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REFORMING FISCAL POLICIES FOR STABLE AND SUSTAINED GROWTH

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Reforming Fiscal Policies for Stable and Sustained Growth: Insights from Findings of Some Recent Studies

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Background and Context

- Recent economic developments accentuate the challenges of fiscal and economic management
 - Expansion of revenue sources alone insufficient
 - Need for tighter controls and discipline in spending
 - Need to improve credibility of spending, prioritization of resources, and service delivery
 - Not at expense of vulnerable groups of society
 - Recent UNECA Press Release identify need for structural changes and protection of marginalized groups
 - How to achieve this delicate balance among CW nations is focus of presentation

Key Issues of Focus

- Poor outcomes of fiscal policy in some CW economies
 - Current planning paradigm not sufficiently credible
 - Not sufficiently inclusive and participatory
 - Distorted result in PFM outturns and opportunities
 - Argument for a paradigm shift in policy management
 - Need for more credible approach to fiscal policy management
 - Recognition of unique and indispensable contribution of gender and related issues in securing better outcomes
- How may this be achieved in CW nations?

Trends and Patterns across the CW

- Recent PEFA PFM assessments in 10 African governments - 3 national & 7 subnational - reveal weak structures for
 - Fiscal discipline
 - Strategic prioritization and allocation of resources
 - Value for money in service delivery

Evidence of Lack of Fiscal Discipline

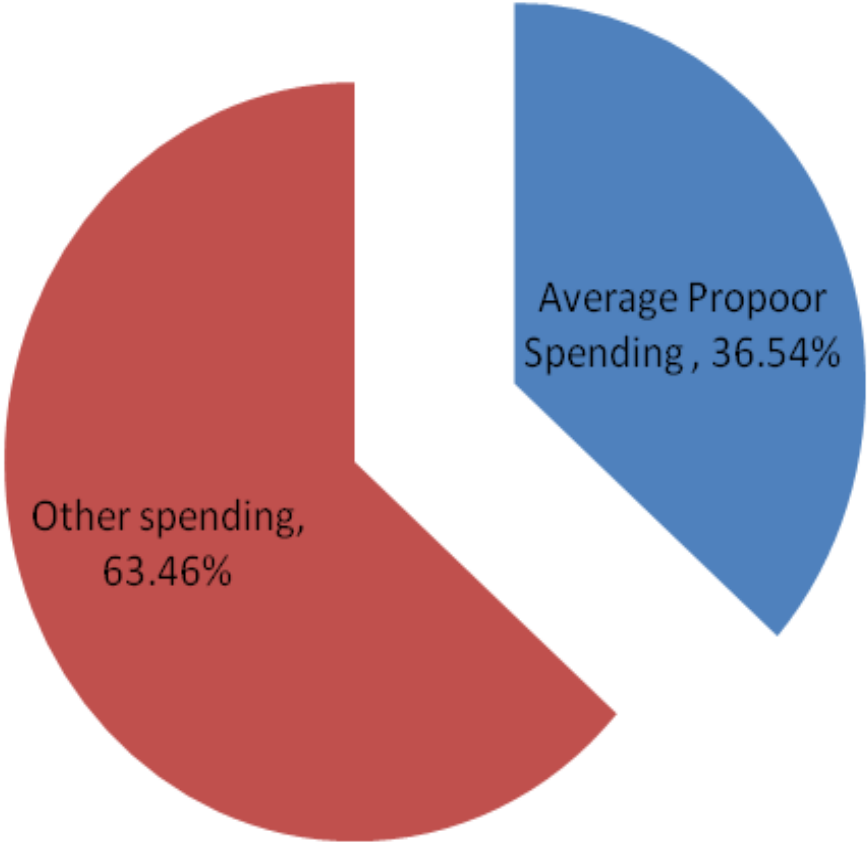
Indicator	Number of Governments Scoring								Total
	A	B+	B	C+	C	D+	D	CS	
PI-1: Budget Outturns	1	-	1	-	1	-	6	-	9
PI-3: Revenue Outturns	2	-	-	-	-	-	5	1	9
PI-4: Stock and Monitoring of Expenditure Payment Arrears	2	1	-	-	-	1	1	4	9
PI-7: Unreported Government Operations	1	-	-	-	-	1	3	4	9
PI-9: Oversight of Risks of AGA & LGs	-	-	-	-	2	1	4	2	9
PI-12: Multiyear Fiscal Projections (including Sector Strategies)	-	-	-	2	-	-	7	-	9
PI-17: Recgd and Mgt of Cash Bal , Debt & Guarantees	-	-	2	1	1	5	-	-	9
PI-20: Other Internal Controls	-	-	-	2	1	5	1	-	9
PI-24: Quality & Timeliness of In-year Budget Reporting	-	-	-	2	-	1	6	-	9

Evidence of Poor Prioritization of Spending

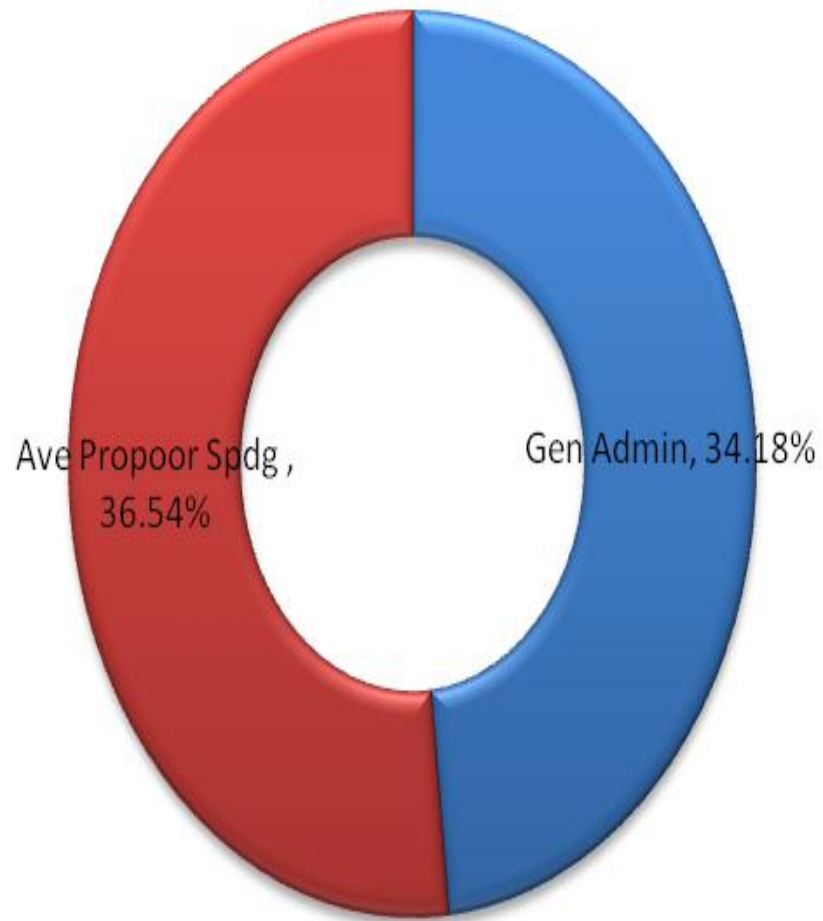
Number of Governments Scoring

Indicator	Number of Governments Scoring								Total
	A	B+	B	C+	C	D+	D	CS	
PI-2: Composition Variance	-	-	-	-	3	-	6	-	9
PI-5: Classification of the Budget	1	-	1	-	-	-	7	-	9
PI-7: Unreported Government Operations	1	-	-	-	-	1	3	4	9
PI-8: Intergovernmental Fiscal Relations	-	-	-	-	1	3	4	1	9
PI-11: Orderliness and Participation in Budget Preparation	-	-	1	1	2	1	3	1	9
PI-12: Multiyear Fiscal Projections (including Sector Strategies)	-	-	-	2	-	-	7	-	9

Average Share of Propoor Expenditure in Seven of the Governments



Average General Administration vs. Propoor Expenditure in Seven of the Governments in the Study



Evidence of Lack of Full VFM in Service Delivery

Indicator	Number of Governments Scoring								Total
	A	B+	B	C+	C	D+	D	CS	
PI-8: Intergovernmental Fiscal Relations	-	-	-		1	3	4	1	9
PI-12: Multiyear Fiscal Projections (including Sector Strategies)	-	-	-	2	-	-	7	-	9
PI-16: Predictability in Funds Availability & Commitment	-	-	-	-	-	2	2	5	9
PI-19: Competition & VFM in Public Procurement	-	-	-	-	1	6	1	1	9
PI-20: Other Internal Controls				2	1	5	1	-	9
PI-21: Internal Audit				1	1	-	6	1	9
PI-23: Information on Resources to SD Units			1	-	1	-	4	3	9
PI-24: Quality & Timeliness of In-year Budget Reporting				2	-	1	6	-	9
PI-26: Scope & Nature of External Audit		1	1	2	-	5	-	-	9
PI-28: Legislative Scrutiny of External Audit						4	4	1	9

All Embracing Nature of Typical Mandate of MWAs

**Edo state of Nigeria Ministry of Women Affairs, Community
Development, & Social Welfare**

Overall Aims

- To ensure full participation of women in socio-economic programmes and the elimination of all forms of discrimination against women in the State
- Empowering women, through enhanced strategic human resources development towards nation building
- To provide adequate care, protection and social rehabilitation services for society's less privileged persons
- To mobilize and encourage community members in the design and execution of self-help project for community sustenance and advancement;
- To encourage the establishment of vibrant-vigilante group towards reduction of crime armed robbery in the state
- To enhance all-round participation of all stake holders in the protection of all rights of the child for quality development.

Specific Objectives of the women Programme

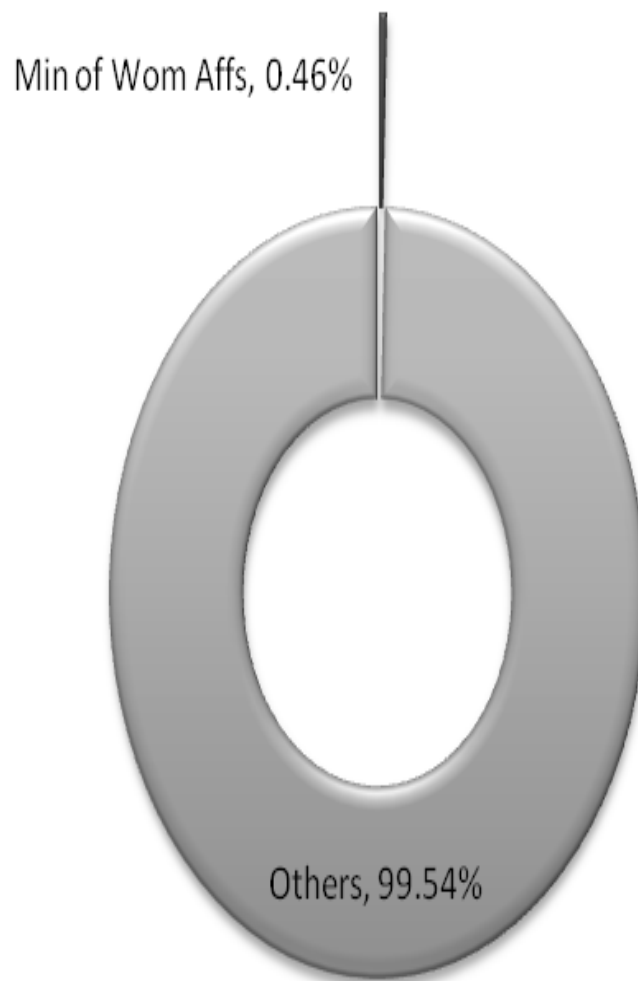
- To promote the provision of skills acquisition programme to women in the State for economic self-reliance
- To increase, through capacity building women's' participation in the decision making process.
- To create enabling environment for various viable NGOs to complement Government effort
- To facilitate access to soft loans for women to enhance socio-economic ventures
- To discourage all forms of discriminatory acts against women

Source: Edo state government of Nigeria website: www.edostate.gov.ng

WMAs Not Fulfilling Mandates

- Three principal factors are responsible
 - Lack of capacity
 - Poor quality – few (if any) trained in economics disciplines: econometrics, development policy and planning, economic modelling, public finance, statistics, etc.
 - Inadequate numbers
 - Legal capacity – MoFs & MoPs under no obligation to consult MWAs to invite gender inputs in planning and budgeting process
 - Ineffective mobilization - inability of MWAs to mobilize opinion of other marginalized groups question their ability to represent them
 - Inadequate Funding

Average Spending of Ministries of Women's Affairs in Seven of the Governments



Emerging Landscape: New Thinking, Approaches and Methodology

- Current economic crisis continues to expose structural defects in economic decision modelling especially of developing nations
- PEFA results on fiscal discipline, resource prioritization, and VFM highlight symptoms not causes of problems
- Lasting measures needed to tackle root causes of problems
 - Must remove “ad hocism,” and arbitrariness from planning process
 - New model must devise enduring inclusive mechanism catering for the interest of marginalized gender and other groups
 - Participation and inclusiveness key to new process but must balance with longer term goals of the economy
 - How to make progress and institutionalizing new decision-making procedure?

Models and Good Practices

- Governments must make and diligently implement credible budgets
 - Contract between citizens and government reflecting policy priorities
 - Affordable
 - Sustainable
 - Comprehensive in coverage
 - Implemented as planned, and
 - Delivering on broad policy objectives
- But credible budgets must emerge from a credible planning and budgeting system

Models and Good Practices

- Minimum, irreducible features of a credible budget system
 - Robust macro-fiscal frameworks
 - Realistic revenue projections
 - Comprehensiveness of the budget
 - Channeling of all public resources through the budget
 - Accounting for all liabilities and expenditures, etc.
 - Credible costing of existing and new programmes/initiatives

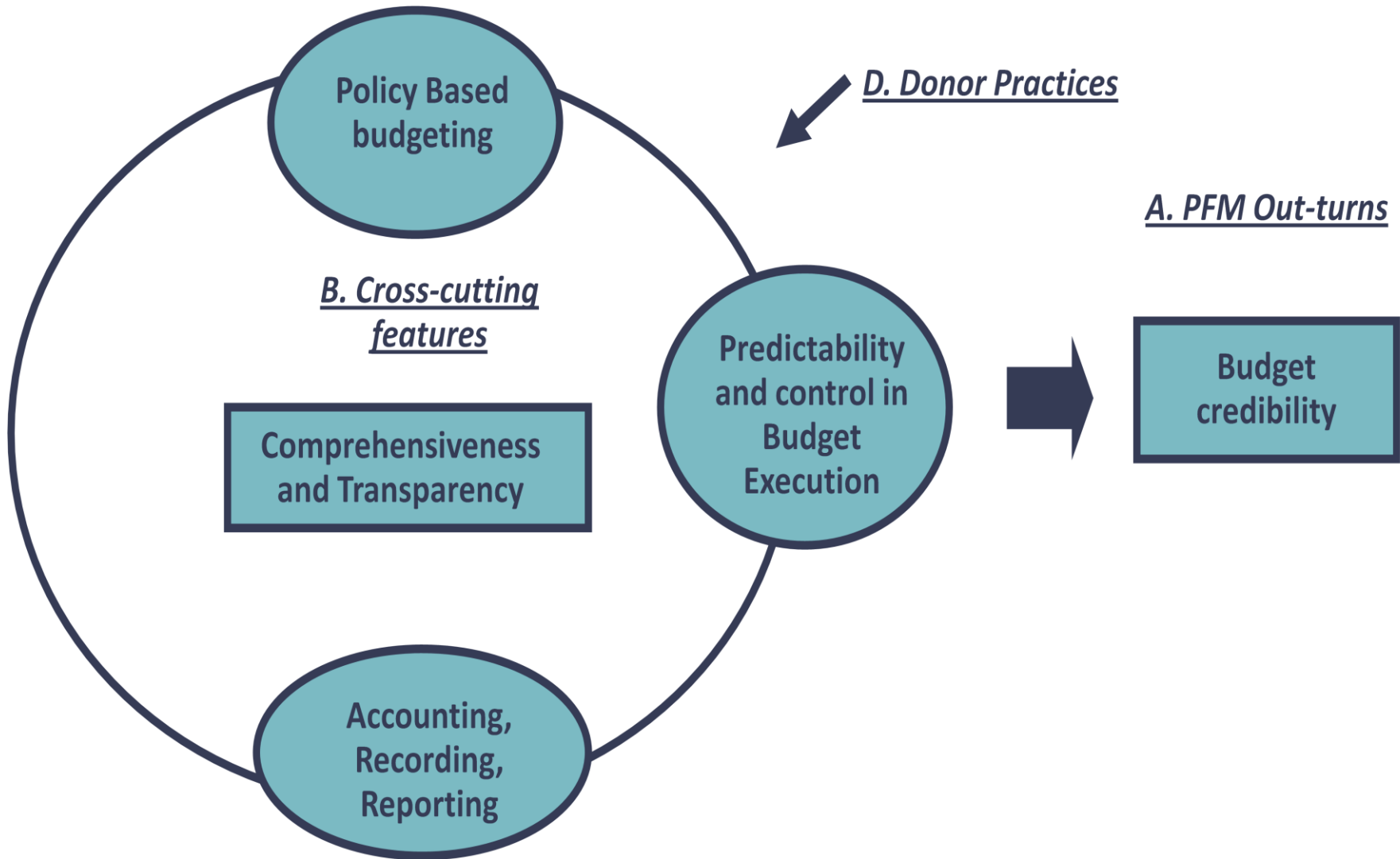
Models and Good Practices

- Minimum, irreducible features ...
 - Transparent and disciplined budget planning process
 - Dependable systems of budget execution, FM, and accountability
 - Availability of good information on spending and service delivery
 - Effective participation of key stakeholders
 - Line ministries and sector working groups
 - Meaningful consultation with public, parliamentary committees, and DPs

Models and Good Practices

- The process leading to credible budgeting
 - Involves all stakeholders
 - Begins with preparation of a medium term development or poverty reduction strategy
 - Involves
 - Extensive needs assessments
 - Formulation and costing of strategies
 - Commitment to implement strategies through the budget
 - Stakeholders becoming part of monitoring team to ensure effective implementation
 - Holds leaders to account through a credible voting process

The Credible Budget Process



Implications for Gender in the CW: Challenges and Opportunities

- Two ways to ensure gender equity in a credible budget process
- Both require extensive skills/capacity acquisition or development
- First, MWAs
 - Must recognise specialised nature of economic modelling
 - Could recruit professionals with combined competences in economic policy formulation and gender
 - Should ensure skills combination in same persons so they can balance gender and economic development goals
 - Will help avoid acrimony in the planning meetings
 - Possible goal conflict and dysfunction
 - Should pursue legislation to compel participation of gender experts as equal partners in planning and budgeting process

Implications for Gender in the CW: Challenges and Opportunities

- Second (alternative?) approach
 - MoFs, MoPs and all line ministries should consciously
 - Recruit and include professionals in their respective disciplines with additional expertise in gender in the mainstream of their decision making processes
 - Properly train existing personal in gender and marginalised groups studies
 - As short-term or stopgap measure
 - Send planning officers on short-term focused training on relevant aspects of gender and other marginalized groups' studies
 - Ensure participation of gender knowledgeable persons in key decision-making processes

Conclusion and Recommendations

- Three background elements
 - Political will and commitment
 - Needed to formulate and implement credible budgets
 - Needed to create orderly, open, participatory, and accountable processes
 - Open/accountable systems – true “dividends of democracy”, not physical development
 - Open and accountable electoral process
 - Genuine free and fair and elections – votes must count
 - Political leaders likely to do more to accomplish mandates with electoral accountability

Conclusion and Recommendations

- Three background elements ...
 - Time for reforms to mature and take root
 - Governance reforms painfully slow
 - Takes time
 - To build capacities, reorient values, change long formed habits, prejudices, and biases
 - For new attitudes and methods to form and take root
 - Fiscal reforms involve two aspects
 - Systems reform (equipment, structures, processes, rules, procedures, and laws) – relatively easier
 - People reform – attitudinal change – far more difficult and time consuming

The end

Thanks