

WEST AFRICAN INSTITUTE FOR FINANCIAL AND ECONOMIC MANAGEMENT (WAIFEM)



THE REGIONAL WORKSHOP ON POVERTY REDUCTION STRATEGY, MEDIUM-TERM EXPENDITURE FRAMEWORK AND THE ANNUAL BUDGET LAGOS, NIGERIA, JUNE 9 – 20, 2008

COMMUNIQUE

1.0 Introduction

The West African Institute for Financial and Economic Management (WAIFEM) organized a **Regional Workshop on Poverty Reduction Strategy, Medium-Term Expenditure Framework and the Annual Budget** at the Institute's headquarters in Lagos, Nigeria from June 9 – 20, 2008.

2.0 Opening Ceremony

In his opening remarks, the Director General of WAIFEM, Dr. Osi C. Itsede, noted that in spite of efforts by governments and the international community over the years to combat poverty, the scourge still remained a chronic challenge for West African countries. He went on to explain that structural adjustment programmes (SAP) of the 1980s and 1990s did not have the expected impact on poverty

alleviation because greater emphasis was placed on controlling of budgetary inputs other than achievement of budgetary objectives.

However, he pointed out that Poverty reduction strategy papers (PRSP) that are linked to annual budgets through a medium-term expenditure framework (MTEF) is an international best practice that promotes efficient and effective use of public resources. In this regard, he urged countries in the sub-region that were implementing MTEF at different stages to take it more seriously in order to achieve the stated overall goal of poverty reduction.

3.0 Objective of the workshop

The overall objective of this workshop was to enhance the participants' knowledge and competencies in the crucial issue of programming public revenue mobilization and allocation to various sectors of the economy, by linking and executing programmes that would alleviate poverty via the annual budget rolling out of a MTEF underpinned by a long-term policy document.

4.0 Main Themes

The broad themes covered include: Institutional arrangements and revenue generation; ways to increase non-tax revenue as percentage of total revenue; systems and programmes to formalize the informal sector; stakeholders' participation in the PRSP process; derivation of MTEF from the PRSP process; costing of the MTEF; techniques of budget formulation; the budgetary process; sources and causes of

budget over-runs; and institutional arrangements for budget accountability and controls.

5.0 Facilitators

The course was facilitated by a team of academicians and experienced practitioners drawn from the sub-region and WAIFEM faculty.

6.0 Participation

The workshop was attended by twenty-five (25) senior/executive level officials from the central banks, ministries of finance and economic planning, national assembly, accountant general offices, national planning commission, national audit office and other relevant public sector agencies in The Gambia, Ghana, Liberia, Nigeria and Sierra Leone.

7.0 Observations and Recommendations

On the basis of the lectures, study group works and discussions during the workshop, we, the participants make the following observations and recommendations:

7.1 Observations

- That the adoption of three-stage public expenditure programming and management system, fiscal decentralization and publishing of mid-term annual progress report on the budget implementation by governments are international best practices that foster efficient and effective use of public resources, which currently all WAIFEM constituent member countries have adopted;

- That in spite of the focus on poverty reduction by virtually all governments in the sub-region through the articulation of poverty reduction strategy papers (PRSPs and NEEDS in Nigeria), the impact is lacklustre and could not allow these countries to meet millennium development goal of halving poverty by 2015, but, projections indicate that they would delay by up to 2047;
- That despite the pivotal role that revenue plays in prudent fiscal management, most of the countries in the sub-region still depend on the formal-sector sources for revenue generation, leaving the huge informal sector untaxed because of administrative constraints;
- That the size of budget deficit for most of the countries of West African Monetary Zone (WAMZ) is still higher than the 4 percent budget deficit to GDP convergence criterion;
- That the financing of budget deficit often times comes from inflationary sources and tend to crowd out private sector investments;
- That in-spite of the auditing function being so central and critical in the management of public resources, the Auditor General Offices in many countries of the sub-region do not have the requisite human and material resources to perform effectively;

- That there are a number of ongoing public sector projects which even make good starts at the implementation stage, but invariably for a myriad of reasons, they falter mid-way to completion, leaving white elephants in place of what were initially bright ideas on practicable concepts;
- That in many countries of the sub-region, continuity of programmes and projects is scarcely pursued between one government and its successor in office, and as such, every new cabinet jettisons a number of programmes and projects of its predecessors to start their own, a practice which is contributing to a lot of unfinished programmes and projects; consequently contributing to an avoidable waste of public resources;
- That microfinance institutions in the sub-region do not have the financial muscle to meet even half of the financial requirements of their clients in order to empower them financially to combat poverty; and,
- That countries of the sub-region are hardly represented by professional trade negotiators to articulate their interests at the World Trade Organization (WTO), which consequently undermine the realization of their potential gains to the detriment of their terms of trade and fiscal benefits.

7.2 Recommendations

- That governments in the sub-region are urged to adopt the three-tier public expenditure management system and mid-year budget progress reports because it enhances transparency, accountability and effective use of public resources;
- That countries in the sub-region are enjoined to find innovative ways of broadening the tax network to include the informal sectors, as a way to reduce the chronic primary fiscal deficit in some of them;
- That sourcing funding with government instruments in the non-bank sector should be embraced by countries as it is the preferred means of financing budgets, as such government papers also contribute to the financial deepening process;
- That countries in the sub-region are enjoined to engage expert trade negotiators at the World Trade Organization to negotiate better terms of trade for a wider fiscal space in West African Countries;
- That the Auditor General's Offices in countries of the sub-region should be well resourced to attract and maintain high calibre professionals to effectively do the job of promoting transparency and accountability in the management of public resources;

- That countries should exploit information technology to enhance revenue generation and reduce pilfering of public resources in countries of the sub-region, along the lines of the Ghana Customs (GC) Net;
- That legislators are urged to ensure the continuity of programmes between regimes of a country by insisting on the completion and the implementation of programmes presented to them within a medium-term framework. Also, they should continue strengthening their control over the public purse particularly by the Public Accounts Committees in the legislature by conducting public hearings on questionable expenditures made by the Executive branch; and,
- That governments in the countries of WAIFEM member banks should bring issues on microfinance to the front burner in order to strengthen and encourage microfinance institutions as veritable vehicles to alleviate pandemic poverty.

8.0 Appreciation

The participants expressed their sincere appreciation to WAIFEM for a well organized workshop and were grateful to the African Capacity Building Foundation for funding the workshop.

DONE in Lagos, Nigeria, This 20th Day of June, 2008.