans le but d'illustrer la démarche. Enfin, il comporte des annexes:

- l'annexe 1 discute brièvement des approches sectorielles ;
- l'annexe 2 présente les relations entre les comptes macroéconomiques ;
- l'annexe 3 aborde la notion d'espace budgétaire et fournit quelques éléments pour l'éviter ;
- l'annexe 4 fournit des questionnaires dont le but est d'identifier les forces et les faiblesses d'un pays en matière d'élaboration budgétaire
- et enfin l'annexe 5 fournit un glossaire pour préciser certains concepts et termes essentiels.

Avec les nouvelles finances publiques, le besoin de formation se fait sentir de plus en plus notamment dans les pays en développement. Cet ouvrage voudrait donc proposer des instruments de formation nouveaux, adaptés à ce nouveau contexte. Il s'adresse ainsi à un public très large: cadres des ministères des finances en charge des réformes budgétaires, cadres des ministères sectoriels en charge de l'élaboration, de la mise en œuvre des stratégies sectorielles et de l'établissement des budgets ministériels, cadres des structures de contrôle, parlementaires qui votent les budgets, étudiants en gestion publique, sociétés civiles. Didactique et simple, il s'adresse à tous les décideurs publics, même ceux qui n'ont pas reçu de formation spécialisée en finances publiques.