TECHNICAL NOTES AND MANUALS

Expenditure Control: Key Features, Stages, and Actors

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Expenditure Control: Key Features, Stages, and Actors

This technical note and manual (TNM) addresses the following issues:

- Key stages of the government expenditure chain;
- The controls exercised at each stage;
- The roles and responsibilities of the key institutional actors in exercising those controls;
- Approaches to expenditure control in different PFM traditions;
- Diagnosing weaknesses in expenditure control systems; and
- Options for strengthening the expenditure control framework.

I. INTRODUCTION[1]

Effective expenditure control is the *sine qua non* of good public financial management (PFM). Fiscal rules, medium-term budget plans, and annual budgets are meaningless if expenditure cannot be controlled during execution. A lack of effective expenditure controls not only threatens macroeconomic stability and fiscal discipline, but can also call into question the integrity of the public financial management system and undermine trust in a government's stewardship of public resources. While the institutional arrangements for raising government revenue are typically quite centralized in a national revenue authority, the expenditure of those resources involves a wide array of public entities at various levels of government, even in countries with relatively centralized PFM systems.

Lack of adequate control over government expenditure remains a problem in many countries. As shown in Figures 1–3, Public Expenditure and Financial Accountability (PEFA) assessments covering 85 low and middle income countries revealed that:

- more than two-thirds of these countries have relatively weak systems of expenditure control as indicated by a score of C or D on the PEFA expenditure control indicator PI-20 (Figure 1);

[1] This TNM has benefited from review and comments of M. Cangiano, M. Fouad, R. Hughes, R. Allen, R. Boukezia, B. Chevauchez, S. Flynn, D. Gentry, T. Hansen, R. Hurtado Arcos, C. Iles, D. Last, J. Menkulasi, D. Moretti, M. Nozaki, B. Olden, M. Pessoa, J Seiwald, H. van Eden, A. Veloz, B. Wiest, and several other colleagues from both the PFM divisions of FAD. The author is also grateful to K. Douglass for her assistance with data analysis.