



# The Expenditure Management System: An Overview

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September, 2016

Ottawa, Canada

# Interdependency

- A government's political fortunes are tied inextricably to the ability of the Public Service to execute with competence, accountability and transparency
- Governments have choices:
  - From whom they will seek advice; and
  - The modalities by which they will deliver programs and projects

...weaknesses in public administration lead to public finance and political problems; in turn limiting instrument choice for Cabinet

# Background

- Why do we care about a well functioning EMS...it's about confidence in public institutions
- How does it work?
- What works well and what doesn't
- How do we improve it?

# Why do we care...

- Sponsorship
- Gun Registry
- Budget 2005 – procurement write-off
- Afghanistan war
- Surplus to Deficits to Stimulus
- F-35, RCN ships
- Budget 2012 – program integrity pressures
- Over \$100 billion in tax expenditures

...because money matters and it impacts political outcomes

# Liberal Party commitments

- Government data and information should be open by default, in formats that are modern and easy to use
- Embrace open data
- Make the Parliamentary Budget Officer truly independent
- Ensure accounting consistency between the Estimates and the Public Accounts
- Provide costing analysis for all proposed legislation

...significant change is coming to the Public Service

# A framework for a well functioning expenditure management system (EMS)

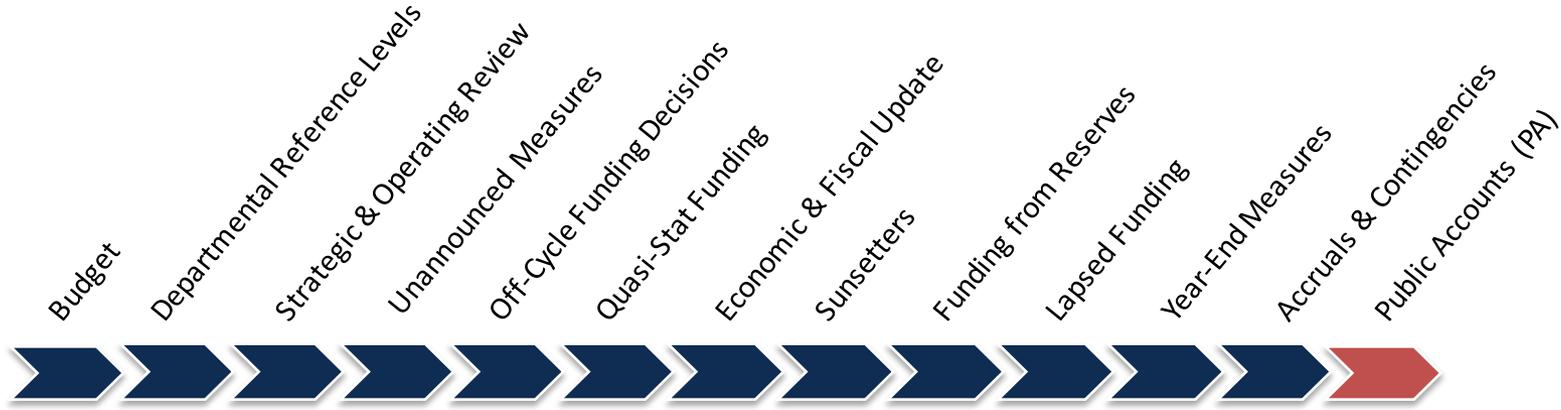
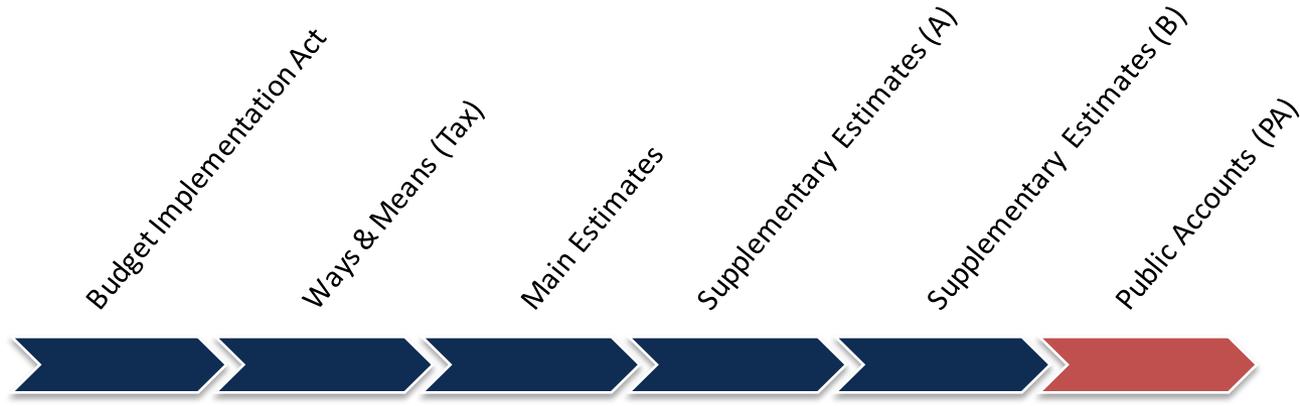
- An optimized EMS has three objectives:
  - Targets a balanced budget over the course of an economic cycle
  - Rapidly and sustainably aligns expenditures with government priorities; and,
  - Ensures that services are delivered efficiently

A well functioning EMS is key to restoring and maintaining public confidence in government

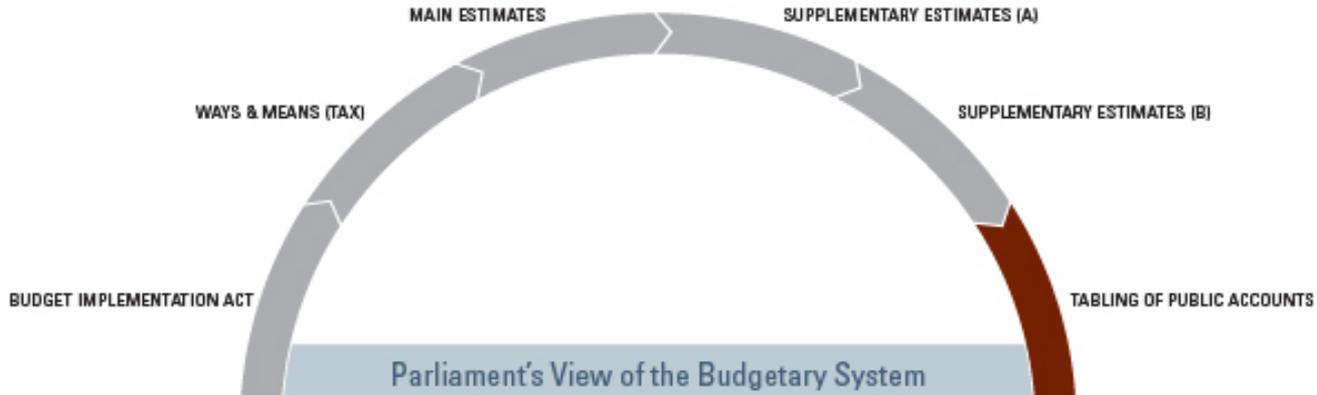
# There are three views of the EMS

- The legislative and public view
  - Beneficial transparency to promote accountability
- The fiscal framework
  - A mechanism for decision support for resource allocation
- The financial system
  - A core infrastructure for control and financial reporting

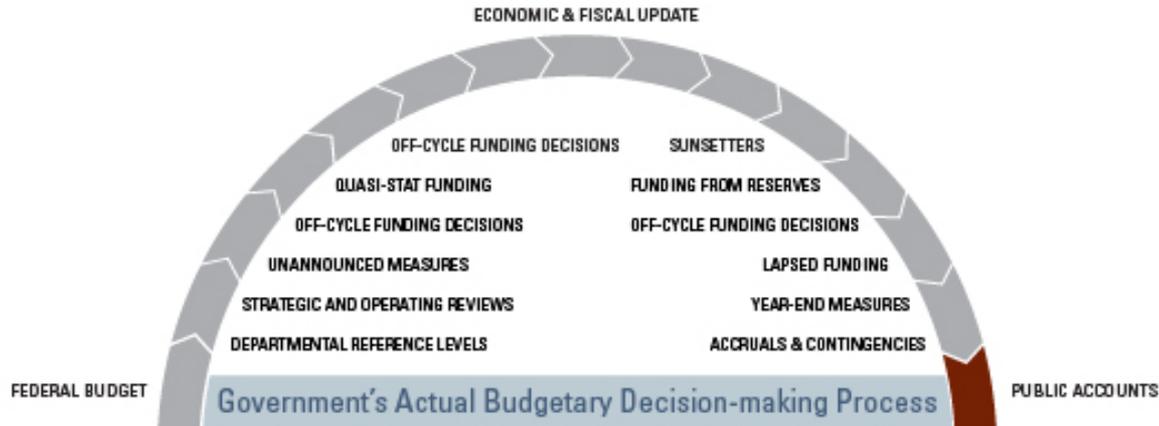
The three views can be reconciled but should, ultimately, be integrated



# How the EMS operates and what Parliament sees



## BRIDGING THE APPROPRIATIONS AND BUDGET GAP



# Three phases to a better EMS

- Understanding the current state
  - Financial review, status and flexibility
  - Financial infrastructure
- Identifying and mapping to a desired future state
  - OECD Best practices
  - Renewal opportunities (e.g. Strategic & Operating Reviews)
- A strategy to bridge the gap

EMS renewal is an opportunity to engender confidence with citizens but also to create new fiscal flexibility

# Problem definition

## Data

- Few operational data are consistently tracked in government, and available data are of uneven quality

## Analysis

- The data available are subject to uneven analysis, potentially due to an absence of tools and human resource capacity

## Linkages

- Few linkages within the EMS to ensure relevant data and analysis are provided to decision-makers

Aggregate fiscal discipline has largely been realized, but allocative and operating efficiency remain a challenge

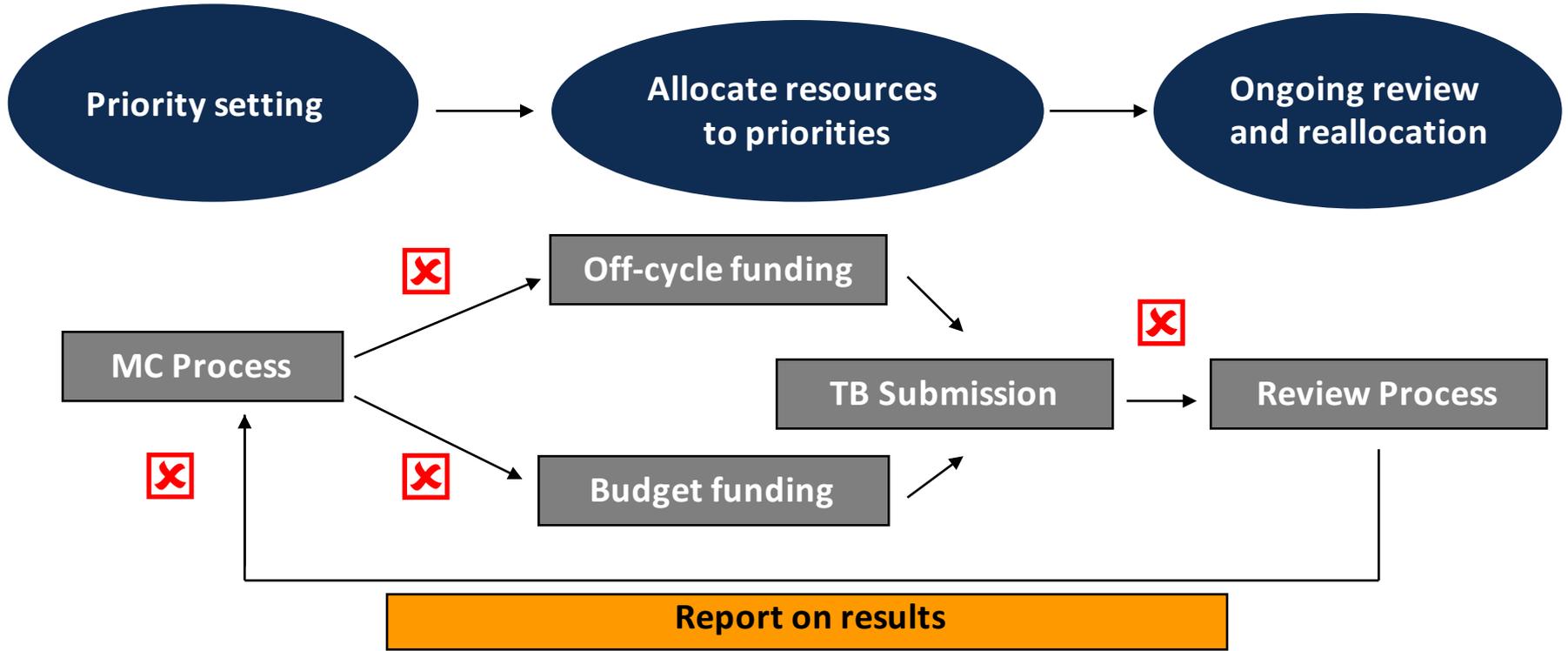
# Organizational view of EMS

## Roles and responsibilities in a well-functioning EMS

	PCO	FIN	TBS
Allocative Efficiency			
Operational Efficiency			
Fiscal Integrity			

However, there are organizational gaps that need to be addressed

# Process view of EMS



**X** Disconnects within and among processes

# Challenges in closing the gap

## **Culture**

- Each organization and process has distinct conventions and incentives; change will require clear direction, consistent pressure, appropriate motivation and time.

## **Human Resource Capacity**

- Not all personnel are interested or able to augment their skills; addressing this gap will result in turnover and require time

## **Focus**

- The ordering of changes will matter; initial successes will be required to underpin future changes

Ultimately, change will require sustained political leadership and the requisite incentives in the political and public service environments.

# Thank-you

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