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General Directorate of Public Accounting and Treasury of Senegal

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**Public expenditure management process**

**Terms of reference**

**Public sector is a key player in the economic circuit of a country.** It takes a part of the produced wealth by taxes and fees, and injects amounts through wages and public orders. Treasury services are an essential player in these expenditure operations.

In national accounting, **public expenditure is defined as a flow that impoverishes** the administration in the sense that its current net financial asset decreases (either by a decrease in assets, or by an increase in liabilities). This definition doesn't cover the notion of expenditure in the budgetary sense (financial flow initiated by public authorities) and some corrections prove to be essential.

**Methods and principles that govern public expenditure management processes directly impact its effectiveness and efficiency.**

**I. Are Treasury services the only one in charge of the public expenditure management?**

Depending on the organization set up, Treasury services cover more or less the various fields of the State, local authorities and their operators' public expenditure. Often independent, they may sometimes be directly linked to the authorizing ministries. It would be valuable to **draw up a mapping of the scope covered by Treasury services** for comparative purposes, at the end of this symposium.

In some countries, such as France, public sphere isn't covered by a single accounting network and we can find, for specific intervention expenses coming from the European Union or national funding, other stakeholders organised as a network (e.g. ASP: "Agence de Services et de Paiement" that pays around 19 billions euros of interventions in 2014) in fundamental areas such as agriculture, employment, social policy and vocational training.

Three kinds of organisations may be found:

**1- The separation of the authorizing officer and the accounting officer**

**Several organizations of the expenditure chain are possible: the separation of the authorizing and accounting officer, the centre of bills treatment system or with a simple cashier accountant.**

In this system, **the functions of the authorizing and accounting officer** are incompatible and they belong to two different administrations. **The authorizing officer incurs, liquidates and mandates** the expenditure within the limits of the appropriations.

**The accounting officer carries out controls and pays** the expenditure. Generally, these controls are those of payer and cashier. They are treated either by the accounting coverage and payment of the expenditure or by its rejection. The accounting officer is personally and financially responsible.

## 2- The centre of bills treatment

This is a variant of the traditional organisation of the authorizing and accounting officer:

- What doesn't change: the existence of two administrations, the nature of the controls of the accounting officer and its responsibility.
- **What changes: the organisation of the working chain**
  - The **prescriber service**: the only authorizing officer, it **incurs** the expenditure and testifies to the service performed;
  - The shared service centre: grouping of agents of the authorizing officer in charge of carrying out the legal commitment (the order);
  - The **centre of bills' treatment**, under the responsibility of the accounting officer and made up of agents from the authorizing and accounting office. The centre of treatment of bills is the recipient of invoices that it **liquidates, checks and pays**.

## 3- The simple cashier accountant system

In this system, the authorizing officer competences are broader and he has at his side an accounting officer in charge of the **payment** of the expense (role of cashier).

## II. Public expenditure, an indisputable weight in the economic development

Historically, developed countries have all known a period of strong growth of their public expenditure. It may fulfil three functions:

- A **resource allocation** function (to finance public goods and services);
- A **redistribution** function (to correct inequalities);
- A **macroeconomic stabilization** function (to smooth the cyclical variations of the activity).

**Public expenditure of the Republic of Congo amounted to 29% of GDP in 2010. In comparison, the Mali and DRC ones amounted to 16,5% and 9% the same year.**

Source: World Bank

**Assessing the level of public expenditure** but also **its composition** (operating, in-kind transfer, or investment expenditures), **its effectiveness** (performance indexes, measure of the achievement of objectives) and **its efficiency** (cost-efficiency ratio) are all indicators promoting a transparent and reliable management of public accounts. The control of the expenditure chain is indeed one of its keys. Having a fair measure of these accounts can rationalize expenses and thus reinforce the position of the State on financial markets.

To facilitate comparisons, an international standard for the compilation of statistics, national accounts, and for the international declaration of comparable national accounts data has been defined by the EU, IMF, OECD, UN and the World Bank within **the System of National Accounts (SNA 93)**.

However, it is difficult to set up international comparisons on the weight of public expenditure. If the calculation of GDP may reflect the wealth produced on a territory, it does not inform on **the distribution of this wealth within the population** (geographical, age or social category distribution).

**Political choices (centralization or decentralization), the predominance of the State in the society, and the choices made regarding social benefits** are likely to make the weight of public expenditure in GDP fluctuate.

### III. The legal issues of public expenditure

**A stable legal and regulatory framework, with a civil servant body capable of applying it, is an asset.**

**The first indicator of a quality expenditure relies on the legal insurance of the supplier or the civil servant to get paid** according to the service ordered by public authorities. It is therefore necessary to analyse the legal texts that frame the mission to determine whether there is a separation of functions between the administration making the expense, the one mandating and the one paying.

In this organization, what is the role of the Treasury services: do they have the accounting burden of the expense and payment? **Which upstream controls** do they have to do and which power do they have to refuse to pay a nonconforming expense? **What kind of organization** has been set up with the Budget Department and the authorizing administrations? It is important to **determine the legal tools developed** (e.g.: Public Procurement Code, nomenclature of the supporting documents...) to measure the degree of independence of the administration towards some suppliers.

The review will also cover the tools set up to ensure, within Treasury services, that controls under their responsibility are well made and delineated.

### IV. The effectiveness of public expenditure

Public expenditure represents an important part of the amounts injected in the economic circuit, **it is therefore essential that the payment reaches quickly** suppliers or civil servants in case of remuneration. Administrations have thus developed methods to ensure that all suppliers are well paid once the order is placed. If this isn't the case, we will analyse the tools set up to monitor the delays and reduce them.

Besides, services have developed **methods capable to measure payment terms and reduce them** by implementing exhaustive or selective controls according to the sensitivity of the expenditure or the financial issues in presence.

**V. IT tools and banking payments**

A controlled and reliable chain of expenditure can be made more effective thanks to the adoption of *ad hoc* computer tools. These software packages (e.g. GID in Morocco, CEGIB in Niger, or Chorus in France) allow an accelerated processing of accounting data, but also **the automation of most of the controls necessary for the reliability of accounts**. It is a strong vector of process standardization and payment delays optimization.

The different technological orientations chosen by the AIST member states can be shared, compared and improved by the mutual emulation.

The development of computer tool allows in particular to promote the dematerialisation of the expenditure chain’s documents, de facto leading to lower administrative burdens and significant savings in paper volumes, storage space and postage.

**The average rate of banking facilities was 18% in sub-Saharan Africa and 24% in Middle East and North Africa in 2013.**  
Source: EIB

**The extension of banking facilities helps to secure the full discharge of payments.** In some countries, banking facilities remain low, although the « *mobile banking* » in development increases the speed of access to banking services. It is important to analyse whether Treasury services promote the opening of bank accounts in order to make transfers and **reduce the flow of significant amounts of money** in paper money.

**VI. Internal and external controls of the expenditure chain**

Given the amounts involved and the legal impacts in terms of transaction security, **expenditure sector involves the establishment of regular internal controls** within the Treasury services and **controls by independent authorities (magistracy of accounts)** to ensure the regularity of the operations and possibly impose penalties (financial or other) if dysfunctions were found.

Internal control is an essential part of the expenditure chain in order to **enhance reliability of the accounting operations** and lead to reach a level of accuracy enabling the certification of accounts by a higher institution of control. Certification has a positive impact on loan rates in financial markets and opens new prospects of capital attraction and in the financing of the economy.

**Countries that have certified their accounts in 2014 are: Germany, France, United Kingdom, Sweden, Switzerland, Australia, Canada, the United States, Japan and New Zealand.**

## **VII. The reforms initiated by the administration to improve the efficiency of public expenditure**

Public expenditure sector isn't set and each country is brought to modify its legal, accounting and financial framework according to the economic conjuncture and international constraints. These different experiences could be analysed as well as the objectives pursued and the expected results.

Public expenditure is at the heart of economic development. A State that has known a strong development must ensure its control according to the golden rule of Public Finance. Based on these experiences, a State's future development through its public expenditure must be carried out by the prism of efficiency and effectiveness.