

Review of “Government Budgeting and Expenditure Management”

Salvatore Schiavo-Campo, Routledge 2017

This is an important book and should be read by all those involved in Public Financial Management (PFM). The author has extensive and senior level practical and academic experience of government and public sector issues in financial management, and this is reflected by the breadth of coverage and the number of practical examples.

The book addresses the whole gamut of PFM from budget through to delivery, and includes key areas of concern such as public finance policy, governance, corruption, procurement and the impact of globalisation. The target audience would appear to be those responsible for, or advising on, fiscal and financial management policy issues. The author would probably agree that this book is not primarily aimed at accountants, and many of the issues regarded as significant by the accounting profession are barely, if at all, mentioned. Nevertheless, accountants involved in PFM will learn much from a study of this book.

The book has two themes. The first is summarised in an amended quote from Montesquieu³ “It is good for men to be in a situation where although their passions inspire them to do evil [*the rules*] prevent them from doing so” – amended wording in parenthesis. The second theme of the book is to link PFM and the political and governance context in which it operates, articulated through the four pillars of accountability, transparency, participation and the rule of law.

Based on these two core themes, the stated aim of the book is “to combine the conceptual foundations of PFM with the lessons of international experience, and to counter the perennial tendency to push technocratic solutions”. This reinforces the focus on policy issues rather than technical processes, as indicated above.

The book is divided over six areas:

- An introduction which deals at a high level with budgeting and links to politics and society
- Part I describes the infrastructure of budgeting, including budget systems
- Part II addresses the so-called upstream stages of the budget process – budget preparation
- Part III moves on to the downstream stages of budget execution, procurement and financing
- Part IV is about public accountability
- Part V addresses a series of special issues.

In each area, the approach is to move from broad policy to specific financial management issues. Thus, for example, the first section commences with a discussion of the nature of government and the role of the budget before moving on to consider policy issues of public finance, and then to specific technical subjects. Throughout the book issues are illustrated by practical examples and real world situations.

³ Charles de Secondat, Baron de Montesquieu “The Spirit of the Laws” 1748

The sections on budget preparation are wide ranging and commence with the political role of the budget. Much in this section is important, for example, the discussion of fiscal risk uses a broader definition than the typical approach of equating fiscal risk simply with contingent liabilities, and includes practical guidance on the management of fiscal risk.

The importance of good budgeting as the basis for the downstream stages of budget management is rightly emphasised and there is extensive discussion on how can be achieved. The author reemphasises the importance of “getting the basics right”. The analysis of the concept of fiscal space and different budget approaches is important.

However, two caveats: firstly, as the author himself admits, the book is US-centric. Even though examples are drawn from around the world, they are interpreted from a US perspective, and the language is that of the US, e.g. “pork” to describe politician’s obtaining budget allocations to satisfy their local electorate. Secondly, despite the initial description of the political role of the budget, the focus is primarily fiscal. There is only limited discussion of the budget not merely reflecting, but influencing, public policy, e.g. on gender issues.

The section on the so-called “downstream” stages of budget execution includes sections on the important issues of procurement – one of the major sources of corruption and losses to governments around the world – and the management of public debt, including a discussion of the role of “Public Private Partnerships” (PPP).

It is in the section on accountability and accounting that accountants will find relatively brief, and often written using terms with which accountants are unfamiliar. For example, general purpose financial reports are referred to simply as the “annual budget report.” Again, the text refers International Public Sector Accounting Standards (IPSAS) as “setting standards as appropriate to different basis of accounting”, which represents a very narrow view of IPSAS. Furthermore, the text subsequently indicates that annual budget reports should comply with the IMF Government Finance Statistics (GFS) requirements, which in some areas are different to IPSAS requirements and do not lead to audited financial reports. Finally, the book recommends for many countries what is described as “limited accrual accounting”, which is what most accountants would call modified accrual, an accounting base not recognised by IPSAS or GFS – though a recommendation with which the reviewer would concur.

Despite, or perhaps because of, the above comments, the accountability section should be read by all government accountants. It provides a policy maker perspective on accounting, and serves to illustrate how unimportant many of the debates between accountants on very technical issues are perceived by those at a policy level. The conclusions on accounting issues are worthy of consideration.

The book contains a discussion of how committees of the legislature can review financial and audit reports and the role of civil society, but this is an area where the author’s experience could have provided further valuable insights into how accountability can be made effective through civil society participation.

The sections on procurement, debt management and budget financing all contain valuable descriptions of the issues, illustrations from the real world, and guidance. The advice on PFM reform synthesises much of the author’s own experience with the experience of the major multilateral institutions, and is a “must read” for all involved in such reform programmes.

One omission is one that is common amongst policy makers – to see technology as merely a tool, rather than a driver of change. There is no discussion of the role of web based budget and accounting systems eliminating many of the conflicts between centralised and decentralised

control, or the potential of block chain solutions to transform financial transaction processing, control and audit.

It is inevitable that a book by one author has a particular perspective, and this book is from the perspective of the fiscal and economic policy maker. This is an important perspective, and as stated at the start, this is a book with a wealth of valuable information, examples and guidance. It should be read by all involved in public financial management, perhaps especially by accountants.