

Public Finance Management Reform: Trends and Lessons Learned

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Background

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XXI INCOSAI Theme II

The Role of SAIs on Safeguarding Long-term Sustainability of Fiscal Policies



Great opportunity for valuable recommendations for INTOSAI community → fiscal policy sustainability



Financing development

Concept of financing development



Set of decisions and actions taken by the national government



Obtain revenues that allow the funding of development policies and programs



Financing Development

Fiscal Policy



- Decisions and actions adopted by national government relevant authorities



- Management of revenues and expenditures



- Achieve economic and social objectives (period or time)



Financing Development

Monetary Policy

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- All decisions and actions on money supply, interest rates, exchange rates and sovereign debt.

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- Based on the mandate of central bank to attain price stability.



Financing Development

Public Debt Policy

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- Decisions and measures to finance fiscal deficit and public spending

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- Management of debt service in the internal and external financial market.



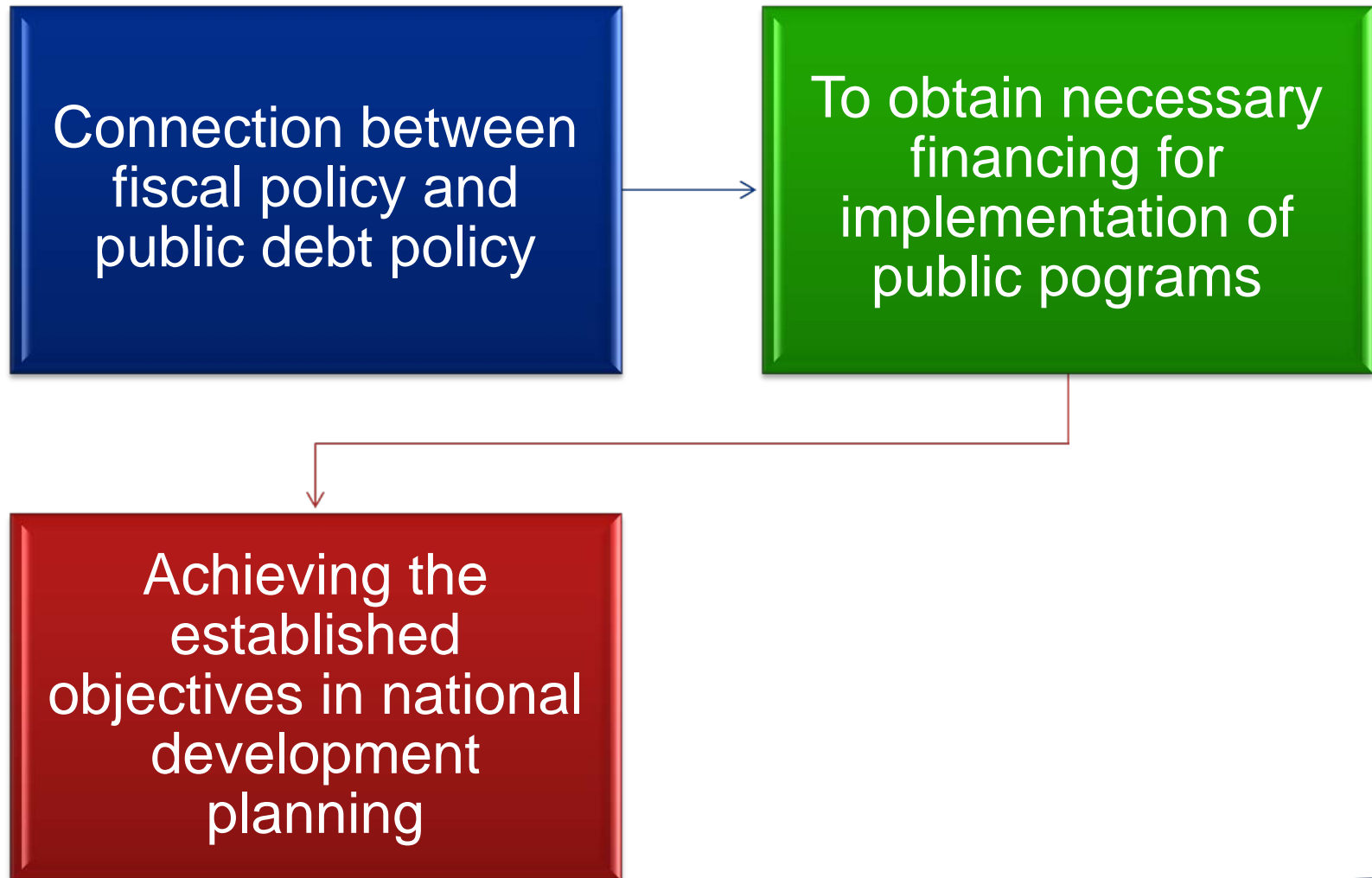
Financing Development

Public Debt

Public
Finance
Sustainability

Financing Development

Public Debt



Financing Development

Public Debt

SAIs → critical variable for the construction of credibility and trust on our work.

INTOSAI → WGPD (SAI of Mexico) and TF Financial Crisis (SAI of USA)

SAIs should play an active role in protecting the financial condition of governments

Ensure that sound and robust public debt practices are in place

Sufficient regulation on financial markets

SAIs should encourage governments to focus more on vulnerability monitoring and give high priority to risk management



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Public Debt



WGPD → official products (ISSAIs) that should be taken into account by INTOSAI community when conducting public debt audits.

These guidelines were published before the world financial crises → real value and impact of the working group outputs, for the INTOSAI community



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Public Debt – ISSAIs use

1. INTOSAI community is not aware about existence of ISSAIs and products of the WGPD

2. SAIs are aware about the ISSAIs but their remit does not allow them to conduct public debt audits

3. SAIs are entitled to carry out public debt audits but they do not count on the institutional capacity to duly fulfill their tasks

4. SAIs use ISSAIs on public debt and have presented recommendations → risks on public debt management. Congress and Government do not take into account the SAI's findings

5. SAIs have presented recommendations to Parliament (considered and implemented) → e not properly disseminated the successful impact of their work among INTOSAI community

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Public Debt – ISSAIs use

INTOSAI Communication Policy and Framework for Promoting and Communicating the Value and Benefits of SAIs

Importance to
use ISSAIs

New
relationship with
the Congress

Communication
and outreach
policy

Importance of
supreme
auditing

Initiatives for
SAI's results

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Public Finance sustainability


Stability and sustainability of public finance (medium term and long run)

Necessary but no sufficient conditions → satisfy needs and problems (society and economy)

Legal and institutional framework of each country

Financing Development

Public Finance sustainability – Fiscal Policy



Provide adequate incentives to take advantage of the opportunities and potentiality of economic competitiveness → consistent with the aim of social welfare.

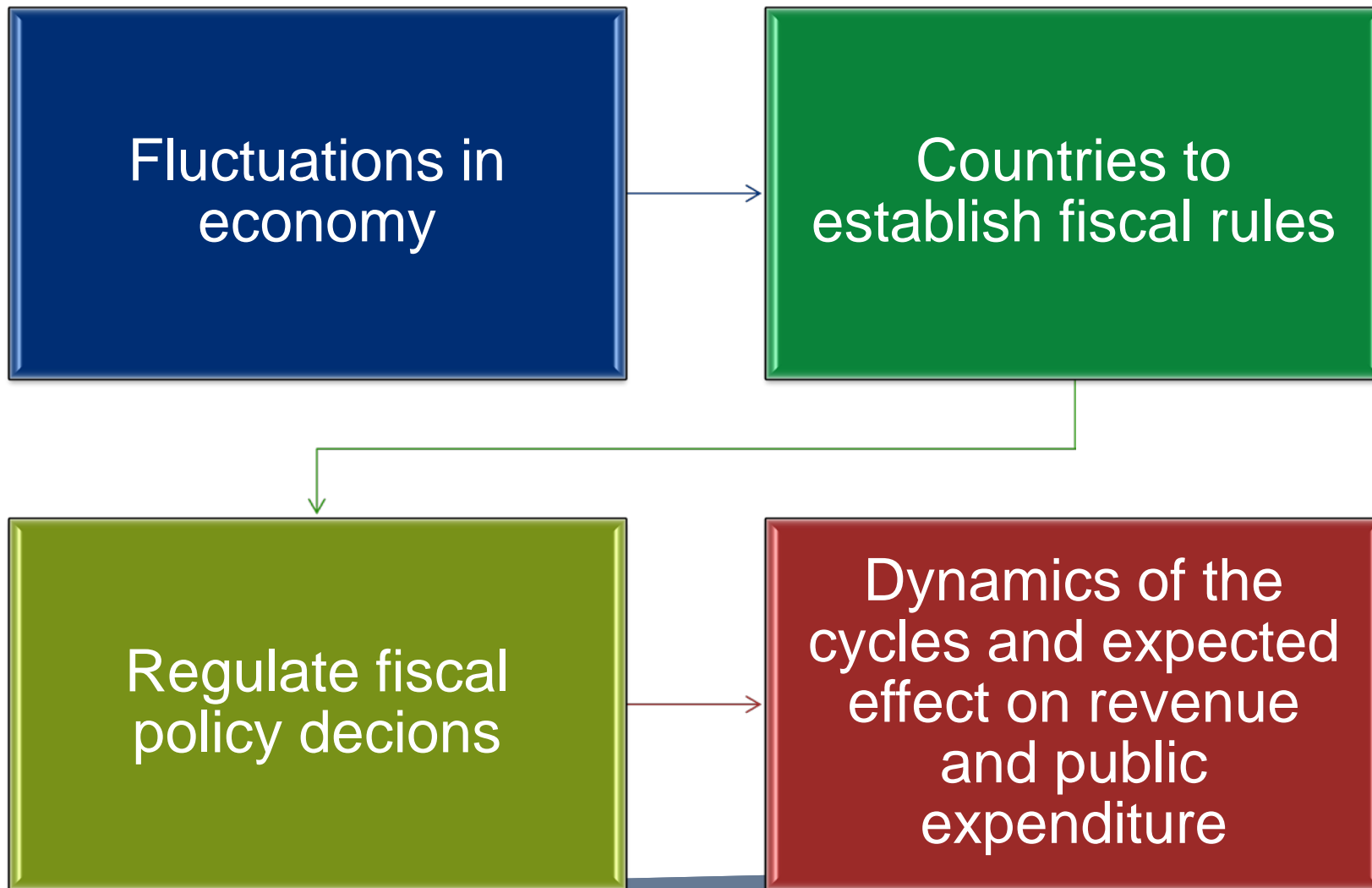
Annual perspective → some components may have a multi-year perspective (infrastructure investment and debt service).

Design → medium term and long run projections are used to consider the dynamics of economic cycles, as well as the global economy variables.

Medium term and long run perspectives → assessed in the context of economic cycles (analyze elements and circumstances of possible scenarios of the stability and sustainability of public finance).

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Public Finance sustainability – Fiscal Policy



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Risks Evaluation



Financing Development

Risks Evaluation

Effective risks management

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graph TD; A[Effective risks management] --> B[Increases effectiveness of the government programs]; B --> C[Mitigating the volatility of the public income and expenditure];
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Increases effectiveness of the government programs

Mitigating the volatility of the public income and expenditure

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Risks Evaluation

Public risks

Possible economic rights and obligations of the State


Past events, depending on uncertain future events

Probability that the event occurs and the **amount** that the **State** pay or receive
not entirely under its control.



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Risks Evaluation

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- Risks → differences between the obtained and estimated results (State budget and other official forecasts)

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- **Macroeconomic risks, public debt and contingent liabilities**



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Role of SAIs



SAIs must intensify efforts



Audit work to reach its place in the state framework



Audited entities assess their importance as a positive tool for operation (especially, government financial management)

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Role of SAIs



SAI must maintain its autonomy and independence → audit entities and influence or group interest

The power derived from these principles → relevance on the decision making process and considerable influence in public affairs.



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Role of SAIs

Pass on the value and benefits of our work

Our labor must be communicated in a simple and effective manner

Deliver relevant information (audit reports) for public decision making → improve governmental management and average citizen to know its government finance status



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CÁMARA DE DIPUTADOS