

FISCAL GOVERNANCE AND SERVICE DELIVERY AT SUB-NATIONAL LEVEL: THE ROLE OF MDAs AT THE STATE LEVEL.

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CONTENTS

- ▶ INTRODUCTION
- ▶ KEY SOURCES OF INCOME AND THEIR EFFECTS ON THE PUBLIC
- ▶ THE NEED TO MONITOR
- ▶ COMPLICATIONS IN EXPENDITURE MONITORING:
- ▶ GOALS OF BEST PRACTICE
- ▶ REQUIREMENTS TO ACHIEVE THESE GOALS
- ▶ MDAs AT SUB NATIONAL LEVEL AND THEIR ROLES
- ▶ KEY REQUIREMENTS FOR AN MDA TO PERFORM EFFECTIVELY IN ITS CONTRIBUTION TO FISCAL GOVERNANCE
- ▶ CONCLUSION

INTRODUCTION

Fiscal governance has been variously defined depending on each writer's perception and aspect of fiscal policy in focus. One thing we need to note is that fiscal governance entails management of fiscal policy in the process of economic management. Should this role remain with the central government alone? What role can state MDAs play?

INTRODUCTION -CONT.

KEY WORDS AND DEFINITIONS

▶ Fiscal Governance

- ▶ According to European Commission, these are those rules, regulations and procedures that influence on how budgetary policy is planned, approved, carried out and monitored.
- ▶ The aftermath effect of 2008 global financial crisis in Europe, has led to re-definition of Fiscal Governance. PetyaKoeva Brooks and Gerd Schwartz defined Fiscal Governance from European perspective as the rules, regulations, and procedures that influence how budgetary policy is planned, approved, carried out, and monitored.
- ▶ According to Open Society Foundations, the *Fiscal Governance* Program promotes new global norms, strengthens independent oversight mechanisms, and increases government capacity to harness public resources for development

INTRODUCTION -CONT.

Common Factors in the Definitions:

- ▶ Rules / Policies or program. It means this is a practice enshrined in laws of the land
- ▶ It has to do with budgetary procedure and
- ▶ Independent monitoring of the budget
- ▶ It has to do with satisfying public interest by focusing on activities that will enhance development in spending / using public resources.
- ▶ Allowing public to contribute to the process with power to approve or disapprove.

INTRODUCTION -CONT.

For the purpose of this presentation, I will define fiscal governance, as policies and procedures put in place to guide and regulate government's processes in mobilizing public resources (including money) and spending the same for the betterment of the society.

This set of regulations, cover planning, budgeting, execution, and monitoring and evaluation.

INTRODUCTION -CONT.

SERVICE DELIVERY:

- ▶ **Service delivery** is a component of business that defines the interaction between providers and clients where the provider offers a service, whether that be information or a task, and the client either finds value as a result. Good service delivery provides clients with an increase in value.
- ▶ **SUB NATIONAL LEVEL:** This is broad enough that the only government that doesn't fit here is the national government.
 - According to World Bank this could be referred to as a second level of government (state or province) or to a third level (municipalities or Local Government).

KEY SOURCES OF INCOME AND THEIR EFFECTS ON THE PUBLIC

Key Sources of Income:

- ▶ Taxation: Taxation is a key source of income to any government. It includes the following forms of tax- personal Income tax, Value Added Tax (VAT), Withholding Tax (WHT), Company Income tax, Petroleum Profit Tax (PPT), etc
- ▶ Levies may take the form of a charge for getting documents from government, towards development project, by offenders, use of market, etc
- ▶ Printing of money without withdrawal of equivalent from circulation. This is an effective way of raising money or income by any government but often not well pronounced or favoured by the masses because of the consequence on the public's real income
- ▶ Revenue from oil and solid Minerals

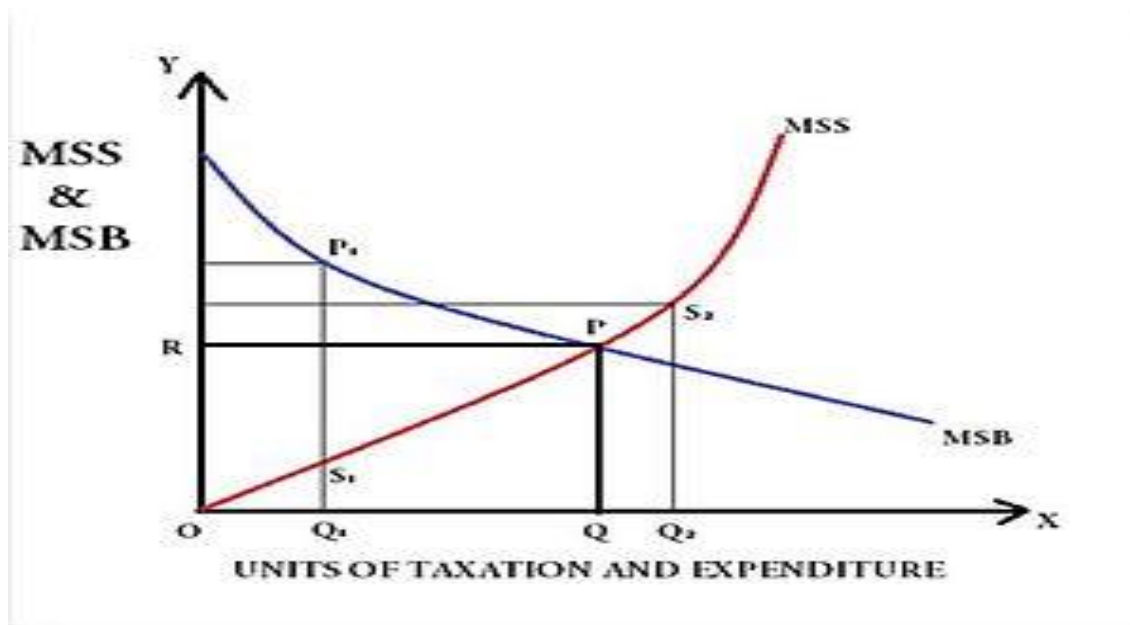
KEY SOURCES OF INCOME AND THEIR EFFECTS ON THE PUBLIC - Cont.

Effects of these Revenues on the Masses

- Opportunity Cost: This is opportunity forgone. The direct charges / taxes have opportunity cost to the general masses. The individual payer could have used the money paid for others personal or provide other essential services such roads, water, etc.
- The pain of deprivation being stomach by the public in parting with hard earned resources is better imagined at times. The pain is tolerated based on expectations that government will be up and doing in delivering its defined obligations believing that the end shall justify the means.
- The imparts of these sacrifices on their future as well as the future of children or relations who could have used the money to develop themselves for the future.

WHY THE NEED TO MONITOR

- ▶ So that government does not derail from areas of priority while maximizing the benefit of spending. This is the point of maximum Social Advantage according to Dalton and Pigou. The point where benefits equal sacrifice.



WHY THE NEED TO MONITOR -Cont.

- ▶ The level of corruption is already at alarming state. It warrants serious monitoring by people with un-impaired independence.
- ▶ Value for Money: It is important to monitor public expenditure to ensure the appropriate value is received from every kobo spent
- ▶ To shape the focus of government expenditure towards pro poor thus assisting in poverty alleviation
- ▶ To create a check on implementation

COMPLICATIONS IN EXPENDITURE MONITORING:

- ▶ Constraints in accessing information relating to government expenditure prevented criticism from the public
- ▶ Impaired independence of Monitoring Agency. This include staff employment and finance by agent to be monitored.
- ▶ Low knowledge based of the Monitoring Team
- ▶ Absence of commensurate punishment for offenders.
- ▶ Absence of Patriotism: This could be because of a general feeling that after working for years a civil servant is retired and abandoned forever. If he remained poor before retirement, he remains poor forever which may mean early grave.
- ▶ The fear of revealing details: It is disheartening that there is no confidentiality in information passed to our security agencies

BEST PRACTICE

Expected Products of Best Practice

- ▶ Generating accountability-relevant information for advocacy
- ▶ **Rising the costs of corruption for government and the private sector**
- ▶ **Intensifying and diversifying domestic demand for reform**
- ▶ Encouraged public participation in budgeting process
- ▶ Encouraged public participation in budgeting process

BEST PRACTICE - Cont.

To achieve these budgetary goals / results the following should be in place:

- I. Thorough budget review before approval:
- II. Support for systems or institutions that promotes transparency. Examples includes Nigeria Extractive Industries Transparency Initiative Government Integrated Financial Management and Information System (GIFMIS) being deployed by government.
- III. Transparency in public expenditure process: This relate to procurement and payment process.

BEST PRACTICE - Cont.

To achieve these budgetary goals / results the following should be in place-
Cont.

- IV Giving Civil Societies chance to contribute to budgetary process
- V Making government priority a true reflection of people wishes through proper representation by the national Assembly.

MDAs AT SUB NATIONAL LEVEL AND THEIR ROLES

- ▶ By ensuring that fiscal policies at the sub National level are consistent with the Federal to have maximum benefit.
- ▶ Since MDAs are the initiators of budget they can enshrine transparency in the process. This will boost tendency to have a people's budget.
- ▶ Given accurate and reliable information on government spending and revenue for future decisions.
- ▶ Ensuring that correct value for money is received for every naira spent.
- ▶ Guiding the political appointees on the required procedures for budget preparation, and execution.

MDAs AT SUB NATIONAL LEVEL AND THEIR ROLES - Cont.

- ▶ Assist in the establishment of a good budgeting system
- ▶ Promoting participatory budgeting system is better began at the MDA level

KEY REQUIREMENTS FOR AN MDA TO PERFORM EFFECTIVELY IN ITS CONTRIBUTION TO FISCAL GOVERNANCE:

- ▶ Competence of senior and management staff: It is important that key roles are given to those who are competent with the required level of integrity
- ▶ An MDA should embrace criticism with an open mind and correct weaknesses highlighted
- ▶ An MDA should be ready to work with dedicated and competent civil society to enhance their service delivery. Taking advantage of such civil societies will help to shape the quality and value of their deliveries.
- ▶ An MDA should understand its contribution to national development particularly fiscal governance, and be eager to meet up with the expectations.
- ▶ An MDA should understand that the resource being used is entrusted into their hands by the public, and should be used for the betterment of the public.
- ▶ In line with the above, an MDA should take accountability as crucial and key to service delivery.

CONCLUSION

- ▶ MDAS at sub national government are crucial to fiscal governance. MDAs at state and local government should demonstrate competence and integrity in their service delivery to the public. If they have been up and doing in their service delivery the ravaging inability to pay ordinary staff salaries by many states today would not happened.
- ▶ Also, the effects of current recession would not have been so deep. Federal fiscal governance cannot be sufficient to deliver a nation but this should be collaborate with consistent fiscal governance at the sub-national levels. Competence and integrity should be the watch word in appointment to principal offices of MDAs in order to receive quality service delivery.

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THANK YOU