

## **OVERVIEW OF THE NATIONAL CONSULTATIONS OF THE EXPENDITURE COMMISSION**

The Expenditure Commission held consultations with representatives of the public and private sectors throughout each ECCU member state during the period 27 June and 25 August 2011 (inclusive). The national consultations took the form of two-day visits to each ECCU member state.<sup>1</sup> The visits involved focused group meetings, radio and television interviews, and town hall meetings. Two commissioners were assigned to each country.

During the consultations, the Commission sensitised the public on various aspects of its mandate including its terms of reference, approaches to executing its assignment, and preliminary findings. The Commission also sensitized the public on a number of areas including: the role and size of government; the importance and impact of government; impact and/or importance of effective public sector expenditure management; and the role of the private sector in effective public sector expenditure management. The feedback received from the sensitization was very positive. Both public and private sector representatives expressed that the Commission's mandate was very timely and relevant in the context of declining government revenues and increasing expenditure.

Based on shared country experiences and information received, it was clear that there has to be an adjustment in the way that governments do business – management of economies and public expenditure. Current expenditure trends are not sustainable and there is a clear imperative for fiscal adjustment. Expenditure rationalisation will be critical for successful fiscal consolidation going forward. Indeed fiscal consolidation efforts would need to focus on the expenditure side, while not ignoring the possible growth poles on the revenue side.

Based on the feedback gained from the consultations, the Commission decided that its recommendations will have to:

- i. Show optimum options at three levels: national, functional cooperation at both national and regional levels, and full regional treatment. Decision makers will therefore have

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<sup>1</sup> The Commission engaged in two day visits in all countries except St Kitts and Nevis, where a three day visit was held to facilitate meetings with participants in Nevis.

choices on what options they would wish to pursue. It would also allow for the various options to be pursued concurrently where it is possible to do so and to allow latecomers to dock in to regional arrangements at a later stage.

- ii. Focus on efficiency in determining the optimum options for service delivery. The options can entail central government, local government, parastatals or state-owned enterprises; services outsourced to the private sector and/or non-governmental organizations; and full service delivery at the regional level.

The Commission has noted that the impact of any recommendations that it would submit will not be immediately dramatic, but will be more sustainable and socially acceptable. This is because the reform recommendations will focus on training, sensitization, capacity building, and improvements to policies, systems and procedures.

The Commission observed that governments are under considerable pressure to increase public expenditure, in particular to increase social spending. In order to deal with this situation, governments cannot try to raise more taxes for the level of service that is currently provided, for this may be counterproductive. At the same time, governments should not reduce the quantity and quality of public service because these are already quite limited and stretched. The optimal choices are to better prioritize expenditures and be more efficient in the delivery of goods and services by making better use of the tax resources.

The Commission presented an interim report on the national consultations to the Monetary Council in October 2011. The final report of the Commission will be completed in 2012.