

# Public Expenditure Management

Presented by:

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# Learning objectives

After this session participants are expected to:

- Understand the basic PEM framework
- Have a brief overview of PEM framework in Bangladesh including:
  - Identification of the relevant process/ procedure/ laws
  - Identification of the institutions involved
  - Identification of the organizations/ people involved

# Lecture Outline

- PEM: Concepts
- Expectations from an efficient PEM
- PEM in Bangladesh: 5 Panels
- Identifying the institutions, processes and peoples in PEM
- Interrelationship among various panels

# Public Expenditure Management: Concepts

- Public Finance (PF) is the revenue and expenditure of the public authorities
- A public authority typically:
  - I. Collects resources as revenue/debt; and
  - II. Allocate and use those resources efficiently to provide public services
- Public Expenditure Management (PEM) pertains only to # 2 but it is important to keep in mind the relationship between revenue/resources and expenditure

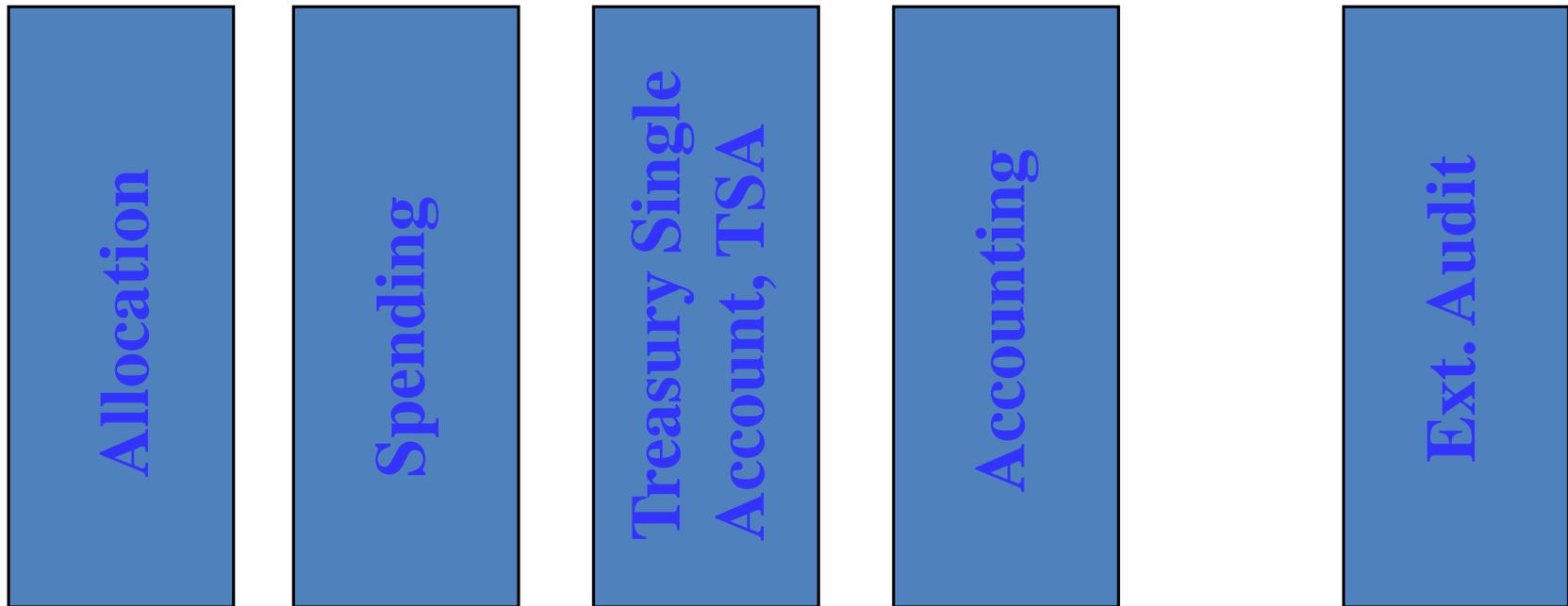
# Public Expenditure Management: Concepts

- Citizen's concern:
  - ✓ Whether the allocation of resources are justified among the various sectors / regions etc
  - ✓ Whether the public spending is ensuring highest level of economic efficiency
  - ✓ Whether the process of spending is transparent
- Government's concern:
  - ✓ All the citizen's concerns, plus
  - ✓ Whether the allocation and spending are in line with the government's broader policy objectives
  - ✓ Whether the allocation and spending are conforming the existing legal framework

# Public Expenditure Management: Concepts

- Expectations from an efficient PEM system:
  - ✓ Level of expenditure planned by the government is appropriate for that year
  - ✓ Resource received are used efficiently
  - ✓ Government is both benign and neutral
  - ✓ Prices assumed in the expenditure management system are the proper ones to reflect the reality of the market
  - ✓ Budgetary outcomes are consistent with the intent of the Government
  - ✓ Processes are transparent and fully accountable

# PEM in Bangladesh: 5 Panels



# PEM in Bangladesh: 5 Panels

- To understand the panels, we need to look at these in 3 different perspectives:
  - ✓ Process/ Procedure and relevant applicable laws
  - ✓ Institutional arrangements
  - ✓ People involved
- Identify how these panels are interrelated with each other

# Panel 1: Allocation of Resources

- The Constitution of Bangladesh
  - ✓ Part V, Chapter II
- The Public Money and Budget Management Act, 2009
- Finance Division prepares the proposal for sector-wise and ministry-wise allocation
- Proposals sent to the parliament for voting
  - ✓ Annual Financial Statement
  - ✓ Demand for Grant
  - ✓ Supplementary and Excess Grant
  - ✓ The Appropriation Act

# Panel 2: Public Spending

- Budgetary allocations are given to
  - ✓ Ministries / Divisions
  - ✓ Departments
  - ✓ Subordinate offices
  - ✓ Other government agencies
- Budget holders
- Principal accounting officer
  - Controlling officers
  - DDOs
- Act / Rules involved
  - ✓ Public Procurement Act (PPA)
  - ✓ General Financial Rules (GFR)

# Panel 3: Treasury Single Account (TSA)

- Single account for all government transactions
  - ✓ Credit: All receipt of revenue, grant, loan etc
  - ✓ Debit: All expenses made out, loan repaid etc
- Exceptions: Special Accounts
- Bangladesh Bank: Banker of the central government
- Role of Sonali Bank in TSA
- Treasury Rule
- Cash Management role of TSA

# Panel 4: Accounting

- Keeping detail accounts is a cornerstone of a PEM
- Offices involved:
  - ✓ Office of the Controller General of Accounts (CGA)
  - ✓ Office of the Chief Accounts Officer (CAO)
  - ✓ Office of the Divisional Controller of Accounts (DAO)
  - ✓ Office of the District Accounts Officer (CGA)
  - ✓ Office of the Upazila Accounts Officer (UAO)
- DDOs submits claim to accounts offices
- Exceptions: Railway, Defense, Postal, RHD, PWD, PHE, Forest etc.

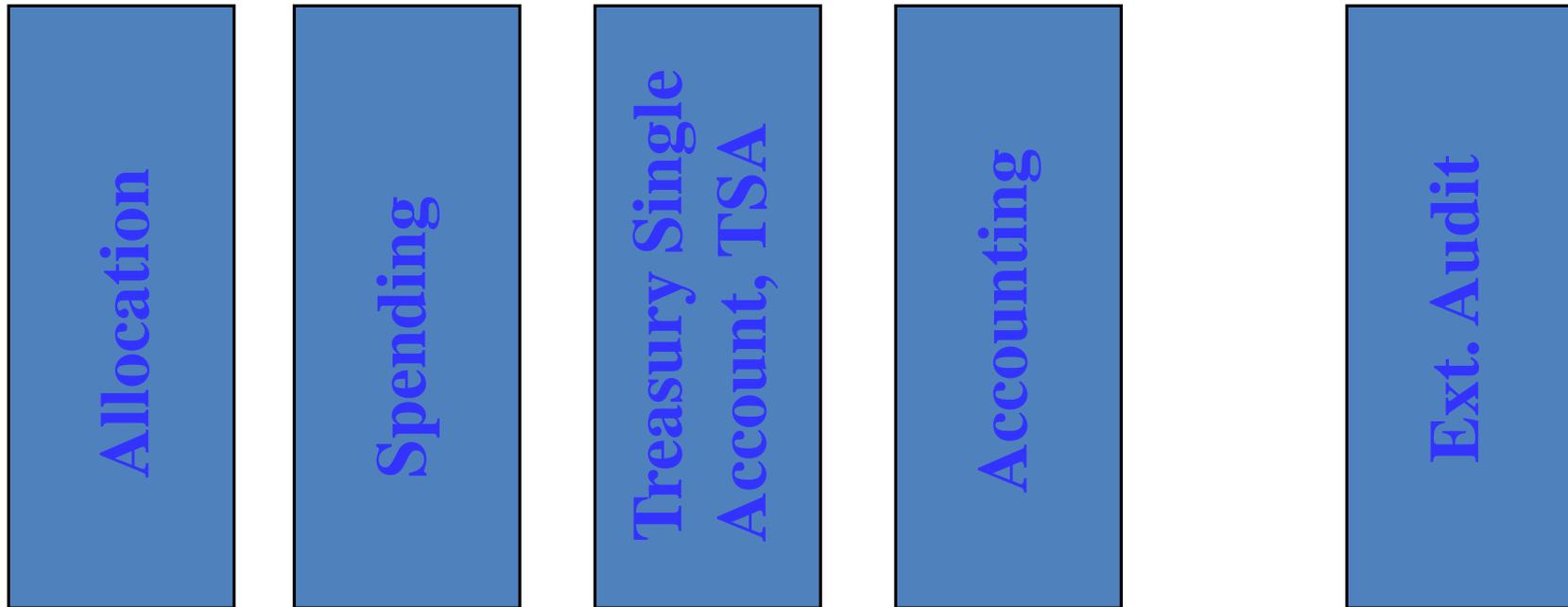
## Panel 4: Accounting Contd..

- Accounts officers have authority to pre-check the claims of DDOs which includes:
  - ✓ Budget Provision
  - ✓ Sanction
  - ✓ Purpose
  - ✓ Compliance of rules and regulations
- Relevant law: Account Codes

# Panel 5: External Audit

- Having an independent and effective external audit mechanism is a prerequisite for efficient and transparent PEM
- Comptroller and Auditor General of Bangladesh (C&AG)
- Subordinate offices: Audit Directorates
- Constitution Part VIII, Audit Code
- Audit report backs to the President
- President send the report to Parliament

# Key linkages among the PEM Panels



# Key linkages among the PEM Panels Contd..

- Expenditure Planning
- Preparation
- Execution
- Monitoring
- Reporting
- Audit
- Feedback

# Thank You

- Comments
- Questions