



Partnership for Social Accountability Network - Mongolia

Social Accountability Learning-in-Action Program



Public Financial Management and Social Accountability

19 October 2010

What is EGSPRS ?

Economic Growth Support and Poverty Reduction Strategy



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EGSPRS – A Response of the Government of Mongolia

In 2004, the Government of Mongolia committed to undertaking EGSPRS

in response to the next development challenge:

to improve the lives and welfare of the people of Mongolia and reduce poverty by accelerating sustained and equitable economic growth

Source: World Bank Country Assistance Strategy, 2004



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EGSPRS in 2004

Comprehensive medium-term framework of strategies, policies, and programs

- to raise average annual growth to the country's potential of 5 - 6 percent, and
- to reduce poverty from its current incidence of 36 percent.

Aims of EGSPRS (2004)

- Ensuring macroeconomic stability and public sector effectiveness
- Supporting production and exports and improving the environment for private-sector-led development.

Source: World Bank Country Assistance Strategy, 2004

Aims of EGSPRS (2004)

- Enhancing regional and rural development and environmentally sustainable development.
 - Fostering sustainable human development.
 - Promoting good governance, and implementing and monitoring the strategy.
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- Source: World Bank Country Assistance Strategy, 2004

Public Expenditure Management (PEM)in Mongolia

Consistent with EGSPRS, the government of Mongolia in 2004 sought to ---

“strengthen public expenditure management to improve the alignment of budgets with policies and the efficiency of public spending”

Public Expenditure Management (PEM)

- Entails budget preparation & execution, aggregate fiscal discipline, aggregate expenditure
- Essential instrument of policy
- Integral to public financial management (PFM)

Key Concepts of PFM

- revenue administration
- public expenditure management: budget preparation & execution, aggregate fiscal discipline, aggregate expenditure
- procurement
- accounting
- internal control
- intergovernmental fiscal relations

Financial Management Cycle

- Government Planning
- Government Accounting
- Internal Control System
- Government Auditing

Objectives of PEM

- Fiscal discipline (Expenditure control)
- Resource allocation (“Strategic” allocation)
- Good operational management

Linkages – 3 Objectives and Functions

Objective	Revenue Function	Expenditure Function	Organizational Level
Fiscal discipline	Reliable forecasts	Expenditure control	Aggregate
Resource allocation and mobilization	Tax equity & incidence	Expenditure programming	Interministerial
Operational efficiency a. Economy b. Efficiency c. Effectiveness d. Due process	Tax administration	Expenditure management	Intraministerial

What is a budget

- *“The budget should be a financial mirror of society's economic and social choices.”*
- An expression of the plans and programs
- “In order to perform the roles assigned to it by its people, the state needs, among other things, to:
 - (i) collect resources from the economy, in sufficient and appropriate manner; and
 - (ii) allocate and use those resources responsively, efficiently and effectively.”

Public expenditure management

- pertains only to allocation and use of the resources responsively, efficiently and effectively
- is only one instrument, but a key instrument, of government policy

Good governance

- There is an understood and acceptable linkage between good governance and economic development.

Components of good governance

Good governance rests on “four pillars”:
accountability, transparency, predictability,
and participation.

Pillars Defined

- Accountability means the capacity to call public officials to task for their actions
- Transparency entails the low-cost access to relevant information
- Predictability results primarily from law and regulations that are clear, known in advance, and uniformly and effectively enforced; and
- Participation is needed to supply reliable information and to provide a reality check for government action

Millennium Development Goal no. 1

Current situation

- 35% of people living on \$0.70 or less a day
- growing income inequality;
- achievement of this goal is considered **difficult** unless growth rates accelerate and are maintained.

Source: World Bank Country Assistance Strategy, 2004

MDG Goal no. 1

- **Halve, between 1990 and 2015, the proportion of people living in poverty and who suffer from hunger**

Source: World Bank Country Assistance Strategy, 2004

- To be followed with Goals nos. 2 to 8
- GET from file MDGs_CAS Objective
- folder ANSA_EAP Mongolia

WB Support to Reforms

- To “articulate and institutionalize a full-fledged MTEF that aligns budgets with policy priorities set in the EGSPRS,
- To “improve budget coverage and financial management through implementing a Government Financial Management and Information System, improve public procurement processes, and strengthen access to public expenditure information.”

Source: World Bank Country Assistance Strategy, 2004

Government Integrated Financial Management Information Systems

- Financial Reporting
I
- Financial Performance Monitoring and
Evaluation

Instruments of Financial Management System

- Tax and Revenue Management
- Debt Management
- Asset Management
- Liability Management
- International Accounting and Financial Reporting Standards