GOVERNMENT FINANCIAL MANAGEMENT

A series of articles published in the Certified Accountant, UK

Michael Parry Consulting
www.michaelparry.com
E-mail: michael.parry@michaelparry.com

TABLE OF CONTENTS

GOVERNMENT FINANCIAL MANAGEMENT

A series of three articles published in the Certifed Accountant, UK, 1994.

Michael.parry@michaelparry.com

A ARTICLE 1 - OVERVIEW

This is the first of three articles concerned with government financial management in developing countries. There are also lessons for industrialised countries attempting to improve their systems. The objective is to help members of the Association involved in this process be aware of the international developments that are taking place, and how they can be related to the particular problems faced by most developing countries.

Government financial management includes the system of budgeting, accounting, and monitoring the use of financial resources to achieve objectives. For these articles government means central government, not local authorities, public enterprises or other agencies of government.

This article will establish the framework within which government financial management operates. The second article will look at the budget process. The third and last article will look at accounting and reporting.

A.1 The big problem in government financial management

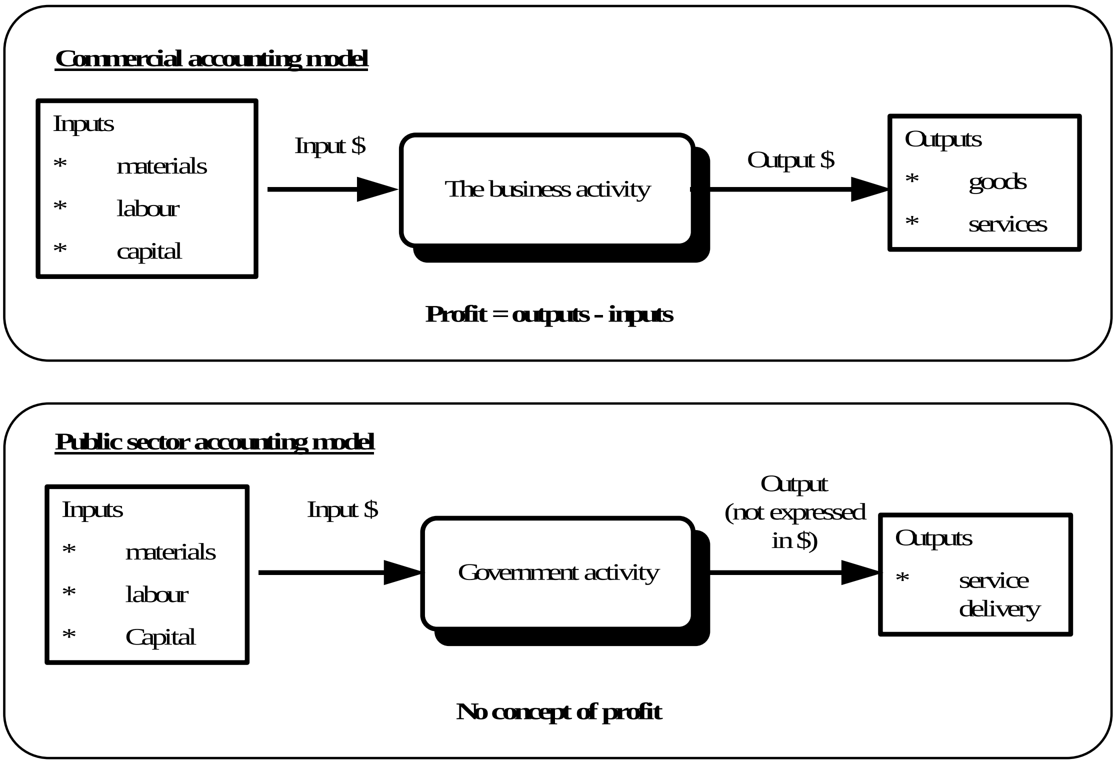
Financial management in government has not achieved the same significance as it has in the private sector. There are many reasons, but one critical difference between the private and public sector can be isolated as the key factor. This is the lack of money measures of outputs in the public sector. This is explained below and in Figure 1.

Company inputs and outputs, i.e. purchases and sales, are automatically defined in money. Profit is the difference between them. Thus the accounting system provide a comprehensive input-output model which is universally applicable to all businesses. Accounting has become the dominant method by which business performance is judged. The primary objective of management is to maximise profit, appropriately defined.

Government inputs are also automatically defined in money terms. However, outputs, being service delivery, cannot normally be expressed as money. Hence there can be no concept of profit. Furthermore, government revenues are not normally dependent on government expenditure. Thus accounting provides an input only model. Outputs must be defined in non-financial terms.

This lack of a simple input-output model must be seen as the big problem of applying financial management to any public sector activity, including national governments.

Figure 1: Government compared to commercial financial management



Traditionally government financial management has been about expenditure control - the input side of the model. A survey of senior government officers in Australia in 1983 found that 94% saw financial management as "spending no more no less than their budget allocation". Controlling expenditure against budget is a legitimate and fundamental role of public sector managers. However, a modern approach also seeks to relate expenditure, defined in monetary terms, with outputs, defined in physical terms. Most of the developments have been concerned with enhancing both of these aspects of financial management.

Thus the need is to move the focus of government financial management away from looking only at inputs, and instead to develop an output focus - **a goal oriented approach.**

Typically Governments are the biggest spending entity in any economy. Yet the budget and accounting systems of many governments are archaic and have benefited little from modern developments in financial management - a comment Kenneth Clarke, the Chancellor made about the UK system in the November 1993 budget. Budgeting and accounting have been seen primarily as tools of fiscal and policy management with the main emphasis on the public sector borrowing requirement, and hence expenditure control.

Only relatively recently has the need to turn financial management into a tool enabling managers to be able to better perform their tasks been recognised. New Zealand has revolutionised its system of government with the development of output based budgeting and accrual accounting. Australia has moved to an output based three year rolling budget. The UK has introduced the Financial Management Initiative, and is moving rapidly towards accrual accounting. Similar programmes are being adopted in other countries.

For poorer countries the imperative for effective government financial management is even greater. Yet the resources to achieve this are often lacking. Typically there are few professional accountants in government, and budgeting and accounting are operated as separate activities. Low government salaries make it difficult to attract high quality staff, or to retain professional accountants once they qualify.

If real change is to be achieved it is essential that high quality professional staff are given leading roles. This may mean opening up some senior posts to directly recruited accountants, internal training programmes, and special salary allowances for such persons. Because modern computer systems de-skill much work, only a relatively small number of highly qualified personnel are required, but this small specialist group is essential.

One direction of change has been to look at the private sector. Undoubtedly there are lessons to be learnt, but the important differences between the public and private sector must be recognised. The most important difference is explained above, and others are dealt with later.

A.2 Who are the "managers" in government financial management

Ultimately the managers in a democracy are the elected representatives of the people. The executive arm of these representatives is the senior Ministers, and they in turn operate through full-time civil servants. However, beware making the analogy to private enterprises to close. Elected representatives are not equivalent to shareholders in a company, playing a much more substantial role in the management of the country. Also there is a sharp constitutional distinction between the role of Ministers and senior civil servants.

A financial management system must ultimately provide information to Ministers for them to be able to make better decisions. The information must therefore be clearly presented in a format that is useful to busy Ministers without a technical accounting background. In addition the system must help senior civil servants to be able to more efficiently and effectively carry out the policy decisions of their political masters.

A government financial management system which fails to recognise these realities will be a failure.

A.3 What should government financial management achieve?

The ultimate purpose of government financial management is to deliver the best possible value for money (economy, efficiency and effectiveness) in the raising and spending of public funds.

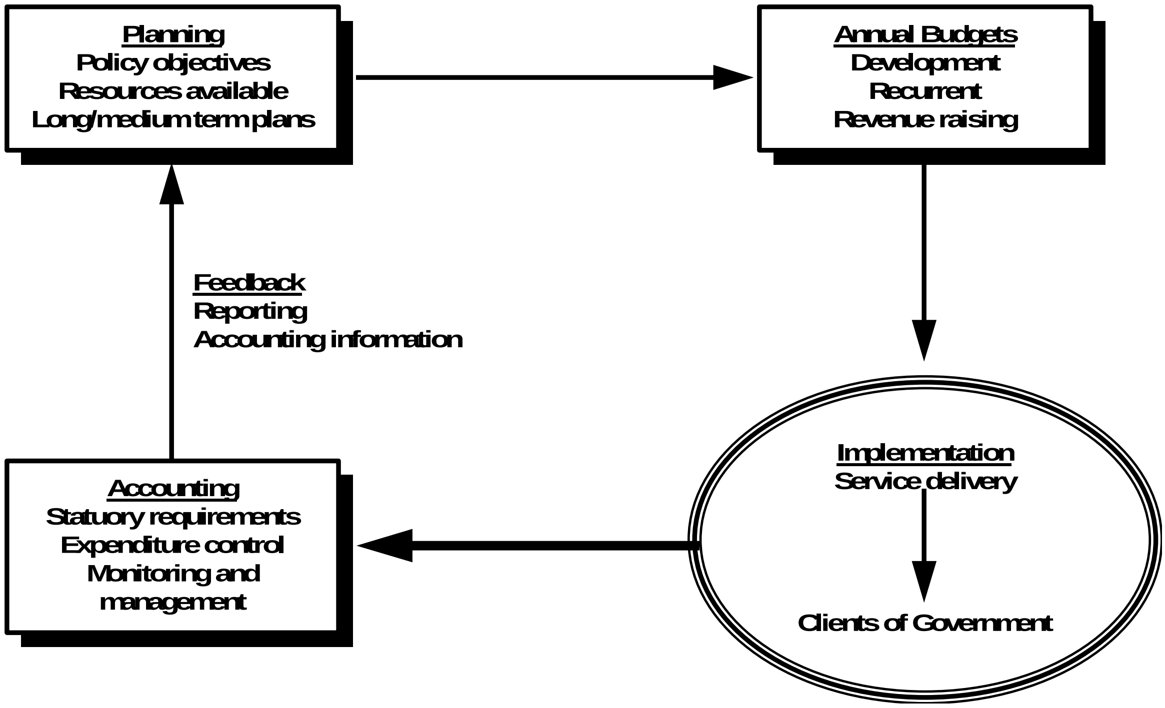
This is best achieved by a system whereby policies are translated into physical and financial plans (budgets). These plans should include both financial and physical targets. An accounting, monitoring and reporting system should enable performance to be monitored against plans and modified in the light of experience. The use of key performance indicators and well designed reports, closely linked to managers span of responsibility, are key elements in this process, which may be summarised as follows:

- **Planning:** top managers setting priorities, managing resources and reviewing performance;

- **Budgeting**: with managers being responsible for the resources they consume and departmental budgets linked to resources availability
- **Accounting** for the implementation of policies;
- **Feedback**: budget and performance indicators linked to actual achievement.

This is illustrated in Figure 2.

Figure 2: Government financial management



A.4 Planning

A development planning system is common to most developing countries. It provides the mechanism for making decisions on the following issues:

- identifying development objectives;
- developing strategies and programmes to achieve objectives;
- assessing resources availability;
- prioritising between objectives and expenditure plans so as to match expenditures to available resources.

Planning systems are usually centred on the preparation and implementation of a medium term (usually five years) development plan. The plan contains statements of government objectives and policies, strategies for achieving objectives, a resource framework for the plan period (projections of revenues and expenditures) and a programme of sectoral development to be implemented during the period.

Development planning often focuses solely on development projects, as they are more likely to receive aid financing and are usually seen as the major source of economic growth. However, the planning system should also consider recurrent type activities, for example the funding of materials and salaries for schools and maintenance costs for existing infrastructure can make equally significant contributions to development.

National planning systems have tended over recent years to fall out of favour, and some countries have abandoned or downgraded the planning process. However, in the private sector the reverse has taken place, with an increase in planning, though there has been a move away from broad conceptual plans. Instead the focus is on the development of detailed operational plans extending over a shorter period than the traditional broad strategic plans. Governments could learn from the way planning has developed in the private sector.

A.5 Government budgeting

The government budget is the embodiment of the legal authorisation by Parliament of the country's expenditure and taxation proposals for the coming financial year. It should be: (i) a means of allocating resources to achieving the objectives of the government, (ii) a management tool for national economic and fiscal planning, and (iii) a means of controlling and monitoring the use of funds to ensure they meet stated objectives. National budgets are produced in varying formats internationally but all contain provisions for both development (capital) and recurrent (revenue) income and expenditure.

Government budgeting is different to the private sector in four key respects:

- government budgets are not only about managing government activities; they are also tools of national economic management;
- expenditure budgets are often not linked directly to revenue raising (in the UK the November 1993 Budget was the first to explicitly link revenue and expenditure);
- the budget is a legal authority to spend, with limits which may not be exceeded without further Parliamentary authority;
- many countries divide their budgets between Development and Recurrent.

A.6 Bottom up or top down budgeting

There are two basic approaches to government budgeting - bottom up or top down. Under the bottom up approach, Ministries or Departments[1] estimate their expenditure requirements, and these are aggregated and compared to expected resources.

Under the top-down approach, the estimated resources available (the "resource envelope") are allocated between Departments according to spending priorities. Departments then prepare their budgets within their resource allocation.

[1] Note that the term Ministry and Department are used in somewhat different ways in different countries. In these articles no distinction is made, and they are regarded as synonymous.

Top down budgeting has the advantage of certainty of funding, and makes resource allocation an explicit decisions. However, bottom up budgeting is easier, because resources can be estimated later, and explicit resource allocation decisions avoided. Most countries using bottom up budgeting would gain in effective resource management by moving to a top down approach.

Related to this issue is the fact that many developing countries have a very long budget preparation cycle. With proper use of microcomputers for budget modelling, and desktop publishing systems for budget production, there is considerable scope to prepare the budget over a short period. This makes it more feasible to identify the resource envelope before the budget process commences.

B ARTICLE 2 - BUDGETING

The first article provided an overview of government financial management, and how it differed from the private sector. It also began to look at budget systems. This second article looks in more detail at some of the problems of government budgeting faced by developing countries.

B.1 Modern budget approaches

The first article indicated that the "big" problem of government financial management was the fact that outputs are not expressed in monetary units. The move to more goal oriented approach to financial management requires output indicators that can be used as part of a financial management system. Ideally such output indicators need to capable of being set as part of the planning (budget) process, and also be measurable (normative) so they can be included in the monitoring and reporting system.

The most obvious approach would be to convert physical measures of service delivery into monetary units. In practice this approach is not feasible in any practical way. Attempts have been made to put money values on government outputs, through cost-benefit analysis. However, though these have been successful at the project level, it is not practical to extend cost benefit to financial management at a more aggregated level, e.g. Ministries. It must therefore be concluded that output indicators will have to be expressed in physical terms.

B.2 The budget process

The first article discussed the top down as against bottom up budgeting approaches. Whichever approach is adopted, national budgets are aggregations of a large number of budgets of small spending units. Ideally budgets, targets and output indicators should be set by managers of such units within an overall resource envelope which indicates national priorities.

In practice this approach is rarely achieved, and budgets tend to be set at a much higher level by incrementing last years figures for known changes. This approach is unsatisfactory for a number of reasons:

- it fails to identify clearly managerial responsibility and make managers responsible for their own targets;
- since managers have budgets imposed on them, and do not identify their own targets, it is not a good way of motivating them to achieve specified output targets;
- it encourages spending and discourages saving, since it is difficult to justify an increase if last years budget was underspent;
- needs and resources are not matched in any rational manner;
- it makes performance monitoring more difficult, since output targets are not set by those responsible for achieving them (if they are set at all);
- it does not provide an adequate framework for evaluating and discussing budget decisions at a national level.

The next section considers four approaches to budget setting that have been attempted to overcome these problems, and from them derives some practical approaches appropriate to developing countries.

(i) Planned Programming Budgeting System (PPBS)

Under PPBS the various activities of government are seen as "programmes". Each programme has related benefits and costs. Also most programmes have alternative ways of achieving the same ends, which can also be costed. Benefits need to be defined in normative terms. PPBS identifies government objectives, the impact of programmes on objectives, and hence provides a rational framework for selecting programmes. Its most significant application has been in the US Department of Defence. Despite its advantages, PPBS has two major difficulties. The first is defining output in a way which allows comparison between alternatives on anything other than a subjective basis. A second, related, difficulty is that many government activities are an essential part of government, and any attempt to specify outputs merely states what will happen. For example, catching criminals is an output of police activity, but can hardly be seen as an alternative to anything else. For these reasons PPBS has not proved the answer to government financial management.

(ii) Zero Based Budgeting (ZBB)

ZBB was also developed in the USA as a comprehensive budget approach. It requires that the activities and objectives of government are identified, and turned into a series of "decision packages". There is no presumption as to any past pattern of expenditure, hence the term zero based. Each decision package is a programme under the control of one manager, with defined and measurable impacts and objectives. These are than categorised, ranked and evaluated so as to lead the government to a decision about which packages to implement, and the costs associated with each. This is similar to the approach sometimes referred to in the UK as "priority based budgeting". ZBB requires identifying and evaluating the decision packages, and hence involves very considerable time and effort. At the end many of the programmes are those which are anyway already in place, and about which there is little choice. Attempts to apply ZBB have not generally been sustained.

Although both PPBS and zero-based budgeting are rarely used as complete solutions, the ideas derived from them have gained wide acceptance and provide important tools in the budget process. Examples of attempts to apply these principles in a more pragmatic way are provided by the UK and Australia.

(iii) the UK Financial Management Initiative (FMI)

In the UK, the Financial Management Initiative was launched by the government in 1982. This is more than a budget system, but it contains the basic elements identified above of requiring managers to develop clearly specified objectives, and then manage their responsibilities against those objectives.

(iv) the Australian Financial Management Improvement Programme (FMIP)

In Australia the FMIP sought to radically change attitudes. Elements of the approach include:

- three year rolling expenditure programmes;
- focus on results, with the introduction of Programme Management and Budgeting (PMB);
- development of performance measures;
- increasing management expenditure discretion by removing unnecessary bureaucratic constraints.

The Australian system has to be seen in the context of a wholesale reform of management of the public sector. It could not be implemented in isolation. Nevertheless, it contains important pointers to the way budgeting and financial management of government is likely to develop. In Australia, despite initial problems, it is now regarded as having been a successful approach to managing the public sector in a period of financial constraint.

Conclusions on an appropriate approach for developing countries

In attempting to improve government financial management, lessons can be learnt from all of these approaches:

- there must be a move away from incremental budgeting to an approach which regards all expenditure as discretionary;
- the focus must be on results, involving identifying programmes, defining objectives and setting performance targets;
- managerial responsibility must be identified and made explicit, and within overall constraints managers should be responsible for their own budgets and output targets;
- bureaucratic controls should be simplified and rationalised to encourage managers to focus on results;
- overly complex budget systems and procedures which only add paper work should be avoided;
- there is a strong case for three year rolling expenditure budgets, i.e. for expenditure and targets to be planned three years into the future, with the annual budget being the first year of the plan.

All the experience of setting performance targets for public sector activities suggests that it is very difficult to identify meaningful indicators against which performance can be measured and evaluated. Sometimes indicators can be counter productive, because managers then focus only on their "score", rather than their broader responsibilities. In setting performance indicators and targets, certain points need to be considered:

- they are best set at the micro level by the managers who have to achieve them;
- they should relate to broader national policy objectives;
- wherever possible revenue generation should be related to expenditure, e.g. museum sale receipts linked to expenditure by that museum, so as to minimise the need for physical indicators;
- there should be "soft" general indicators or targets, even if these are not easily measurable, as well as "hard" measurable indicators;
- targets should be set as part of the planning and budget process, not as a separate exercise.

B.3 Segregation of development expenditure

Many governments in developing countries divide their budgets into Recurrent and Development Budgets. Development Budgets are primarily concerned with development projects, which have defined objectives and a finite life. The Recurrent Budget deals with routine ongoing expenditure, where outputs are more difficult to define, and there is no finite end to the expenditure. Ideally this budget division should coincide with the distinction between Revenue and Capital expenditure budgets, but in our experience Development Budgets often include expenditure of a revenue nature, and conversely Recurrent Budgets include capital expenditure.

There are a number of disadvantages of segregating Development and Recurrent Budgets:

- difficult in identifying and evaluating total resources allocated to sectors;
- the Development Budget tends to receive more attention than the Recurrent Budget, though the latter is often larger in value;
- recurrent maintenance expenditure is discouraged in favour of new projects, which replace poorly maintained assets;
- the fact is that a flow of development projects must lead to an ever increasing Recurrent Budget as Projects are completed is often ignored, and the impact of such projects on the recurrent budgets not properly assessed in planning future aggregate levels of government expenditure;
- it leads to confusion on the more important distinction between capital and revenue.

Ideally countries should move to a budget divided between capital and revenue expenditure, rather than based on the source of financing. Even if this is not feasible, the budget system should make transparent the impact of development on recurrent budgets, and show how each draw on a common pool of resources.

B.4 Presenting information in budgets

Ultimately budgets have to be presented to Parliament for approval. The object of the system should be to present information clearly so that the decision implications are clearly identified. Criteria include:

- clarity and avoidance of technical jargon;
- revenue and expenditure shown in single presentation, with net financing implications clearly identified;
- structured approach with summary expenditure schedules clearly linking to detail schedules;
- comprehensive, but avoiding excess detail, and with appropriate levels of rounding;
- development and recurrent expenditure clearly aggregated by Ministry and Department, and linked to a narrative statement of objectives.

These requirements sound obvious, yet are rarely achieved. In any review of a budgeting system, a good starting point is the budget documentation.

C ARTICLE 3 - ACCOUNTING

The first two articles in this series have mainly focused on budgeting. This last article address the issues relating to Government accounting and reporting. Government accounting is the whole accounting process, including the recording of individual transactions, the aggregation of information through reporting units ultimately into national financial statements, and the financial statements themselves at both operating unit and national level.

C.1 Government accounting

Government accounting serves several, sometimes conflicting, purposes. Firstly, there is a legal and stewardship role, whereby annual accounts of various Government activities are presented to Parliament. Secondly, the accounting system provides a control mechanism for ensuring that government financial rules and regulations have been complied with. Finally, accounting information is vital to managers to control expenditure, monitor performance, and maximise value for money.

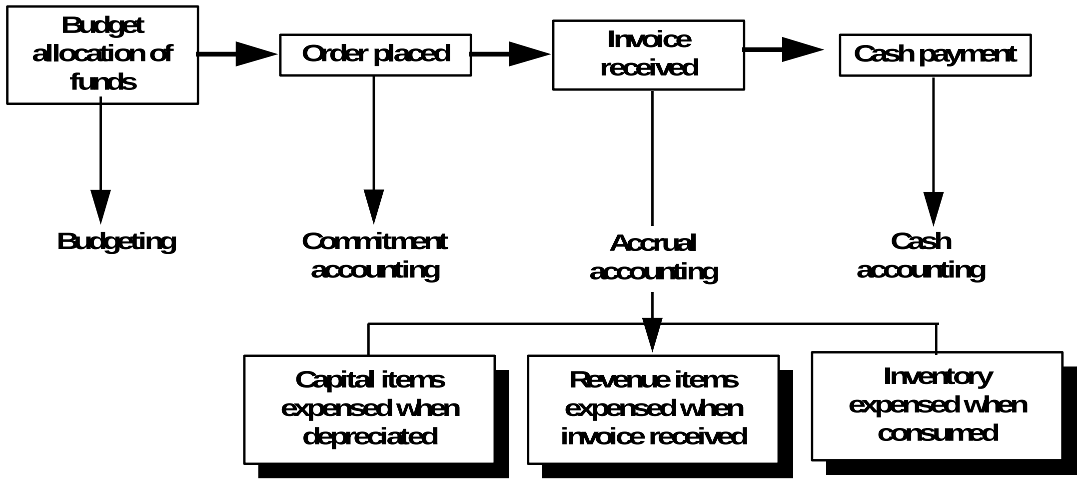
Effective financial management requires accounting information that is prompt, intelligible and relevant to the responsibilities of managers. Traditional Government accounting systems in many developing countries are not well equipped to meet these needs. They use language that is confusing to the non-accountant, e.g. "below-the-line accounts", "Public Account", "Funds". Information is often delayed, and even when available not necessarily relevant. Computer systems have been developed which simply computerise the previous manual systems, incorporating most of their shortcomings.

C.2 Cash or accrual accounting?

A number of governments have moved, or are in the process of moving, to accrual accounting for the government accounts. Developing countries need to consider carefully whether this change is appropriate for them, weighing the costs against any perceived benefits.

The differences between cash and accrual accounting are illustrated in Figure 3. Note that for reasons of clarity the additional stage of warranting expenditure, used in some countries, is not shown.

Figure 3: Multiple stages of govt accounting



Cash accounting records income and expenditure when cash is received or paid, irrespective of the nature of the transaction. However, government cash accounting does not strictly follow this rule, and is better described as a "modified cash basis".

The differences are summarised in the table below.

Accrual accounting	Cash based accounting	Modified cash basis
Expenditure recognised when the invoice is received	Expenditure recognised when cash paid	As cash basis except for items such as contributions to pension funds not paid in cash, year end accruals, and suspense accounts.
Revenue is treated as income when invoices are raised - but difficult to apply this to tax revenue	Revenue recognised when cash is received	As cash basis
Inventory expensed when consumed	Inventory expensed when cash paid	Inventory expense when allocated
Capital expenditure is treated as an expense only over time through the process of depreciation	Capital expenditure is treated as an outlay in full when cash paid	As cash basis
Balance sheet includes capital assets, payables and receivables, and also such liabilities as the future pensions of employees	Balance sheet only includes liquid assets such as cash	Balance sheets include unallocated stores, suspense accounts and other "below the line" accounts relating to funds effectively held in trust

Some governments use "modified accrual accounting", which is accrual accounting without capitalising assets.

The advantages and disadvantages of accrual accounting are set out in the table below.

Advantages of accrual accounting	Advantages of cash accounting
Capitalising assets makes the division between capital and revenue expenditure more explicit.	Capital assets in the public sector do not generate cash income; also many government capital assets are of an infrastructure nature. As a result it is very difficult to meaningfully value or estimate economic lives for capital assets.
Accrual accounting provides a more meaningful measure of the resources consumed by Departments in order to achieve their goals	Cash accounting has the advantages of simplicity, certainty, and direct linkage to the movement of funds
Accrual accounting provides a more meaningful balance sheet, and makes explicit certain government liabilities, e.g. pension liabilities.	Cash flow data is essential to manage public borrowing. Cash flows have to be monitored, whatever the accounting basis.

New Zealand is a notable example of a Government which has moved completely to accrual accounting, and produces a balance sheet and revenue statement familiar to commercial accounts, and much easier to understand than traditional Government accounts. The UK has in the November 1993 budget announced a move to "Departmental Resource Accounting". Though the details have as yet to be announced, the system will be based on accrual accounting with each department operating as a self-accounting entity.

In the commercial world, accrual accounting has the practical objectives of determining profit in order to be able to pay tax and dividends; but these objectives have no relevance to governments. The questions have to be asked "would decisions be better with accrual accounting?", and "would managerial control be improved"? It will be easier to answer these questions from the perspective of experience by the countries now introducing accrual accounting.

Meanwhile, it is concluded that the case for applying accrual accounting to Governments has not been conclusively established. Most developing countries would find moving to accrual accounting a difficult and expensive exercise. There are other financial management priorities which should come first.

C.3 Accounting standards in Government accounting[2]

There are no International Standards for Government Accounting. The Public Sector Committee of International Federation of Accountants (IFAC) has produced a Paper on Financial Reporting by National Governments, but this contains no proposed standards.

There is an argument that Government Accounting Standards are a not needed, since there is only one reporting entity in each country, and the standards should be contained with the rules and regulations. However, Accounting Standards deal with matters not normally explicitly covered by such rules, e.g. the basis of accounting, definitions. If, as in the UK, Departments and Agencies are required to be self-accounting there is a need for a common set of standards.

---

[2] Note this article was written in 1994 before the creation of the International Accountintg Standards Board

A number of countries have developed Government accounting standards. In the US they are set by the Government Accounting Standards Board. Australia and New Zealand have both adopted standards, though in the case of the latter these are now the same as those for private enterprises. In the UK the commercial Accounting Standards apply except in cases where such standards are inappropriate, or other standards have been set.

Though in general commercial international accounting standards can be used by governments, there are many exceptions where they are inappropriate. There is a real need for the development, preferably by the IFAC, of a set international public sector accounting standards.

C.4 Cash management

Cash management should be an important part of financial management. Yet in many countries the only government cash management is at a highly aggregated level by the central bank. There are three main reasons for the inadequacy of cash management systems:

- government departments and spending agencies experience no cost of funds, and hence no benefits, or conversely costs, for managing funds well or badly;
- the main focus of budget execution is on the release of funds;
- the main concern of Government accounting has been the propriety of expenditure, not the efficiency of fund utilisation.

Nevertheless, cash management in the Government sector is important. There is a direct impact on public sector borrowing requirement - bad cash management can increase need for temporary borrowing. Also there is a real interest cost or benefit to Government. Finally in some countries, it is important for Fund stabilisation programmes. Effective cash management requires:

(i) forecasts profiling the timing of cash inflows and outflows;

(ii) monitoring of receipts and the timing of payments against forecasts;

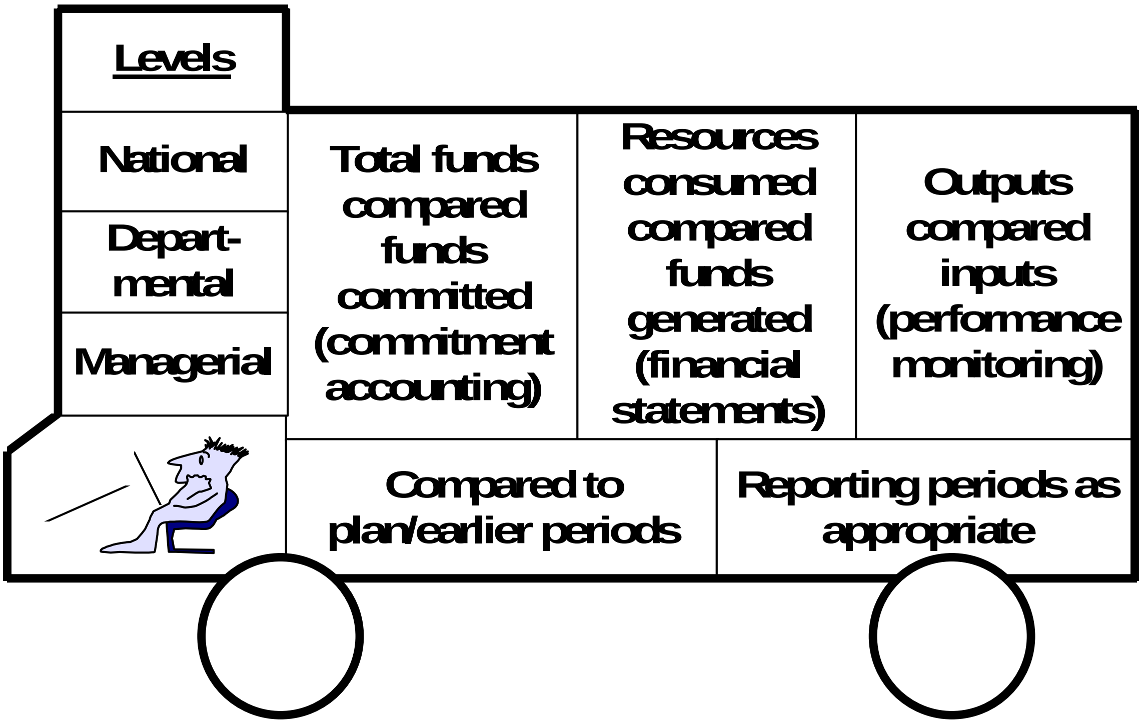
(iii) keeping balances in subsidiary bank accounts to a minimum.

C.5 Expenditure control, monitoring and reporting

The end product of the accounting system are reports which enable managers to more effectively perform their functions. Note, however, that the effectiveness of any monitoring system is greatly reduced if budgets are not carefully and properly set in the first place. Though many reports are needed, they can all be summarised in "the Financial Management Vehicle" illustrated in Figure 4.[3]

[3] Credit for the visual concept belongs to my colleague, Phil Harding.

Figure 4: Financial Management Reporting Vehicle



This "vehicle" summarises all of the elements of a reporting system:

- **levels:** reports are required at a range of levels. As they move up the management levels, span should be extended to reflect responsibility, and detail reduced, with increasing use of exception reporting.
- **commitment accounting:** provided by a "vote book" system. This is a memorandum account for each head of expenditure "voted" by Parliament. As orders are placed they are entered in a commitments column; as bills are paid, they are recorded, and deducted from commitments. At any time the balance of original vote less unpaid commitments and also less bills paid indicates the funds remaining available to spend. Vote books are usually kept at the lowest level of expenditure, but the information within them should be aggregated for more senior management.
- **financial statements:** these should be available regularly, not just at the year end, and for lower levels of responsibility as well as aggregated.
- **performance monitoring:** this is the stage where financial data on resources consumed is combined with non-financial performance targets to provide meaningful measures of performance towards goals.
- **comparisons**: all reports should provide comparative data ("benchmarks") so the information can be evaluated. Normally these will include budget or previous period figures.
- **reporting periods:** most reports are required annually, but this is too infrequent for most managerial control. Normally reports are also required monthly, some even more frequently. To make monthly reports meaningful, budgets also need to profiled into months.

In addition, all reports should meet the following criteria:

- timely - data rapidly loses its value if not available promptly;
- reliable - though excessive precision is redundant;
- clearly presented - presentation format should be clear and attractive;
- simple - only relevant data should be included.

A modern accounting and reporting system will almost certainly be computerised. In developing a reporting system, the emphasis should be to keep it initially simple, so as to meet expenditure control objectives, but with the flexibility to later develop to meet more sophisticated needs.

C.6 Will it make any difference?

It is possible to create the most sophisticated budget and reporting system, yet fail to have any effect on the quality of decision making or financial management. Studies of the impact of budgets in the private sector have concluded that managers seek to perform well against those measures by which their performance is assessed. In the context of Government financial management, this means that it will only be effective if managers perceive themselves as being judged by their performance against the indicators in the system. If it is a purely cosmetic exercise, and what really matters is, for example, appeasing pressure groups, then the system will prove ineffective.

This is confirmed by the Australian and New Zealand experience that radical change in financial management systems are really effective when combined with a Government determined to make them work.

C.7 The future of Government financial management

These three articles have sought to identify the scope for enhancing Government financial management systems, and to provide some pointers on approaches particularly in developing countries. The key concepts are:

- developing a more goal oriented approach;
- relating the system to managerial responsibility;
- improving capability to meet the fundamental requirement for effective expenditure control.