



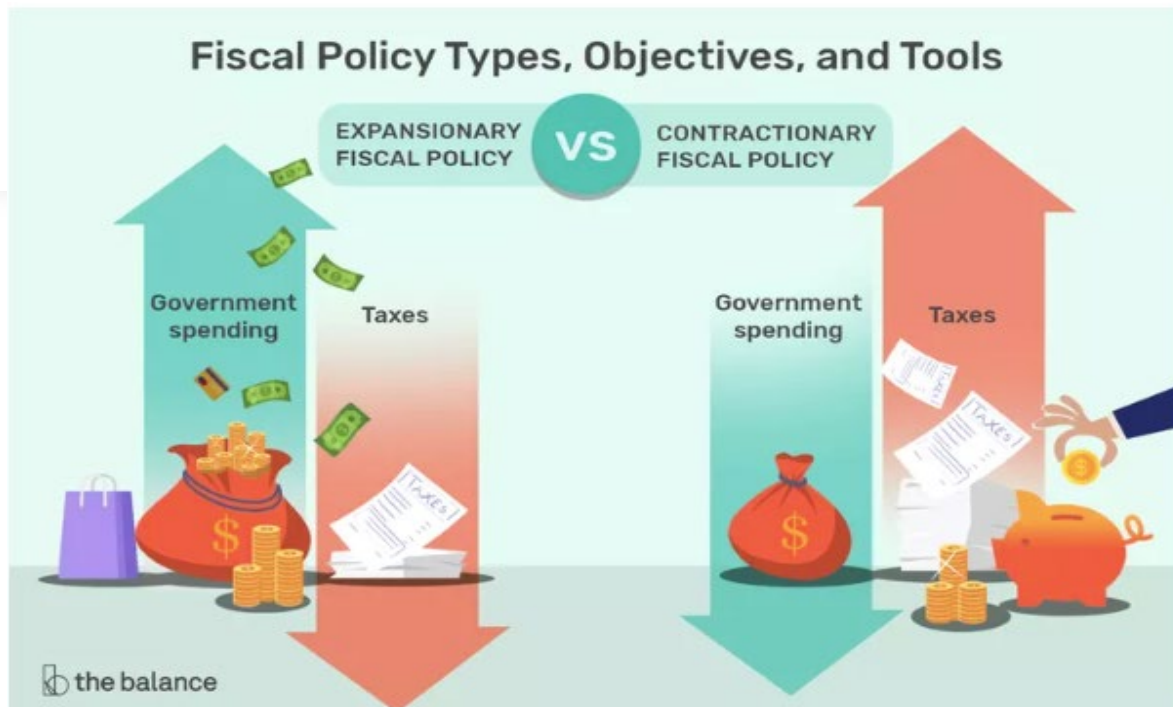
**Session 5:
Public Expenditure Management and Security Sector**

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February 14, 2024

Public Expenditure Management and Security Sector: Key Concepts

- 1. Macroeconomic Stability: Fiscal and Monetary Policies**
- 2. Public Financial Management (PFM)**
- 3. National Budget and Budgetary Principles**
- 4. Public Expenditure Management (PEM)**

Macroeconomic Stability: Fiscal and Monetary Policies



Vol. 2, No. 2
February 2017

Public Goods

What You Need to Know, and Why

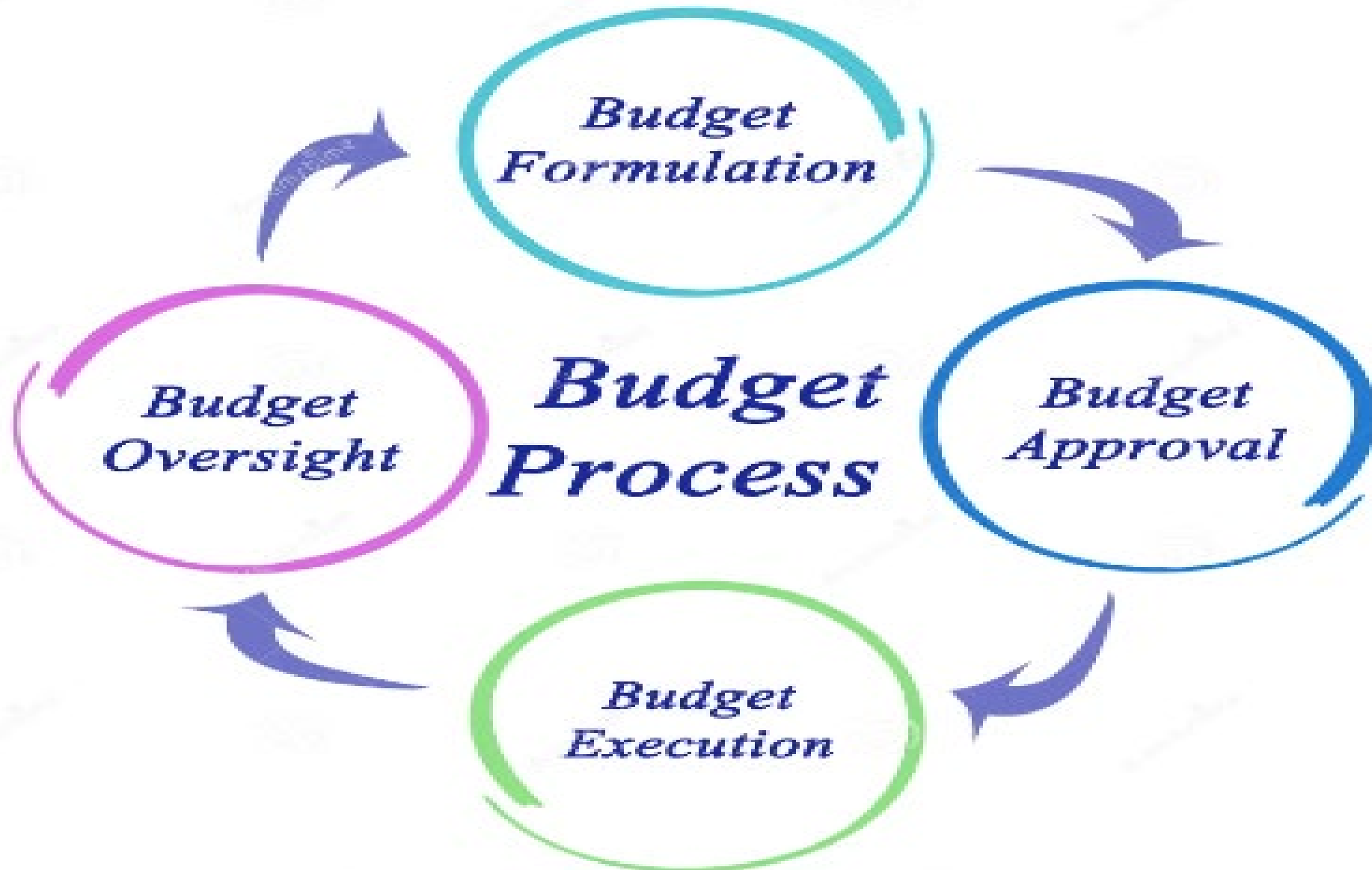


Fiscal Policy: Public Financial Management



Source: https://pdf.usaid.gov/pdf_docs/PA00ZXKP.pdf

Fiscal Policy: National Budget



Fiscal Policy: Budgetary Principles

Comprehensiveness	The budget must encompass all government revenues and expenditures to prevent off-budget items from undermining planning, control, and oversight. All budgetary operations should be covered in a single document, draw from a common pool of resources, and employ a single reporting system to avoid duplication and fragmentation.
Discipline	Payments must be balanced against receipts, and expenses must be balanced against revenues, financing, or external assistance. Countries should adopt a hard budget constraint, whereby policy decisions with financial implications are made in competition with other demands and there is no medium-term fiscal gap in the approved budget.
Specification	The budget must specify detailed revenues and expenditures against standard budget codes, and must spend public resources only for the specified purpose and in the specified amount. If mid-cycle reallocations are necessary, they should be made according to established laws and regulations and approved by the legislature or fiscal authority.
Periodicity	Budgets should be formulated and approved for a specific time period—usually annually, but possibly less often in countries that have adopted a medium-term fiscal framework. Authorized and approved exceptions could be made for multiyear appropriations or end-of-year carryovers, but all transactions should be estimated for their periodic effect.
Accuracy	Budgets must be derived from honest, unbiased, and credible projections of revenue and expenditures in order to maintain the hard budget constraint, facilitate strategic priority setting, and promote efficiency. Accurate and timely information on costs, outputs, and outcomes is essential. Political and technical bias should also be controlled.
Predictability	The budget must provide for a fair degree of stability in fiscal conditions, national policy objectives, and program funding in order to support efficient and effective policy implementation and ensure that policy commitments are met.
Legitimacy	Policy makers who can change budget policies during implementation must take part in their original formulation and authorization. This constraint ensures that the line agencies with the greatest information on cost requirements and relative utility of public funds can influence the <i>de jure</i> policy process, and it reduces the likelihood that <i>de facto</i> spending decisions will deviate from the agreed budget.
Contestability	All sectors (and programs within sectors) must compete on an equal footing for funding during budget planning and formulation to ensure the best use of public funds. This requirement subjects existing policies to evaluation and reform and encourages continuous improvement of line agency performance. It also requires that policy makers be fully aware of all relevant issues and information.
Transparency	Information should be readily available regarding the roles and responsibilities of all public bodies and the bases on which budget decisions are made. This principle requires prompt publication of all budget documents, public deliberation of budget matters, and broad dissemination of budget information. In addition, the budget should be presented in an understandable way that leaves little room for misinterpretation and that allows for comparability over time.
Accountability	All expenditures (and often revenues) must be voted for and authorized by competent authorities before execution; the executive must clearly define and enforce rules for budget managers and periodically report to the legislature on fiscal performance; and an independent audit body must periodically report to the legislature on budget execution. Holding decision makers accountable maintains the separation of powers and ensures that public funds support the public interest.

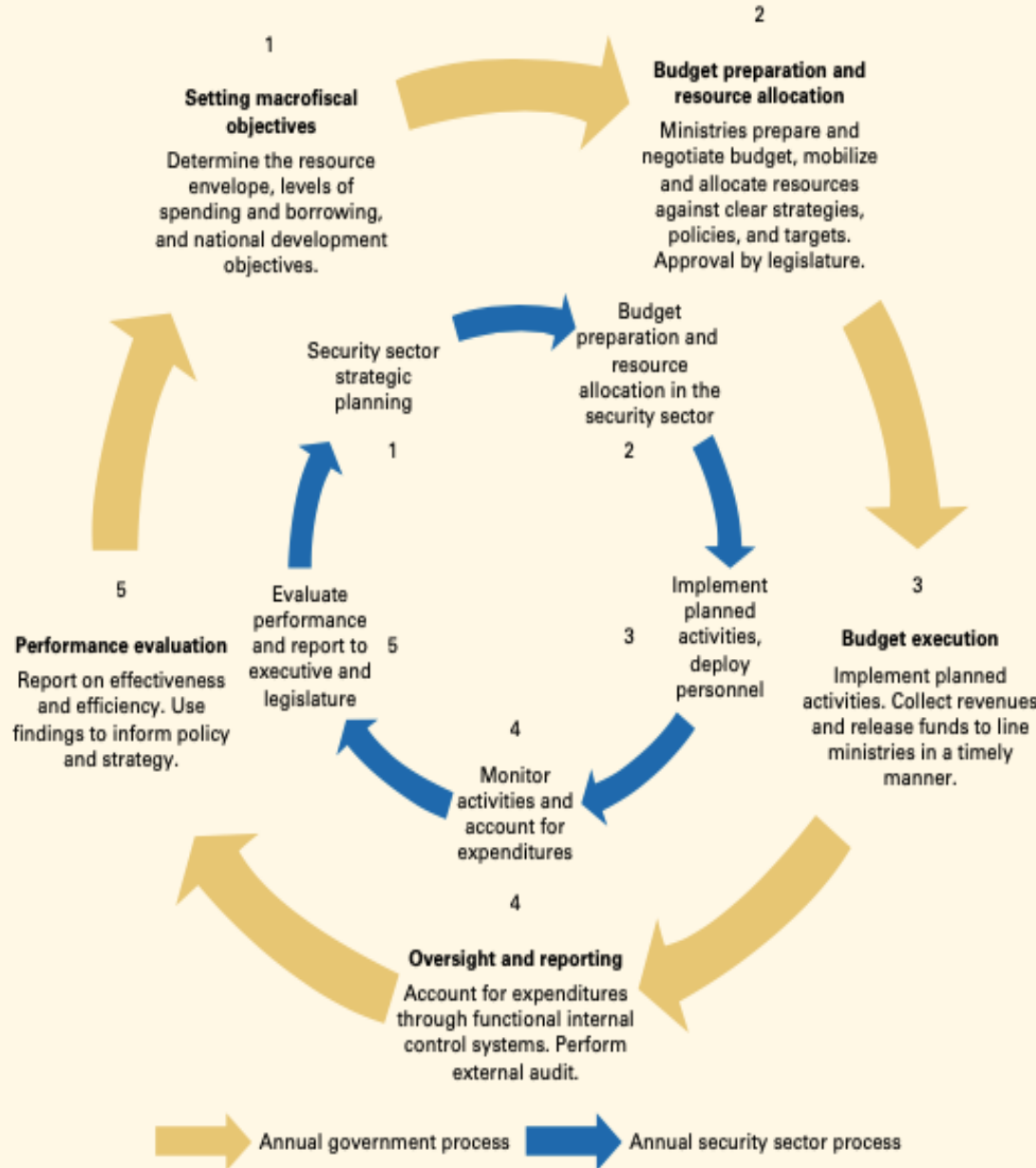
Sources: Lienert 2013; de Renzio 2013.

Fiscal Policy:
Public
Expenditure
Management

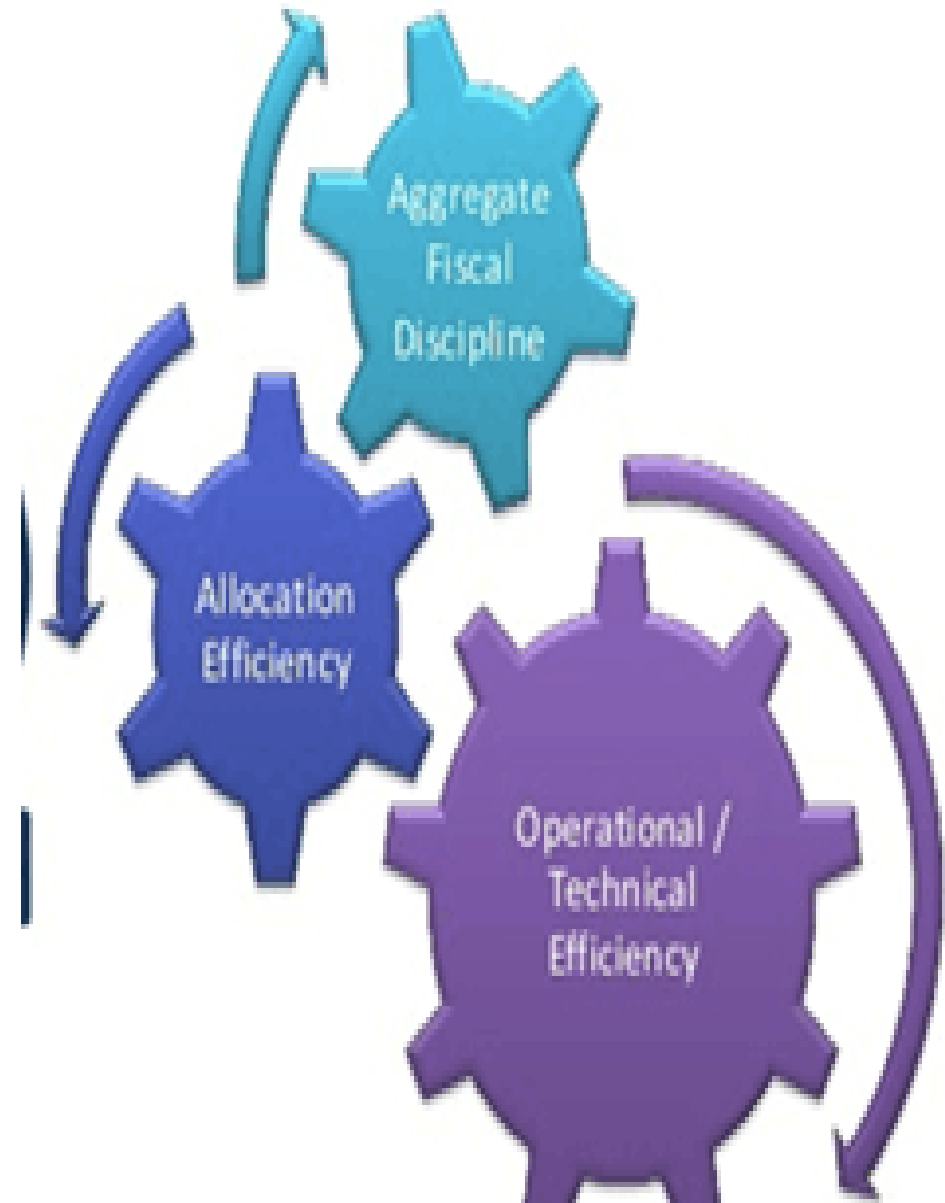


Public Financial Management and Security Sector

Figure 2.1 The Security Sector in the Budget Cycle

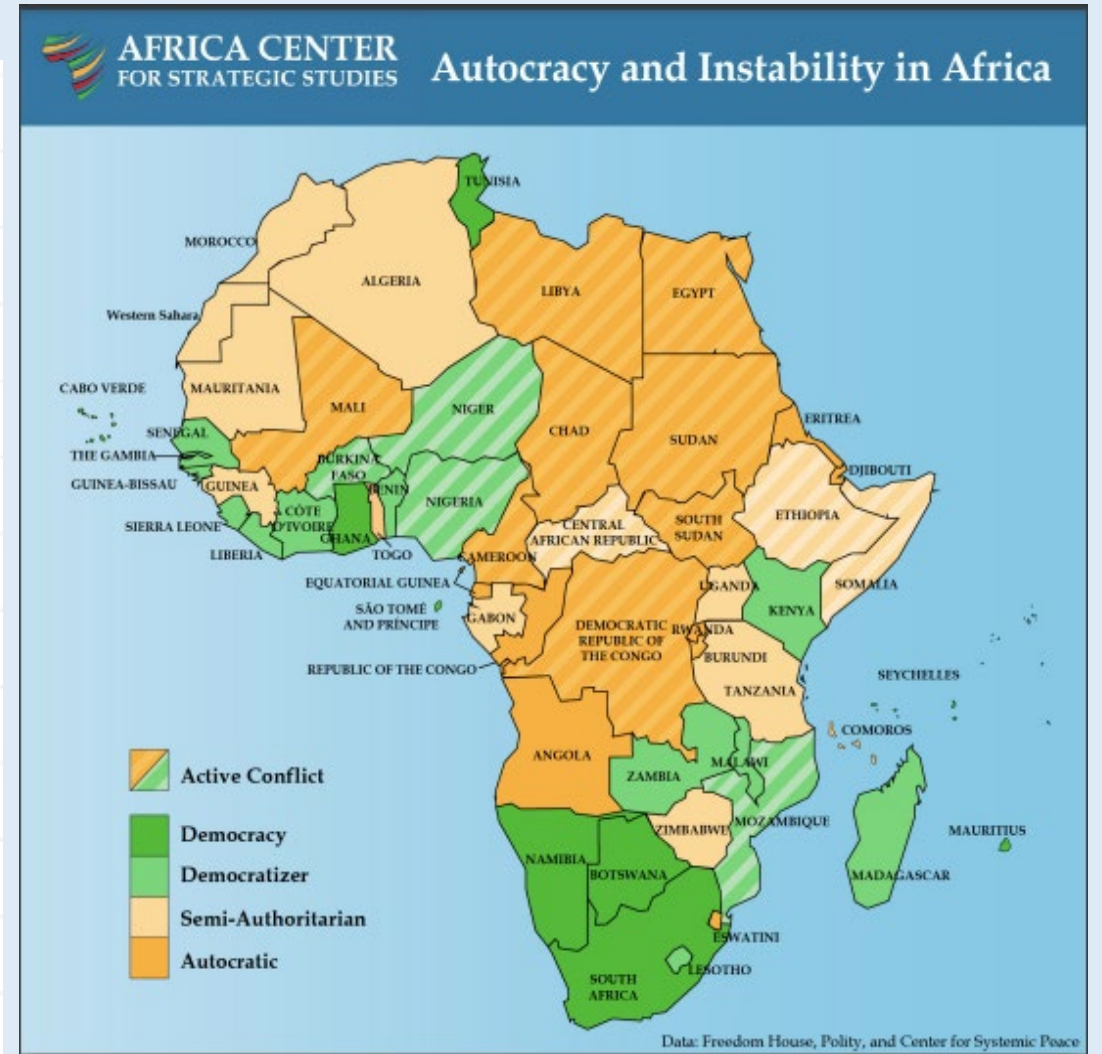
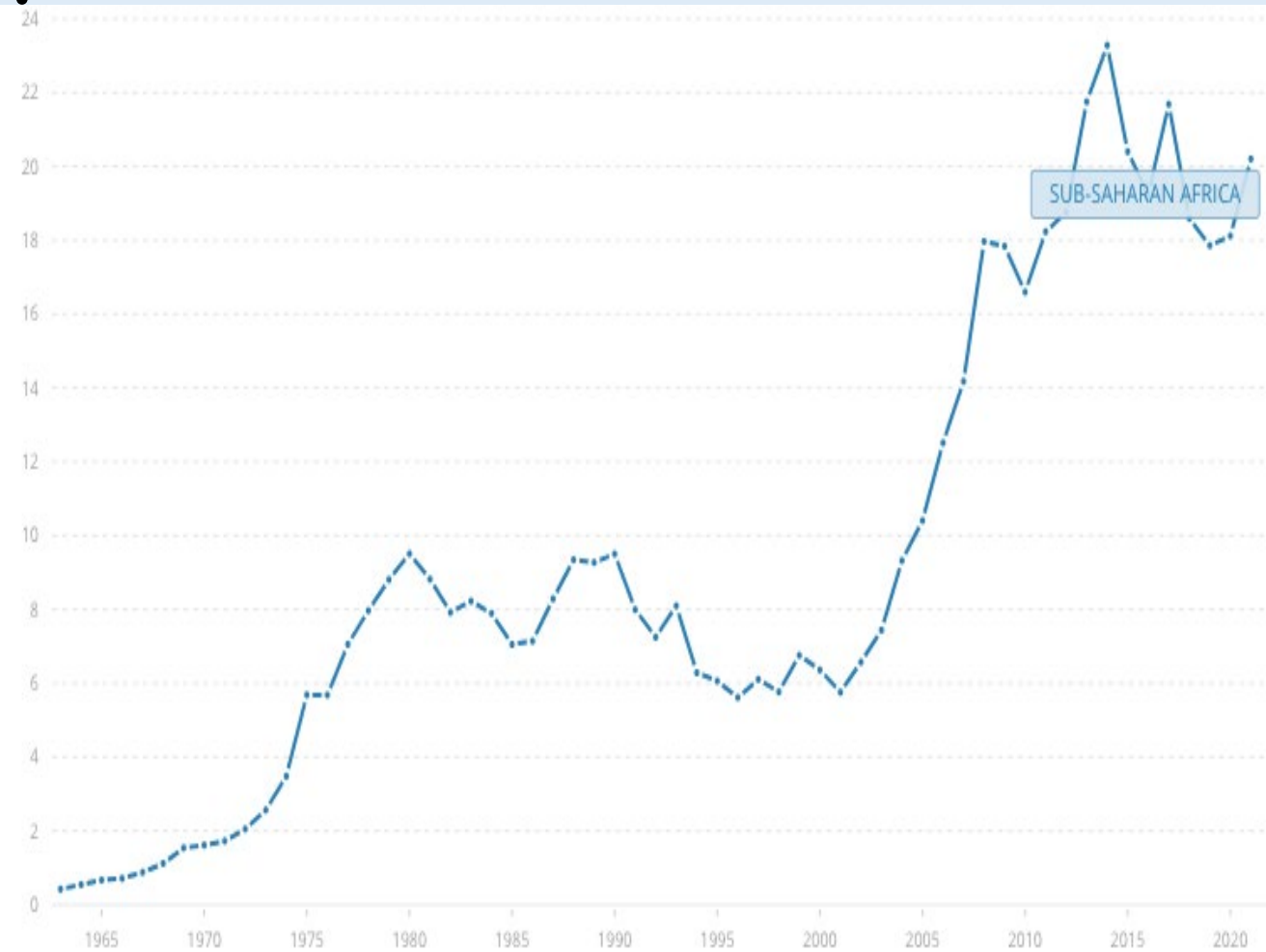


Source: Adapted from Ball and Holmes 2002.



Security Spending and Types of Government in SSA

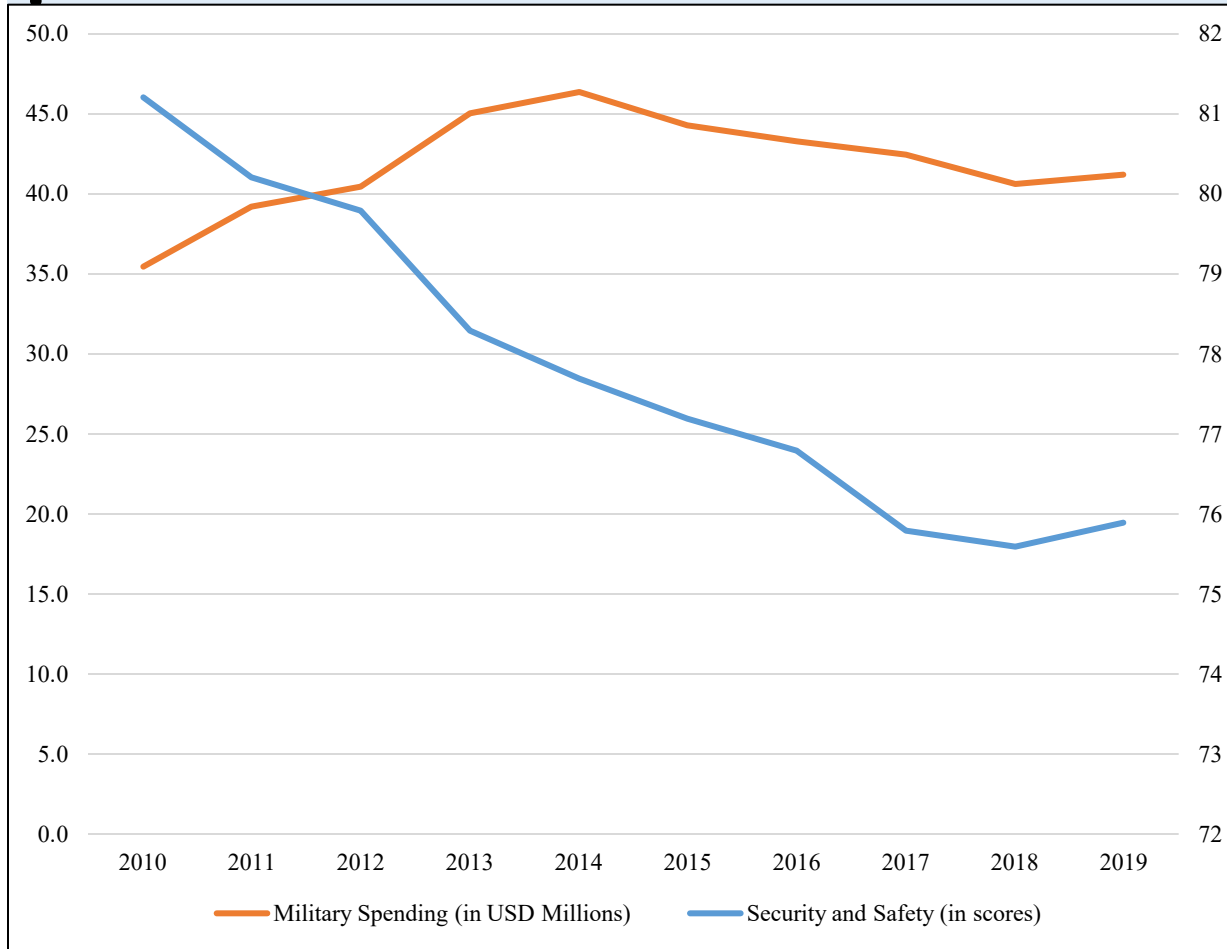
SSA Military Expenditure in USD Billion, 1984-2021



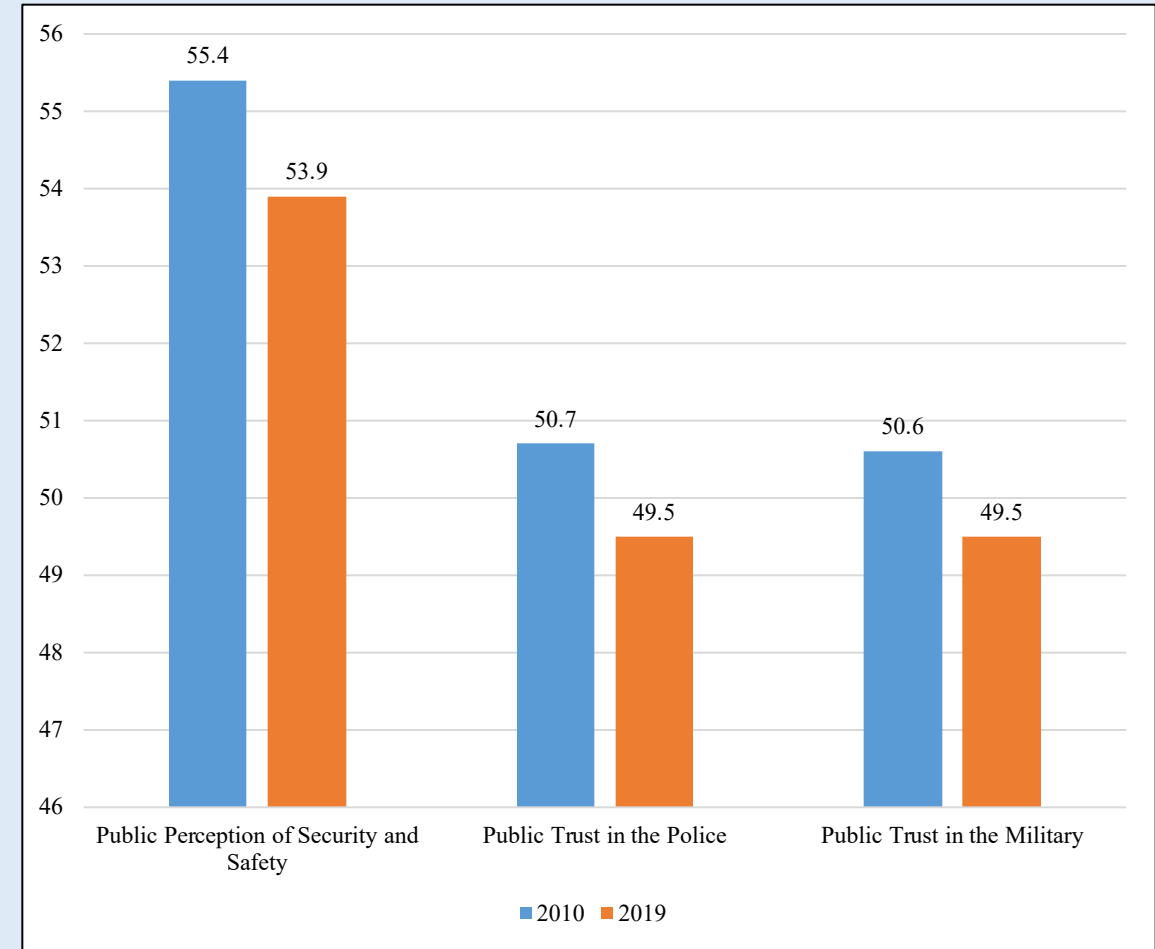
OECD/AUC/ATAF (2022), Revenue Statistics in Africa 2022, OECD Publishing, Paris,

Security Spending and Security Outcomes in SSA

SSA Military Expenditure as % of GDP, 1962-2021



SSA Military Expenditure as % of Gov. Expenditure, 2004-2021



Source: Kuol and Amegboh, 2021 with Data from IIGA

Opportunity for Sound Public Expenditure Management in Security Sector in SSA

