



International Conference on “Public Financial Management for Improving Program Delivery”

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Oct 22-Session IV Wrap up of Conference

Sonali Singh

Jt CGA

Themes of the Conference



- Strengthening Public Financial Management for improving program delivery
- Leveraging Banking and Information Technology for improving program delivery
- Strengthening Internal Controls for improving program delivery

Welcome address: CGA



- Highlighted the various reforms / achievements in the financial management system of the government implemented by the Civil Accounts Organization since departmentalization
- Deficiencies in the existing program delivery systems – lack of transparency and accountability and greater public scrutiny of government performance
- Hence the need to assess the costs and benefits of the various government programs and learning through the cross-country experiences
- The themes of the Conference chosen to address these challenges and recommend solutions

Day 1 Inaugural Session Observations of MoS:



- Priority to reclassification of Govt. Accounts
- Alternative / innovative ways for implementing public outlays
- Independent evaluations of the public program
- Existing schemes need to be reviewed
- Holistic view of PFM critical areas of formulation, analysis, tracking & evaluation
- Transparent reporting and accountability in the system

Observations of C&AG



- Proper management of public resources, accountability of implementers, transparent systems and procedures are core issues.
- Transfer of funds directly to implementing agencies and NGOs needs to be addressed since it results in keeping funds outside GOI account.
- Improving financial management and accountability in CSS to include issues related to flexibility in design, rationalisation, framework for flow of funds, mechanism for tracking funds to end use, better monitoring and evaluation.



- Distortion financial position-assets created with central funds transferred to societies are not reflected in Union or State Accounts.
- Integration between project planning and budgeting
- Public Private Partnership projects need sound risk management procedures.
- Reforms in Financial Management Systems need serious attention for systematically improving delivery of Govt. programmes.

Keynote Address

Dy. Chairman Planning Commission shared his perceptions from the point of view of policy. He raised some important issues:



- Government operating in a more difficult area which is the social sector
- The need to look at outcomes in multiple ways
- Programme design
- India's federal system
- The speed of fund transfers from centre to states- this is transfer not money spent
- Need to bring plan/programme details in line with budgetary classification
- Greater transparency through use of IT
- Crucial role of scheme evaluation

Day 1 Session I

Issues and solutions in programme delivery

- We learnt about the experiences of the NRHM & its key principles
- The approach in terms of Communitisation, Flexible finance, Improved management through capacity, monitoring progress against standards, and innovation in human resource management



continued



- Financial management groups at the centre, state and district levels- the result of adequate emphasis from top management means financial monitoring parameters have improved & verticality of programmes eliminated through emphasis on health systems rather than individual programmes
- It is possible to craft credible public systems that meet peoples social development needs

The perspective from the state level-SSA in Tamil Nadu



- The physical monitoring through program indicators, financial monitoring, the District Information System for Education which is a comprehensive database containing various indicators used to improve performance of the school system & provide information for planning & budgeting
- Electronic fund transfers, monitoring of fund position through a web portal, community involvement in items such as civil works, teachers absenteeism, financial assistance & support to local management

Programme delivery in Public Health at the ground level



- Experiences of Thailand in programme delivery in Public Health
- The reform process included strengthening of public health infrastructure, making long term HR provisions, community participation, integration of public health programmes, preparation of essential drugs list and establishment of drug procurement and logistic systems, emphasis on health promotion, collaboration between researchers and policy makers for evidence based reforms

continued



- Decentralization & Budget reallocation management & administrative reforms
- Thai experience shows basic access to health for all achievable in lower- middle income country
- Increased Govt spending necessary but not sufficient- integrated multi sectoral approach is needed, health care reforms, building partnerships with parastatals & international organisations

Session II Financial issues in social sector programmes: case for direct cash transfers



- The Bolsa Familia Programme of Brazil is a conditional income transfer programme for the extremely poor & poor families
- Money transferred to the family for immediate relief of poverty, breaking the intergenerational cycle of poverty & family development
- Poor families are identified by municipalities & registered in a single registry
- The conditionalities relate to school attendance, nutrition & vaccination monitoring of children, prenatal and postnatal monitoring
- Banking inclusion for Bolsa Familia families
- Impact-reduction in extreme poverty, promotion of food security, making local economy dynamic, higher school attendance, reduction in malnutrition & infant mortality, "no laziness" effect

In the Indian context

Case for direct cash transfer to poor families instead of transfer of funds from the Centre to states because of poor programme delivery

Reasons:

- Poor utilisation of funds, poor allocation of support services, government machinery working in a sequential manner, inadequate delegation of power, poor coordination between departments, insufficient monitoring at senior levels





Suggestions:

- Accountability at organizational & individual levels, through external assessment of organizations & policies, third party inspections by civil society & political parties, increased line functionaries & reduced staff positions, face to face meetings with consumers/user groups etc
- Construction of a Governance Index on the basis of IMR, immunization, literacy rate for women, safe drinking water, etc
- Part of central transfers should be linked to such an index
- Activities can be done in a parallel manner
- Expenditure budgets should remain valid for two years

Financial controls in conditional cash transfer programmes-experiences in Latin America & the Caribbean



- A new generation of development programmes to alleviate poverty & foster human capital accumulation among the young
- CCT presents implementation challenges: risks are: institutional responsibilities, targeting, eligibility recertification, compliance & supervision of conditionalities etc
- Critical areas in financial management in CCTs are: monitoring of payment processes, procurement risks, proper MIS, cross checking beneficiary enrollments, internal quality control & correction mechanism
- Need to increase accountability through a complaint & appeal mechanism along with formal evaluation of the programme

Day 2-Session I

Leveraging Banking & IT for Improving Programme Delivery

Financial inclusion & the Banking System

- The 4 As representing fundamentals of financial inclusion – availability, affordability, accessibility & awareness.
- Public expenditure should be marked by economy, efficiency & effectiveness
- Financial Inclusion Fund & Financial Inclusion Technology Fund
- The Business Facilitator & Business Correspondent models
- Issues thrown up: allocation of villages among banks, sharing costs of IT infrastructure between banks and Govt, standardisation of technology across banks & Govts., choice of delivery channels.
- Technology solutions-smart cards, hand held terminal, central CPU, ATM, Point of Sale, Mobile Phones, SMS, PCO Connectivity.



Efficient Transfer of Funds for Programmes

Central Plan Schemes Monitoring System(CPSMS) as a comprehensive DSS & MIS

- Leveraging technological innovations in e-governance and banking net works to develop efficient transfer mechanisms
- This will reduce time taken to reach fund to ultimate beneficiary , reduce transaction cost, eliminate float and reduce leakage of funds.
- Using e-lekha a web enabled portal developed for plan schemes in CGA's office.





- The challenges include incentivising the banking system, lack of capacity in accounting & IT & grassroots, change management for all stakeholders.
- Through this portal float will be captured & reduced ; funds transferred to spending units at all levels directly, electronically & on the basis of utilization.
- Will ensure better cash management

Day 2- Session II

Economic reforms for inclusive growth Issues raised



- whether decentralized newer government strategies lead to newer model of governance or they have new financial rules which envisage new strategies.
- Declining agricultural growth, profitable investment & poor standard of living in rural areas.
- The growth of agricultural sector not in conformity with the vast resources being pumped in.
- Increasing land & water scarcity

Suggestions

Public Private Partnership, Community Participation, Agencification, Newer Organizational Models, Decentralization, Judicious Land Use Policy, Accrual Accounting



Day 2- Session II

Financial inclusion and delivery of social transfer payments

Issues

- Financial inclusion among social transfer recipients is low.
- Limited use of bank accounts by the beneficiaries.
- Financial inclusion key to effective delivery of benefits from social sector schemes

Suggestions

- Allow banks to enlist the help of third party agents to conduct transactions.
- Allow banks to install more ATMs in rural areas.
- Establish a unique individual based National ID.

Day 2-Session III

Banking & Information Networks



- The need to discard old business models
- Adapt/adopt new technology to transform services provided
- Building institutional capacities for change
- Partners with the Government to ensure better programme delivery
- Tax Information Network & the concept of expenditure Information Network

Day 2, Session IV

Leveraging Technology for improving Program delivery- case of education sector



- Quality cannot be measured by quantity-more money spent doesn't translate into better outcomes/quality
- Systems have been developed to measure quality of programme delivery in the education sector
- Case study of Hessen a state in Germany where ERP system was implemented successfully
- IFMIS has to be implemented sector wise to get optimal results

Integrated system of financial administration: case of Brazil



- Evolution of financial administration pre-reform phase; marked by multiple bank accounts within government, manual accounting resulting in delayed information flow and slow decision making
- Post-reform with implementation of SIAFI the financial administration moved to a Single Treasury involving auto control of payment vis-à-vis budget, auto-accounting and consolidation
- The database provides reliable and relevant online information for financial decision making.

IFMIS In Government of India



- The presentation discussed the initiatives of the CGA organization in the implementation of IFMIS – through the COMPACT (distributed database) and e-lekha (centralized database)
- The integration of the core accounting and core banking solutions and its importance for the advanced financial management needs in govt.
- These have been extended to monitor the flagship schemes disbursement at the central level through the issue of Sanction ID
- Flexibility of the e-lekha portal to accommodate other accounting units – Delhi & Mizoram Govt. and other willing partners.

Day 3, Session I

Improving Governance through PFM



PFM needs to ensure value for money by improving

- Aggregate fiscal discipline
- Allocative priorities
- Allocative efficiencies (by suitable mix of revenue and capital expenditure)
- Comprehensive Budget (with no off-budget items)



Necessary steps:

- Reforming policy, processes and reform Political Will
- Calibration of market based reforms in pricing by transparent and consultative redistribution
- Decentralised MTEF in departments adding up to central MTEF
- Stronger internal controls and information systems

Institutional mechanisms to improve program delivery

- Institutions need to be strengthened
- Parliament needs to play a greater role in oversight of public finance
- The executive needs to be individually accountable and should have the freedom to manage
- PRI need to be empowered with powers to collect their own revenues -Serious capacity building required
- Plan and Non-Plan classification issues-the distinction between Plan-Non Plan must go to enable an integrated expenditure management
- Legislate reforms in public finance





Day 3 – Session II

Minister for Social Justice & Empowerment
made some valuable observations :

- Importance of Social audit of development programmes was underscored.
- Better mechanisms for monitoring of social sector schemes need to be evolved
- CGA & Civil Accounts Organisation can play a crucial role in evolving such mechanisms.

Social audit of programmes

- Finding convergence important
- Citizens have role in governance
- Accounting and auditing are crucial tools
- Social audit could improve the implementation of programmes
- RTI Act can facilitate meaningful intervention by the stakeholders



Strengthening Internal Audit and Internal Controls



- Role of internal audit crucial for success of organisation
- Need to focus on Risk Based and Performance Audit techniques
- Audit techniques have to be linked with global standards
- CFE (Centre for Excellence) in CGA's organisation and the Institute of Internal Audit should collaborate to establish MAP (Management Auditor Partnership) in the line ministries
- CFE should support internal audit activities in PPP projects and PRIs
- INGAF to lead the capacity building programmes through its centres and through periodic outreach activities in various States with the special emphasis on North-Eastern States.

Day 3, Session III

Strengthening Internal Control for Improving Program Delivery-capacity development for IA



- Importance of capacity development in the area of IA
- Made a business case for IA capacity development in organizations and how it helped development of organization specific skills
- An increasing professionalism in IA is critical for the development process
- Shared the Capability Maturity Model developed by IAD, WB to assess and develop public sector capacity
- Discussed the IA capacity development initiatives undertaken by the IAD in collaboration with IIA across continents through the Capacity Development Outreach Program (CaDO) and the challenges associated with implementing it.

On changing paradigms in IA – issues raised were:

- Located IA in context of Public Sector as a tool for financial management
- Differentiated the audit conducted by the CAG / Ministries / for donor funded projects / expenditure verification for schemes / and for PSU as per the statutory requirements.
- Delineated the different nature and role of Statutory and Internal Audit
- IA has been recognized as a cornerstone of good governance in the current regulatory framework – by SEBI, IRDA, FMC, RBI.



- Brazilian case study on audit of social development programs
- Covered the Organizational structure of Controller General's office and focused on their medium term institutional plan
- The methodology: included mapping policies and promoting hierarchization of different government programs
- The most interesting feature of the methodology was the randomized public selection of the spatial categories for audit of the programs.
- The audit reports being sent across the different levels of the government and how it helped pointing out the deficiencies in program delivery and served the purposes of transparency and accountability through their portal – "Gateway of Transparency"



Thank you