

Annual Report 2017-2018



Public Expenditure Management Network in Asia

From July 2017 to December 2018

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1. Executive Summary

1. Executive Summary

This report summarizes the progress and activities of the Public Expenditure Management Network in Asia (PEMNA) for the period of July 2017 to December 2018.¹⁾ The network continued to show steady performance during this reporting period, connecting over 800 public officials and experts working in the field of public financial management (PFM). Members have shown high levels of satisfaction on their experiences with PEMNA. The high scores from the post-event evaluations mirror such strong performance.

PEMNA gave greater emphasis on producing tangible outputs and took a number of steps during this period. A new knowledge product, *Issue and Talk*, was developed and launched, helping the members better understand a country's specific PFM issue. In addition, the Secretariat introduced a new section in its newsletter, capturing the recent PFM development in the member countries. This PFM News section, though not a new output of its own, helped PEMNA provide more relevant information to its members and upgraded the quality of the newsletter.

PEMNA also witnessed a stronger sense of trust taking shape in the community. One of the objectives of the PEMNA meetings is to build trust among individuals so that they can exchange dialogues outside of the regular meetings about the common concerns they share in pursuing PFM reforms. Members reached out to one another for advice via email and some organized separate study visits to dig deeper into the issues they had discussed at PEMNA meetings. It is clear that the impact of the network's activities is becoming more visible as evidenced by these member-driven activities.

The PEMNA Steering Committee made a pivotal contribution to the network, setting the strategic direction of the network. The two CoP Chairs have shown superb leadership, encouraging the members to take advantage of this vibrant peer-learning network. PEMNA is expecting a few changes in the leadership positions in the near future. A transitioning period is expected; yet, the network seeks to provide a sustainable learning environment for the members.

1) The report covers the 18-month period July 2017 to December 2018. (The first annual report likewise covered the 18-month period, from January 2016 to June 2017.) In doing so, the Secretariat will be able to report the network's progress on a calendar year basis starting next year. The next annual report will summarize the progress and activities of the PEMNA for the CY 2019.

While PEMNA strives to become more knowledge oriented, there still remains room for improvement. Members have voiced their expectations for PEMNA to make better use of the accumulated knowledge. Nevertheless, the outcomes of knowledge sharing are difficult to pinpoint, often abstract, and may require some time to achieve. It is therefore important to map out the strategic direction of the network and plan its agenda accordingly. In light of this concern, the network developed a medium-term strategic plan (MTSP) which aims to deepen the value of the knowledge offered to its members. This strategic document will be a vision and strategic direction to guide the network for the next few years.

The following chapters summarize such progress and challenges in details. Chapter 2 gives general information about the network, including its membership, governance, funding sources, etc. Chapter 3 captures the highlights of the CoP activities held during the reporting period. The results and outcomes of these activities are elaborated in the following chapter. Chapter 5 summarizes communication activities implemented during this reporting period. In Chapter 6, expenditures made during the year 2017 and 2018 are reported. The report finishes with a set of proposed next steps against the key challenges facing the network.

2. About PEMNA

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2.1. What is PEMNA

PEMNA, the Public Expenditure Management Network in Asia, is a peer-learning network of public financial management (PFM) officials and experts in the Asia and Pacific (AP) region.

The network was first conceptualized to address common challenges in the region: building stronger budget and treasury systems to promote member countries' continued growth and prosperity.

Established in 2012, PEMNA brings together officials from 14 member countries to discuss the challenges they face in their PFM reform implementation efforts via face-to-face meetings and online seminars. In doing so, members learn from their peers who share similar concerns and/or have gone through similar stages of PFM reforms. The knowledge and experiences exchanged at each of these activities foster the professional capacities of individual members and ultimately, feed into the reform policy formulation of the member countries on a broader level.

2.2. Membership and Governance

The PEMNA membership largely consists of 14 member countries and development partners.

Brunei, Cambodia, China, Indonesia, Korea, Lao PDR, Malaysia, Mongolia, Myanmar, the Philippines, Singapore, Thailand, Timor-Leste, and Vietnam are the 14 member countries of PEMNA (in alphabetical order). PFM officials from these 14 member countries are the core members who form the PEMNA community.

Supporting the community, there are PEMNA development partners (DPs). The PEMNA DPs refer to any countries, institutions, or international organizations which contribute resources to PEMNA activities on an on-going basis. The DPs may engage in the network through the provision of financial contributions as well as technical expertise.

The PEMNA DPs include the Ministry of Economy and Finance of Korea, the Department of Budget and Management (DBM) of the Philippines, the Ministry of Finance of Timor-Leste, the Korea Institute of Public Finance (KIPF), the World Bank Group, the International Monetary Fund (IMF), and the Organisation for Economic Cooperation and Development (OECD). These generous contributions from the partners enable PEMNA to provide an enriching learning platform for the members.

In addition, the Federal Treasury of Russia, the U.S. Treasury Office of Technical Assistance, and the United Nations Children's Fund (UNICEF) regularly participate as observers in the PEMNA learning events.

Such steadfast support by the member countries and the partners are the foundation for the PEMNA community, and the spirit is closely mirrored in the network's governance structure. Placing the 14 member countries at the very core of the governance, PEMNA invites the member countries to take the lead in shaping the network's strategies and activities, reinforcing their sense of ownership of the network.

Figure 1. Governance Structure of PEMNA



Figure 1 gives the governance structure of PEMNA. Overseeing the entire network sits the Steering Committee (SC). The SC is composed of representatives from member countries, CoP Chairs, CoP Facilitators, the Secretariat, and development partners. SC is the principal decision-making body of the network. The SC also provides guidance on the policy, plans, and budget of PEMNA.

At the heart of PEMNA are two communities of practice (CoP) for budget and treasury, composed of PFM practitioners from the 14 member countries. CoPs provide an open-learning platform for the members to interact regularly to exchange experiences on specific, high-priority PFM reforms and lessons learned from their implementation.

These two CoPs are led by their respective CoP Chairs whose nominations are confirmed by the SC. The CoP Chairs are delegated to represent the general membership at the SC and lead the CoP Leadership Teams.

Each CoP is governed by a CoP Leadership Team (LT) comprised of volunteers from the member countries. The members of the CoP LTs discuss the overall work programs of each CoP, together with the CoP Chairs and the CoP Facilitators.

Working side by side, the CoP Facilitators, appointed by the World Bank Group, also support CoP activities. The CoP Facilitators assist CoPs with developing the learning agenda, facilitating the CoP activities, and identifying strategies for the development of CoPs.

In establishing such a unique governance structure, the role of the PEMNA Secretariat has been crucial. Connecting hundreds of PFM practitioners in the region, the Secretariat serves as the pivot to the network's operations. The Secretariat provides the overall management and administrative support involved in building and sustaining the PEMNA community. It ensures that each PEMNA activity delivers desirable outcomes to the network as a whole. The Secretariat is currently housed at the Korea Institute of Public Finance (KIPF).

2.3. Funding

PEMNA is supported by contributions from the member countries and its development partners. Financial contributions for PEMNA are collected through the World Bank Multi-Donor Trust Fund (MDTF) and are disbursed to the KIPF ('Secretariat') for execution. The Secretariat, as the administrator of the funds for PEMNA, uses the disbursed funds to plan and execute the annual budget for the network.

The MDTF for PEMNA is currently funded by following donors: the Ministry of Economy and Finance (MoEF) of the Republic of Korea, Department of Budget and Management (DBM) of the Philippines, and the Ministry of Finance of Timor-Leste.

Ownership is reflected in a broader range of contribution. In addition to the financial contributions made by the member countries, members support the network through in-kind contributions. In-kind contributions may include members covering their own travel expenses, providing technical expertise, hosting an event, etc.

During this reporting period, the following countries generously provided in-kind contributions to the network by hosting PEMNA learning events: Lao PDR, Cambodia, and Thailand. For the 2017 PEMNA Budget CoP Vientiane Meeting, the Ministry of Finance of Lao PDR expended around USD 10,000 as the host.²⁾ In the year 2018, the Ministry of Economy and Finance of Cambodia graciously hosted the 2018 PEMNA Plenary Conference and expended approximately USD 170,000 for this event. These estimates are provided by the host countries based on the records available. Hosting the 2018 PEMNA Budget CoP Bangkok Meeting, the Budget Bureau of Thailand provided in-kind support such as venues, meeting packages, ground transportation, etc.

Moreover, the hard work of the staff from the host governments must also be credited. Thanks to their contributions, PEMNA was able to provide learning experiences to about 800 members during this reporting period. Building on such contributions, PEMNA will continue in its effort to provide enriching learning experiences to its members.

2) Said event was also funded by the EU-World Bank Trust Fund (USD 5,000).

2.4. Peer-Learning Activities

PEMNA hosts a great variety of peer-learning activities for its members: plenary conferences, CoP meetings, study visits, and webinars. Each learning model is designed to best accommodate the learning needs of the members. Figure 2 shows the diverse range of learning activities offered by PEMNA. The PEMNA activities held from July 2017 to December 2018 are further elaborated in the next chapter.

Figure 2. Peer-Learning Activities Offered by PEMNA	
Plenary Conference	PEMNA Plenary Conference is held annually, bringing the 2 CoPs together to discuss PFM reforms on a broader scale.
CoP Meeting	Each CoP organizes 1-2 meeting(s) per year to discuss specific PFM reforms from budgeting and treasury perspectives.
Study Visit	Study visits are offered on a request basis for one or two-day of intensive learning. Both bilateral and multilateral study visits are available.
Webinar	Webinars, the online seminars, are organized periodically to supplement discussions after the face-to-face meetings, and/or build up background knowledge before upcoming learning events.

3. PEMNA Activities 2017-2018

3. PEMNA Activities 2017-2018

3.1. Overview

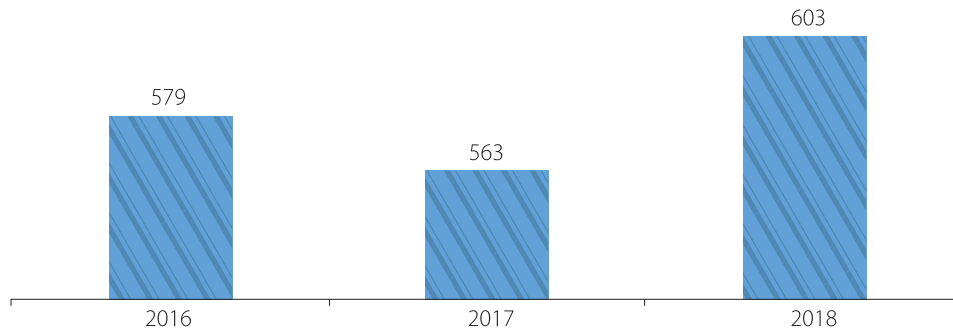
From July 2017 to December 2018, the PEMNA network offered a total of 8 learning events to 804 PFM officials and experts in the AP region. During this 18-month period, PEMNA organized 1 plenary conference, 4 CoP meetings, 2 webinars, and 1 study visit.

Table 1. CoP Learning Events (July 2017 to December 2018)		
	Budget CoP	Treasury CoP
Plenary Conference	2018 PEMNA Plenary Conference	
CoP Meetings	2017 B-CoP Vientiane Meeting	2017 T-CoP Seoul Meeting
	2018 B-CoP Kuala Lumpur Meeting	
	2018 B-CoP Bangkok Meeting	
Webinars	-	2017 T-CoP Webinar (Sept.)
		2018 T-CoP Webinar (Oct.)
Study Visit	2017 B-CoP Study Visit to Korea (bilateral)	-

The two CoPs showed a difference in the preferred style of learning. The B-CoP members preferred to have face-to-face meetings whereas the T-CoP members took advantage of webinars to carry out their learning activities.

The number of participants gradually grew over the last three years. Chart 1 shows the number of participants³⁾ from 2016 to 2018. In 2016, 579 PFM officials and experts participated in the PEMNA learning events. The number of participants slightly decreased in the year 2017 but the numbers picked up in the following year. In 2018, PEMNA provided learning opportunities to more than 600 PFM officials and experts in the region, which is an increase of 4% from that of the year 2016. As the network is increasingly gaining a reputation as an interactive peer-learning network in the area of PFM, the number of participants is expected to continue to grow in the coming years.

3) An individual may be counted more than once if he or she attended multiple events during the given year.

Chart 1. Number of Participants by Year (2016 to 2018)

Such growth would not have been possible if it were not for substantial contributions made by our generous host countries. During this reporting period, Cambodia, Indonesia, Korea, Lao PDR, and Thailand (in alphabetical order) hosted PEMNA learning events. These five countries committed significant resources, both financial and in-kind, to organize these learning events (For the estimate of expenditures made by the host countries, please see 2.3 Funding). To list a few, the host countries actively participated in agenda setting and its implementation, committed significant time to present their country case studies, and provided logistical support required for hosting an event. The importance of such an ongoing commitment of PEMNA member countries to ensure a sustainable network cannot be stressed enough.

Table 2. List of Events Hosted by the Member Countries

		Host Country				
		Cambodia	Indonesia	Korea	Lao PDR	Thailand
2017	B-CoP Meeting				○	
	T-CoP Meeting					
	Study Visit			○		
	Webinar ⁴⁾		○	○		
2018	Plenary Conference	○				
	B-CoP Meeting					○
	T-CoP Meeting					
	Study Visit					
	Webinar		○			

4) The 2017 T-CoP Webinar was co-hosted by Indonesia MoF and Korea MOEF.

Thanks to such commitment, PEMNA was able to provide learning events to 804 participants during this reporting period (Figure 3). These participants studied 42 topics through 105 country-specific case studies. In total, they took advantage of 120 hours of knowledge sharing to exchange professional experiences and further advance their PFM reforms and systems.

In the following section, the details of activities for both the budget and treasury CoPs are demonstrated.

Figure 3. PEMNA in Numbers (July 2017 to December 2018)



5) On average, 80 people participated in a CoP meeting during this reporting period. The number for 'Siem Reap' went above this average as this was a joint CoP event, the 2019 PEMNA Plenary Conference, which invited both budget and treasury CoP members. In addition, the participation of more than 240 local government officials accounted for this increase in the number as well.

3.2. Budget CoP

The B-CoP had 5 learning events from July 2017 to December 2018: 1 plenary conference, 3 CoP meetings, and 1 study visit. Around 470 participants from 14 member countries have participated in said events and studied the following themes:

Box 1. List of Themes Covered by the B-CoP

- Strengthening Budget-Policy Linkages to Improve Public Sector
- Fiscal Strategy and Budget Reform Plan Implementation
- Rethinking Performance Budgeting: Applying the Lessons from Global Experience
- Fiscal Responsibility
- Budget Structure and Procedure in Korea
- Performance Management System in Korea

Under the leadership of Ms. Amelita Castillo, the B-CoP Chairperson, and Mr. Bernard Myers, the B-CoP Facilitator, the B-CoP continued their tradition of rigorous case examinations and interactive discussions.

The B-CoP invited international experts to their meetings to learn from global experiences as well as from their peers in the region. During this reporting period, the members had opportunities to interact with experts from outside the PEMNA region, including the World Bank, IMF, OECD, USOTA, Global Initiative for Fiscal Transparency (GIFT), EU, and Ministry of Finance of Russia. Presentations made by these experts identified global trends and offered international best practices. The subsequent discussions focused on ways to adopt these best practices to their unique country contexts.

Setting the stage for each session, the international experts invited to the 2018 PEMNA B-CoP Bangkok Meeting gave an overview of how countries around the world have approached fiscal responsibility, oversight of subnational spending, and monitoring and evaluation of social programs. An expert from the World Bank, in particular, conducted a survey on the abovementioned topics prior to the meeting and shared its results with the participants. In doing so, participants could draw a cross-country assessment, thereby further enriching the quality of sessions.

The B-CoP members also benefited from small group exercises. At the 2017 PEMNA B-CoP Vientiane Meeting, participants were divided into small groups. Each group was given a case scenario which asked the participants to prepare for a meeting with parliament to explain the proposed fiscal and budget policy statement and its implications for budget planning. This technical workshop enabled participants to apply lessons learned from the previous sessions to a realistic situation they may encounter when preparing a fiscal and budget policy statement.

In addition to this group workshop, the B-CoP members had another opportunity to participate in a group exercise. The 2018 PEMNA B-CoP Kuala Lumpur Meeting offered a group role-playing exercise wherein the participants prepared policy proposals on the next phase of the performance budgeting implementation to the budget directors, the finance ministers, and the members of the parliamentary budget committee. Below is the set of guiding questions that were distributed to the participants for the group exercise.

Box 2. Case study scenarios distributed at the 2018 PEMNA B-CoP Kuala Lumpur Meeting

- Budget Office: How do you manage the flow of information from LMs into MOF and how does it feed into the dialogue with LMs? How do you limit the information? How do you manage the evaluation of performance data within a compressed budget calendar?
- Cabinet/PM: How do you manage the 'external' reporting on performance to the minister/cabinet? How do you prevent an adversarial relationship with LMs? What level of detail and what timing is most appropriate for reporting to ministers?
- Parliament/Public: How do you manage the reporting to parliament? What level of information and when? How do you gain their interest in performance reporting? How should information be presented to the public?
- Managers: What incentives, rewards, or sanctions help encourage program managers to take performance seriously? What options are realistic to consider? How would the public service department respond to such a proposal?

Chapter 3.3 captures the highlights of the events held during this reporting period.

3.3. Budget CoP Events in Brief

Plenary Conference

2018 Plenary Conference

Strengthening Budget-Policy Linkages to Improve Public Sector Performance

May 3, 2018

Siem Reap, Cambodia

The B-CoP membership met in Siem Reap in May 2018 as part of the 2018 PEMNA Plenary Conference. Strengthening linkages between budget and policy to enhance the public sector performance was the main topic of the meeting. Participants first looked into how national strategic plans are translated into annual budget statements and acknowledged the importance of clear and strategic identification of actions in the annual budget statement so that policy objectives can be achieved for the specific program beneficiaries.



CoP Meetings

2017 Vientiane Meeting

Fiscal Strategy and Budget Reform Plan Implementation

November 28-30, 2017

Vientiane, Lao PDR

The 2017 PEMNA B-CoP Vientiane Meeting was held to discuss fiscal strategy and budget reform plan implementation. As the government of Lao PDR prepares to translate the Public Finance Development to 2025, which was approved in July 2017, into programs, projects, plans, and concrete actions, they reached out to their PEMNA peers for advice.

The initial budget reforms stages, focusing especially on budget formulation, sequencing of

reforms, change management, and capacity building initiatives were discussed in depth.

Besides country case presentations, the meeting offered a group role-playing session wherein the participants developed a fiscal and budget policy statement based on the lessons learned from the two-day discussions. The role-playing exercise helped the participants to equip themselves with a set of practical skills that they can apply to their daily work.



2018 Kuala Lumpur Meeting

Rethinking Performance Budgeting: Applying the Lessons from Global Experience

March 6-8, 2018
Kuala Lumpur, Malaysia

Participants of the 2018 PEMNA B-CoP Kuala Lumpur Meeting shared their progress and challenges in pursuing performance budgeting (PB) since their last reporting in the 2015 B-CoP meeting. Participants had an opportunity to freshen up their knowledge of performance budgeting with a great array of country case studies.

Discussions particularly focused on the management of performance information, and ways to motivate and reward the performance of line ministries.



A group role-playing exercise also facilitated rich interaction among the participants. They were asked to prepare policy proposals on the next phase of PB implementation to the budget directors, the finance ministers, and the members of the parliamentary budget committee.

2018 Bangkok Meeting

Fiscal Responsibility

November 14-16, 2018
Bangkok, Thailand

At the 2018 PEMNA B-CoP Bangkok Meeting, participants identified some of the key features (e.g., fiscal council, escape clause, sanctions, etc.) of designing Fiscal Responsibility Laws (FRLs) and discussed some of the advantages of having FRLs. These included: increased fiscal discipline, transparency, accountability, and the institutionalization of good fiscal practices; better enforcement and monitoring of practices and strategies; increased public trust and confidence in the government's fiscal planning, etc.



The role of the central budget office in overseeing subnational spending was also discussed on the second day of the meeting. The discussion focused on how the central government delegates authority to local governments.

Following the discussion, the participants took up their third topic: program monitoring and evaluation of social programs.

Study Visit

2017 Study Visit to Korea

Budget System in Korea

December 19-21, 2017
Sejong and Seoul, Korea

Delegates from the Ministry of Economy and Finance (MEF) of Cambodia visited the Ministry of Economy and Finance (MOEF) of Korea for a bilateral study visit.

The three-day study visit gave the Cambodian delegates a chance to learn about Korea's performance budgeting from the A to Z, as well as its overall budgeting process. Technical discussions led by the experts from the Korea Institute of Public Finance (KIPF) and the Korea Public Finance Information Service (KPFIS) further deepened the participants' learning experience.



The full summaries of discussions are provided in Annex 8.1.

3.4. Treasury CoP

The T-CoP had 4 learning events from July 2017 to December 2018: 1 plenary conference, 1 CoP meeting, and 2 webinars. Around 330 participants from 14 member countries have participated in said events and studied the following themes:

Box 3. List of Themes Covered by the T-CoP

- Developing an Effective Government Revenue and Management
- Improving Treasury Service for Spending Units/Line Ministries
- Accrual-based Cash Planning and Accounting
- Improving Efficiency, Effectiveness, and Accountability of Foreign Currency Transactions through the Role of the Selected Commercial Banks as the Treasury Agent

Under the leadership of Mr. Rudy Widodo, the T-CoP Chairperson, and Mr. Atul Deshpande, the T-CoP Facilitator, the T-CoP members continued their pursuit of learning to improve treasury systems in their respective countries.

In November 2017, the T-CoP organized the 2017 PEMNA T-CoP Seoul Meeting to discuss ways to improve treasury services for spending agencies and line ministries. At the meeting, participants first drew a comparative assessment of treasury practices of the member countries with a focus on identifying specific innovations in the areas of treasury structure, information and technology systems, and human resource management. Then, the participants broke into smaller groups to drill down into the critical issues identified from the previous sessions. To wrap-up their discussions, participants went back to their country groups and deliberated on the strategies that would best suit their respective countries. Through the meeting, the T-CoP reconfirmed its strength in offering both theoretical knowledge and practical skills.

The T-CoP members made good use of the webinars to implement their learning activities. The two webinars were held during this reporting period: Indonesia and Korea co-hosted one in September 2017 and Indonesia again hosted a webinar in October 2018. Each attended by more than 50 participants, webinars once again proved its efficiency and effectiveness. Not only were these events cost-effective, but webinars also facilitated rich interaction among the members.

In addition to the Q&A sessions during webinars, participants carried their discussions further by exchanging follow-up questions via email. This way, participants could develop a set of well-thought-out questions. In return, presenters could answer these questions in detail.

Chapter 3.5 captures the highlights of the events held during this reporting period.

3.5. Treasury CoP Events in Brief

Plenary Conference

2018 Plenary Conference

Developing an Effective Government Revenue and Management System

May 3, 2018
Siem Reap, Cambodia

The T-CoP membership gathered in Siem Reap on May 3, 2018, as part of the 2018 PEMNA Plenary Conference. Participants had a chance to share their experiences in collaborating with banking and non-banking institutions to accelerate revenue collection. The service charges and IT arrangements for the collections were discussed in depth. In the following session, mechanisms used in Financial Management Information System (FMIS) to further support the revenue collections to the Treasury Single Account (TSA) were discussed. Also, the last session of the meeting focused on exploring different cash forecasting techniques and optimal practices for the establishment of accounting records of non-tax revenues deposited in the TSA.



CoP Meetings

2017 Seoul Meeting

Improving Treasury Service for Spending Units/Line Ministries

November 14-15, 2017
Seoul, Korea

Members of the T-CoP organized the 2017 PEMNA T-CoP Seoul Meeting to discuss ways to improve treasury services for spending units and line ministries. The main objective of the meeting was to discuss the key functions of the treasury and the ways to improve its services for spending units and line ministries to help the latter more effectively discharge their functions,

especially on financial and service delivery performance outcomes.

Specific innovations undertaken to improve the countries' treasury structure, IT systems, and human resource management were studied in depth.

The meeting provided an opportunity for the participants to draft a country strategy on improving treasury service. The country strategy was designed to help the participants to foresee the impediments and critical factors to ensure successful implementation.

In addition to these technical sessions, participants had a chance to report the progress of their action plan which had been presented during the previous T-CoP Meeting in Bangkok.



Webinars

2017 T-CoP Webinar

Accrual-based Cash Planning and Accounting

September 25, 2017

Videoconference

Joined by over 50 treasury officials, the T-CoP webinar offered an opportunity to its members to deepen their understanding of the concept of accrual-based cash planning and accounting based on the experiences of Indonesia and Korea.

The key challenges of implementing accrual accounting were discussed, as well as the two countries' achievements.



2018 T-CoP Webinar

Improving Foreign Currency Transactions through the Role of the Selected Commercial Banks as the Treasury Agent

October 16, 2018
Videoconference

The T-CoP membership organized a webinar session on the topic of improving efficiency, effectiveness, and accountability of foreign currency transactions through the role of the selected commercial bank as the treasury agent.

The Directorate General Treasury of Indonesia recently formed a partnership with a selected commercial bank to enhance efficiency and accountability of foreign currency payment to spending units overseas.



As a result of this initiative, DG Treasury, as well as the Ministry of Foreign affairs, expects to receive many benefits. Some of these benefits include efficiency in time and effectiveness in monitoring the bank account of the spending unit overseas. The dispersion of funds will now take only a day to complete, rather than 3 days, and the real-time monitoring of the bank balance will become available through the Cash Management System (CMS) facility.

The full summaries of discussions are provided in Annex 8.1.

4. Looking Back

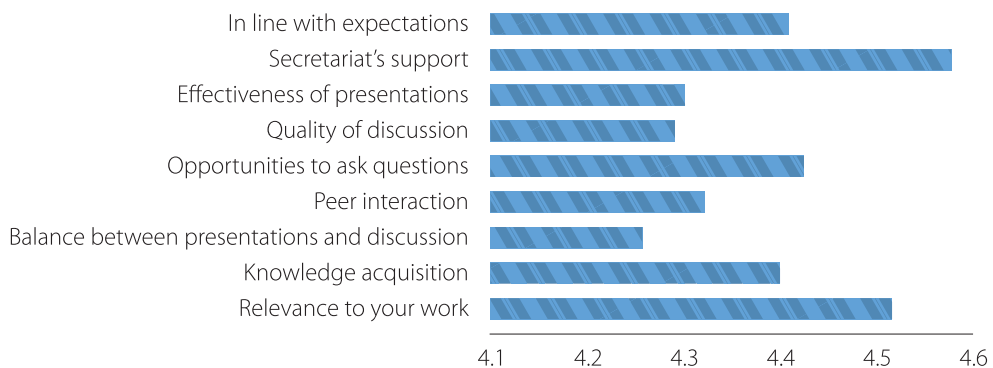
4. Looking Back

4.1. Post-Event Survey Results

In order to capture PEMNA's value creation, the Secretariat conducts a post-event survey after each learning event. The purpose of the post-event survey is to monitor the progress of CoP activities and to identify any issues or areas of improvement. The surveys are conducted anonymously during the wrap-up session of each event. Participants are asked to provide feedback on their learning experiences and how they intend to share the knowledge acquired with their colleagues back home. The surveys also collect participants' suggestions for future meeting topics or events. These comments are taken into consideration when organizing events to better support members' learning.

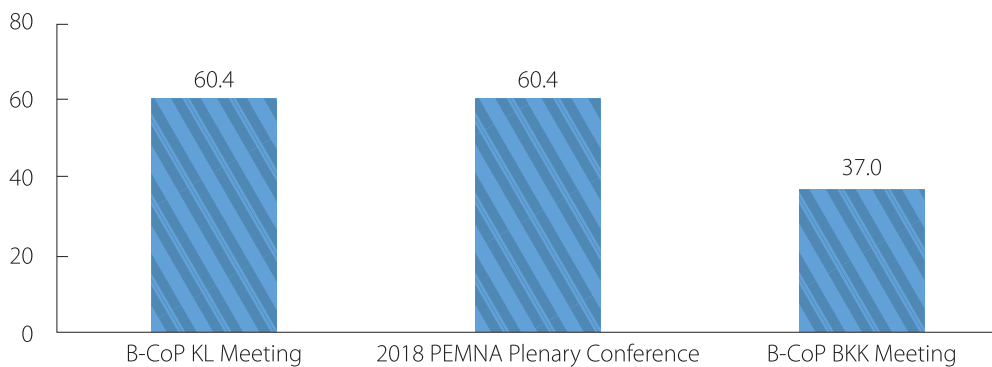
Collecting responses from 195 of respondents, the Secretariat conducted 5 post-event surveys from July 2017 to December 2018. Chart 2 shows the network's performance during this period. As depicted in the chart, PEMNA scored over 4 points out of 5 in all indicators. Looking at some of these in details, participants found the topics of the learning events very much relevant to their job, giving 4.5 points on average. As relevant as these topics were, many said that they have acquired practical knowledge from the sessions (4.4 points). Highest among all indicators was the score for the Secretariat's logistical support. The Secretariat earned 4.6 points across events, further promoting quality learning experiences for the members.

Chart 2. Performance by Indicator (July 2017 to December 2018)



Additional indicator to note is the percentage of first-comers to events. With more members seeing greater value in participating in PEMNA, the network is attracting a growing number of new participants. In fact, a growing number of member countries are sending additional participants⁶⁾ as self-funded participants, expanding the membership in each member country. In order to keep track of this number, the Secretariat added a new question to the post-event survey⁷⁾ asking participants to indicate whether this was their first time in PEMNA. Chart 3 shows the percentage of first-comers to PEMNA learning events.

Chart 3. Percentage of First-Comers by Event (%)



6) PEMNA supports travel expenses of 3 participants per member country for an event.

7) The Secretariat first included this question in the post-event survey for the 2018 PEMNA B-CoP Kuala Lumpur Meeting in March 2018 and has kept monitoring this figure in the following events.

According to the post-event survey results, members found the topics covered in learning events relevant to their job and found presentations effective and useful. As depicted in Chart 4 the relevance of the issues covered in learning events increased from 4.37 in 2016 to 4.52 in 2018. The effectiveness of the presentations delivered at these events was rated as high as 4.33 points (Chart 5). The level of knowledge acquisition remained consistently high (4.43 points) as well as shown in Chart 6.

Chart 4. The Relevance of the Issue to Participants' Job

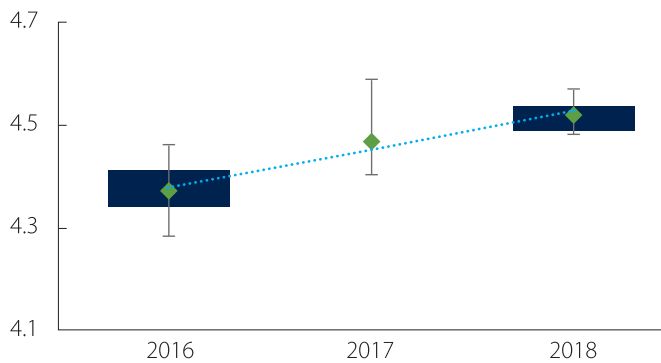


Chart 5. Effectiveness of Presentations

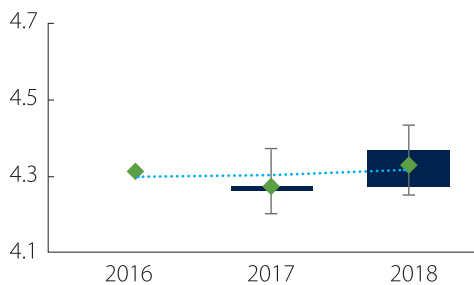
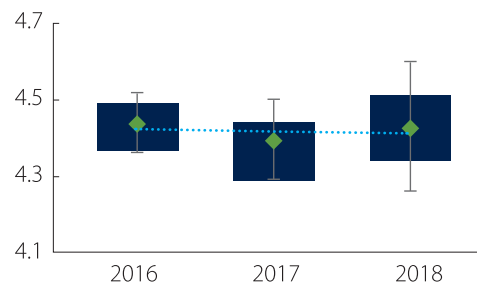


Chart 6. Level of Knowledge Acquisition



Note: Charts in the following pages depict the post-event survey results from 2016 to 2018 in box plots. The green dot on the box shows the average score earned for an indicator in the given year. Both the vertical line and the box represent the range of scores rated for each indicator. The length of line through the box shows the range from the highest to lowest scores whereas the box represents interquartile range. The short box depicts consistency of scores across events, and the blue dotted line shows the overall trend.

The post-event survey results repeatedly showed members' strong preference for discussions over presentations. When asked to make suggestions for future meetings, many have requested to allocate more time for discussions and Q&As. In order to meet their needs, PEMNA increased the number of sessions for small group discussions, group exercise, and Q&As, as well as the duration

of time allocated for these sessions. As illustrated in Chart 7, the balance between presentations and discussions has improved over the last 3 years. However, it seems members still would like to have more time to interact with their peers asking questions and exchanging ideas as implied in Chart 8.

Chart 7. The Balance between Presentations and Discussion

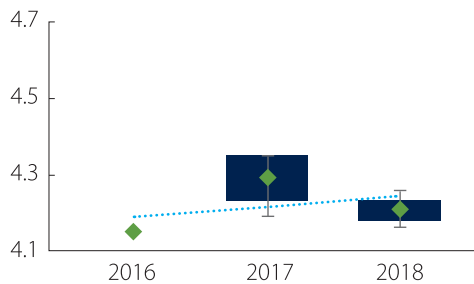
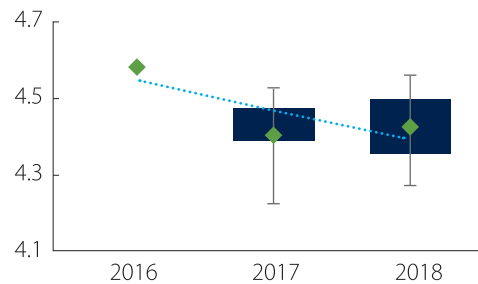
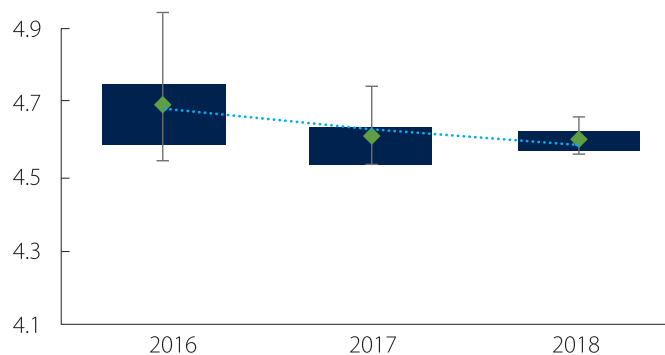


Chart 8. Opportunities to Ask Questions



The role of the PEMNA Secretariat was a key to achieving these results. Under the supervision of the Head of the Secretariat, 5 program officers are working full-time to provide logistical and administrative support for the network (as of December 2018). Members rated the quality of logistical support provided by the Secretariat in the ranges of 4.5 to 4.7 (with most events scoring 4.55 or above out of a possible 5.0) as shown in Chart 9.

Chart 9. Secretariat's Support



See Annex 8.2 for the results of the post-event survey conducted for each event in detail.

4.2. Knowledge Sharing Champions

Having delivered 13 presentations between the period of July 2017 and December 2018, Korea and the Philippines were the top knowledge sharing champions of the network. Vietnam gave 12 presentations during this reporting period and became one of the top three champions. Following the top three countries were Cambodia and Indonesia. These two countries each made 11 presentations. Table 3 shows a list of presenting countries for each learning event. The colored columns in the table represent countries that gave presentations at learning events, and the numbers in the colored columns indicate the number of presentations delivered.

	BN	KH	CN	ID	KR	LA	MY	MN	MM	PH	SG	TH	TI	VN	IO
2017 T-CoP Webinar				1	1										1
2017 T-CoP Seoul Meeting		1	1	2	2	2		1	1	1		1	1	2	2
2017 B-CoP Vientiane Meeting		2		1	1	2	1			3		1		3	2
2017 Study Visit (KH to KR)					5										
2017 B-CoP Kuala Lumpur Meeting				1	1		1			4		3		2	11
2018 PEMNA Plenary Conference		8		3	2		1			3		2	1	4	4
2018 T-CoP Webinar				1											
2018 B-CoP Bangkok Meeting				2	1		1		1	2		1		1	3

*Note: The number in the box indicates a total number of presentations made by the country for a specific event.
Country Acronyms: Brunei (BN), Cambodia (KH), China (CN), Indonesia (ID), Korea (KR), Lao PDR (LA), Malaysia (MY), Mongolia (MN), Myanmar (MM), Philippines (PH), Singapore (SG), Thailand (TH), Timor-Leste (TI), Vietnam (VN), International Organizations (IO)*

Presenting in 7 learning events during this reporting period, Korea gave 13 presentations in total. The topics of their presentations included performance monitoring of national priorities, core program evaluation, pre-feasibility study and evaluation, etc. As shown, members had a keen interest in learning about Korea's performance management system and its budget monitoring and evaluation.

In fact, the MEF of Cambodia requested a study visit to the MOEF aside from the regular meetings. The MOEF hosted 23 delegates from the MEF of Cambodia and prepared a three-day study visit program, covering topics such as Korea's budget structure and procedure, performance management system, the design of KPI, dBrain, etc. The study visit gave the Cambodian delegates a chance to learn about Korea's performance budgeting from the A to Z, as well as its overall budgeting process. The MOEF also arranged technical discussions led by the experts from the Korea Institute of Public Finance (KIPF) and the Korea Public Finance Information Service (KPFIS) to enrich the participants' learning experience.

The Philippines as one of the leading knowledge sharing champions in the PEMNA network also delivered 13 presentations at 5 learning events. Some of the topics covered in their presentations included: an overview of the Philippine PFM reform process with a focus on its initial stage, performance budgeting and its application in primary education and primary health care sectors, performance-based incentive system, etc. The Philippines' presentations on the People's Budget and performance budgeting at the 2018 PEMNA B-CoP Kuala Lumpur especially generated great interest among participants. Participants appreciated these cases as they offered specific examples and real-world lessons for member countries to benchmark.

In addition, the Philippine DBM hosted a PFM training session for the delegates from the MEF of Cambodia in November 2018. The session was organized around the following topics: performance-informed budgeting system, PFM assessment tool for local government units, and fiscal decentralization. The study visit took place as a result of the dialogue exchanged between the two countries at the 2018 PEMNA Plenary Conference. The MEF of Cambodia reached out to their Philippine colleagues to deepen their discussions from the PEMNA events. Such peer-to-peer interaction among member countries —outside of the PEMNA's official learning events— is strongly encouraged. PEMNA expects to see many more of these member-driven knowledge sharing opportunities in the future.

Following the top two countries was Vietnam which gave 12 presentations at 5 events. Vietnam shared their treasury practices, budget formulation process, revenue collection, etc. Vietnam shared their experiences in both the budget and treasury CoPs whereas before the country made most of its presentations at the B-CoP events. In their presentations, Vietnam identified key challenges faced by the country when pursuing a particular initiative and shared their proposed solutions. Vietnam actively sought advice from their peers, thereby facilitating dynamic discussions.

Cambodia and Indonesia also contributed to the knowledge sharing of the network by delivering 11 presentations each. As the host of the 2018 PEMNA Plenary Conference, Cambodia focused on sharing the progress of its reforms and the next steps ahead with the participants. One of the main issues that the country sought to discuss with peers was ways to strengthen the link between budget and policy. The B-CoP took an in-depth look at this issue during their individual CoP session and facilitated rich discussions around it.

Indonesia continued to contribute to the knowledge sharing of the network as well. Active in both budget and treasury CoPs, Indonesia delivered presentations at 7 events among the 8 learning events held during this reporting period. Indonesia's leadership especially stood out in webinars. The two webinars organized during this reporting period were both hosted by Indonesia. The implementation of accrual-based accounting in the Indonesian government's financial reporting and their efforts to improve foreign currency transactions through the role of the selected commercial bank as the treasury agent were introduced during these online sessions. Those who attended the webinars thanked Indonesia for preparing presentations and facilitating discussions as well as the follow-up Q&A via email exchange.

4.3. Committed Leadership

The commitment of the PEMNA leadership was critical in making this network as vibrant as it is today. The PEMNA Steering Committee (SC) as a principal decision-making body for the network continued to provide strategic guidance for the network. Members of the SC met on the third day of the 2018 PEMNA Plenary Conference to review the annual progress of the two CoPs, approve the proposed work plans and budget, and discuss matters pertaining to the future direction of the network. Table 4 shows a list of the SC meetings held in the past with a brief summary of each meeting.

Date	Location	Main Agenda
Dec. 8, 2012	Korea	The launch of the PEMNA SC; formalization of SC membership and its decision-making process
May 25, 2013	China	Criteria for PEMNA membership and drafting Rules of Operations (ROO)
Sept. 12, 2013	Videoconference	Arrangements for Multi-Donor Trust Fund
May 22, 2015	Myanmar	Future work plans and budget
June 10, 2016	The Philippines	Revision of the ROO and establishment of CoP chairmanship
May 10, 2017	Indonesia	Reconfirmation of CoP chairmanship
May 4, 2018	Cambodia	Introduction of the proposed Medium-term Framework for PEMNA Operations

During this reporting period, PEMNA welcomed two new SC Co-Chairs: Mr. Wansup Kim, a Director General for Fiscal Performance Management of Korea MOEF (October 2017), and Mr. George Larbi, a Practice Manager of Governance Global Practice of the World Bank (March 2018). Under the leadership of the new SC Co-chairs, the PEMNA SC shifted gears and accelerated its discussions for the second era of the network.

Providing greater value for the members as the core objective, the draft of the Medium-term Strategic Plan (MTSP) was proposed at the 2018 SC meeting. The proposed MTSP suggests ways to make better use of the accumulated knowledge and a list of topics that will cycle through the next 4 years. The SC co-chairs sought for the SC members' feedback and welcomed their suggestions on how to further develop the proposed MTSP.

In line with SC's overall strategic guidance, both budget and treasury CoPs successfully executed their activities as well. At the heart of this success were the two dedicated CoP Chairs, Ms. Amelita

Castillo (B-CoP Chair)⁸⁾ and Mr. Rudy Widodo (T-CoP Chair)⁹⁾. Reinstated in May 2017 for their second term, both CoP chairs continued exerting superb leadership in their respective CoPs. The two CoP chairs presided over 13 Leadership Team (LT) meetings during this reporting period: 9 for the B-CoP and 4 for the T-CoP. The CoP chairs, together with the LT members and the CoP facilitators, played an important role in developing the agenda for each meeting, inviting speakers, coordinating with host countries, facilitating discussions, etc.

In fact, the scope of their leadership expanded as the CoP chairs garnered more trust from the members. Members regarded the CoP chairs as their go-to-person in the network. For instance, members approached their CoP chairs when in need of guidance for preparing presentations. The CoP chairs, based on their rich knowledge and experiences, helped the members structure their presentations. Those interested in hosting a CoP event also consulted their respective CoP chairs. Members reached out to their CoP chairs to seek for a possible learning opportunity outside of PEMNA.¹⁰⁾ The CoP chairs willingly invested a significant amount of their time to communicate with the members in order to provide a better learning experience for them. Their admirable level of commitment to the network must be credited.

The successful introduction of the CoP chairmanship in the PEMNA governance structure was possible thanks to the tremendous commitment by the two CoP chairs. Nevertheless, PEMNA is expecting to experience some changes in the coming years. With his retirement from the ministry, the T-CoP Chair, Mr. Widodo, announced his resignation from the chair position in May 2018. In his farewell message to the T-CoP LT members, he emphasized that the PEMNA community belongs to members and thanked the LT members for giving him an opportunity to serve as their CoP chair. He also conveyed his appreciation to Team Indonesia for supporting his activities during his tenure. Likewise, the B-CoP Chair, Ms. Castillo, is expecting to retire from her position in 2019. The nominations for the new CoP chairs are in process. PEMNA is expecting to welcome new chairs in the year 2019.¹¹⁾

8) Ms. Amelita Castillo serves as an Assistant Secretary of the Department of Budget and Management of the Philippines and is a chairperson for the PEMNA B-CoP since June 2016.

9) Mr. Rudy Widodo is now a former Director of Cash Management of the Ministry of Finance of Indonesia and has served as the PEMNA T-CoP Chair from June 2016 to May 2018.

10) The Cambodia MEF approached the B-CoP Chair to seek for an opportunity to visit the Philippine DBM for a bilateral study visit. As a result of this exchange, the Cambodian delegates participated in a three-day PFM training session organized by the Philippine DBM.

11) The T-CoP welcomed Mr. Ta Anh Tuan, General Director of Vietnam State Treasury, as the new chair in February 2019.

4.4. Value Realization

A growing number of members are recognizing the value of PEMNA. Members not only find learnings from the PEMNA useful in their job, as evidenced by the post-event survey results, but they are now actively capturing and sharing the knowledge gained at PEMNA events. Many member countries produce back-to-office report after their return to the office from an event in which the key takeaways of the meeting are summarized. Some share the lessons learned in their communication materials or on their website. For example, the delegates from the Philippine DBM share the main takeaways in their publications such as The DBM Bulletin¹²⁾ and The DBM eUpdates. In doing so, the knowledge acquired at PEMNA events is shared with a greater number of PFM officials in the region.

Moreover, member countries are sending officials to the PEMNA events on their own expenses, in addition to the 3 officials sponsored by PEMNA. Members also started to cherish the relationships cultivated through the network. They actively reached out to one another to seek advice or even organize study visits on their own to further discuss the topics of their interests.

The following quotes from the members affirm the values of PEMNA. These quotes are taken from the post-evaluation surveys and from the wrap-up sessions of each meeting.

12) The DBM Bulletin, the official newsletter of the Department of Budget and Management of the Philippines, is available online. The DBM's participation in the 2018 PEMNA Plenary Conference is featured in the second quarter of 2018. The issue published in the fourth quarter of 2018 features Cambodia MEF's visit to the DBM for PFM training. Visit the DBM's website at for details: <https://www.dbm.gov.ph/index.php/dbm-publications/dbm-bulletin>

Figure 4. Feedback from the Members

"PEMNA is a network. Let us build relationships through PEMNA in improving public participation, transparency, and accountability towards the improvement of public services."

"T-CoP is very important for us especially because our country is a young country that's why we must learn from PEMNA colleagues and other countries. We can implement new knowledge we learned from this plenary conference."

"Based on the last B-CoP meeting in KL which mostly focus on setting indicators for performance budget, it helped me to improve my skill on reviewing indicators whether they are good enough to proceed."

"The biggest takeaways from PEMNA is our friendship that we have developed over the years. We have shared experiences and knowledge. Use what we have learned from PEMNA meetings back in our countries"

"Despite our cultural differences, there is concerted effort from all of us to make transparency and accountability work. That is very important. When I go home, I will have this level of comfort knowing that all of us in the region are making the best way we could to make public service felt by the people whom we serve."

"Remember that we can call a friend every time we need some assistance. Email is a very effective way of communicating, not just waiting for videoconference or webinar to be organized by the PEMNA."

"The learnings you gained in this two days should be brought home; not just stored in your luggage but share it with your superiors, your peers, and your staff so that you can make use of them. You can fine-tune the knowledge that you gained according to the situations in your respective countries."

Annual Report 2017-2018

From July 2017 to December 2018



5. Communications

5. Communications

5.1. Knowledge Products

PEMNA's traditional knowledge products include members' presentation materials and the summary of discussions prepared by the CoP facilitators. As much as these resources are valuable to members' learning, there has been a growing demand for better capturing the interchange of PFM reform knowledge across PEMNA events and transforming it into tangible outputs. This actually became one of the key priorities of the network.

In line with this goal, the Secretariat developed a new type of knowledge product, Issue and Talk. This product examines a specific PFM issue in a member country, together with an interview with a member. The purpose of this two-page brief is to provide background information about an issue to be discussed in a meeting.

For the inaugural issue, the Secretariat invited Mr. Soksensan Meas from the General Secretariat, Steering Committee of the Public Financial Management Reform (GSC) of the Royal Government of Cambodia for an interview and looked into the country's PFM Reform Program (PFMRP). The four stages of PFMRP were explained in brief, with a focus on Stage 3 of the reform. The inaugural issue was distributed at the 2018 PEMNA Plenary Conference to about 300 PFM professionals.

According to the post-event survey conducted at the said conference, more than 60% of the respondents found the publication helpful in understanding the key concepts of Cambodia's PFMRP. Moreover, many responded that they are willing to introduce PFM issues in their respective countries through this product.

Building on this support, the second issue of the Issue and Talk was released in November 2018, featuring Thailand's new Budget Procedure Act. The product introduced the Thai government's recent amendment of the Budget Procedure Act (1959) which is expected to improve budget comprehensiveness, accountability of the central and local government, as well as efficiency and effectiveness of spending. The Budget Director of the Budget Bureau (BB) of Thailand, Mr. Dechapiwat Na Songkhla, explained the key steps of the amendment process.

The product has taken its final shape with the noteworthy contribution of the colleagues from the BB. A senior budget analyst and her team participated in the drafting of the November 2018 issue. The final product was distributed to the participants of the 2018 PEMNA B-CoP Bangkok Meeting, reaching over 110 PFM professionals in the region.

The full version of these two products can be found in Annex 8.3.



5.2. Knowledge Repository

The PEMNA official website¹³⁾ continues to serve as a main knowledge depository for the network. Presentation materials, summaries of discussions, meeting minutes, and other up-to-date news and information about the network were made available online. Having operated for six years now, a wealth of knowledge and information has accumulated on the website.

As part of continuing efforts to better deliver the network's outputs to the members and the external audiences, it was agreed at the 2018 PEMNA SC meeting that funds from the Multi-Donor Trust Fund (MDTF) be allocated to support the hiring of a website development firm to launch a new website for the network. The project aims to (a) establish an enhanced systematic online archive system capturing knowledge shared at PEMNA learning activities; (b) create a user-friendly website with improved accessibility, and (c) effectively and efficiently present the network's activities as well as its achievements.

For this, the Secretariat solicited feedback from the members on the current website and asked for ideas on how to improve their website experience. Some of the suggestions included making an easier log-in method, adding links to the member countries' Ministry of Finance website, providing a demonstration on how to use the website, etc. The Secretariat plans to conduct a survey¹⁴⁾ to further solicit ideas from the members.

13) www.pemna.org

14) The Secretariat conducted a PEMNA website user experience survey from March 12 to March 20, 2019. The survey results were shared with the CoP LT members.

5.3. Member Communication and Engagement

Keeping the members and the relevant stakeholders engaged with the rhythm of PEMNA is essential in maintaining the momentum of the network. For this, the Secretariat issues the PEMNA e-Newsletters three times a year, featuring recent CoP events, member interviews, PFM news, announcement, etc. It is designed to strengthen the sense of community and keep the members informed with the most updated news of the network. As of December 2018, 740 people are subscribed to the PEMNA e-Newsletters (Table 5).

	Issue 7 (Mar. 2018)	Issue 8 (July 2018)	Issue 9 (Dec. 2018)
Member Countries	598	636	651
International Organizations	87	89	89
Total	685	725	740

During this reporting period, three issues of e-Newsletters were published. These issues covered highlights from the 2018 PEMNA Plenary Conference, the T-CoP webinar, the B-CoP Bangkok Meeting, etc. In addition to these community updates, the Secretariat introduced a couple of new sections in the newsletter: PFM News and Knowledge Sharing Back Home.

The PFM News section introduces PFM updates from the member countries. Members' contribution is critical in the drafting of this section. The Secretariat reaches out to the members to share PFM news that they would like to share with the community. A colleague from the Ministry of Finance of Indonesia contributed to the writing of this section in Issue 7 to introduce the country's 2018 State Budget. In the following issue, the Lao PDR presented the government's Vision to 2030 and Public Finance Development Strategy to 2025. This was also a result of extensive collaboration between the PFM officials in the member countries and the Secretariat.

The Knowledge Sharing Back Home is another section added to the e-Newsletter. This section is designed for the purpose of capturing the impact of PEMNA. It shows how members share the knowledge acquired from PEMNA learning events with their colleagues back home. Issue 9 featured the Philippine DBM's eUpdates (Vol. 5, Issue No. 58 / November 2018) in which the key takeaways from the B-CoP Bangkok Meeting were summarized. The delegates from the DBM shared their learning with their colleagues through this internal electronic publication. The Secretariat plans to use this section to show how learnings from PEMNA events can be reproduced and extended to the greater audience back home.

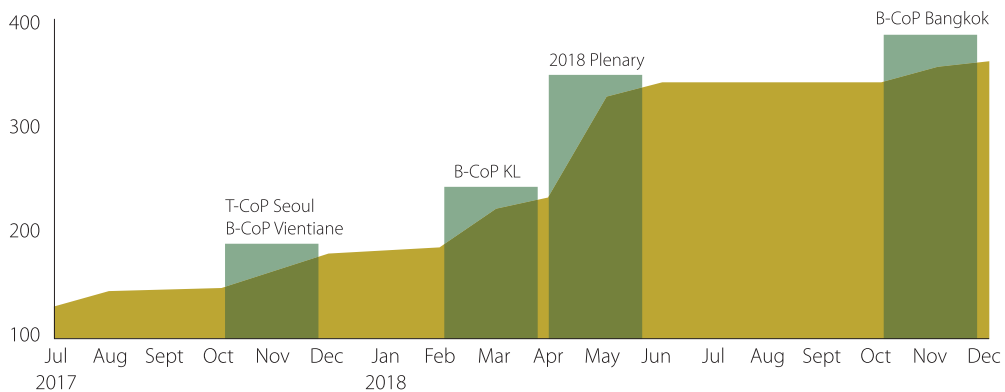
Adding to the collection of PEMNA's publications, the Secretariat launched a new series, A Look Back on PEMNA. This 20 to 28- pager booklet consists of a brief introduction of the network as well as the compilation of the yearly PEMNA e-Newsletters. The first issue, A Look Back on PEMNA

2017, was published in March 2018, covering eight learning events held in 2017. The hard copies were distributed to the participants of the 2018 PEMNA Plenary Conference as well as at the subsequent events held later that year.

Social media is another excellent communication tool to enhance member engagement. The Secretariat manages a Facebook page¹⁵⁾ for the network. Strengthening member engagement and updating the members with the most recent PEMNA news as the main objectives, the Secretariat sought to increase the frequency of posting with a greater array of contents. Announcements on upcoming events, recaps, and highlights from the CoP events were posted on the page. PFM related postings from other organizations were also shared to further stimulate the interests of the members.

The increased frequency of posting and a variety of contents have indeed not only generated more traffic but also boosted the member engagement. During this reporting period, posts on the PEMNA Facebook page reached over 20,500 users, generating reactions (e.g., like, comment, and share) from 1,400 users. As of December 2018, the PEMNA Facebook page has 361 followers. Chart 10 depicts the growth of Facebook followers from July 2017 to December 2018.

Chart 10. Number of Followers on Facebook



The chart above exhibits a particular traffic pattern from the PEMNA Facebook Page: the page gained new followers after each PEMNA event. A great majority of the followers, in fact, joined the page following the B-CoP KL Meeting in March and the 2018 PEMNA Plenary Conference in May. The page attracted a fewer number of followers when there were no events. Therefore, going forward, it seems important to establish regularity in posting useful and valuable contents so as to attract new followers when there are no events held and to fulfill the needs of the current followers.

15) www.facebook.com/pemnasec

6. Expenditure Reports for 2017 and 2018

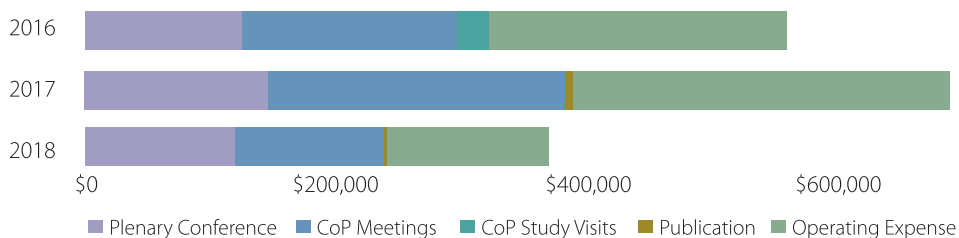
6. Expenditure Reports for 2017 and 2018

6.1. Overview

This chapter will review the expenditures reported for the years 2017 and 2018. Although this annual report covers the period of July 2017 to December 2018, expenditures are reported following the calendar year.¹⁶⁾ The following paragraphs summarize the details of the expenditures made for CY2017 and CY2018.

In CY2018, PEMNA recorded a significant reduction in its expenditures. As depicted in Chart 11 below, total expenditures for PEMNA in 2017 were US\$683,139 whereas, in 2018, the total expenditures were US\$365,448. The drastic decrease mainly comes from the difference in the operating cost. Starting May 2018, the Secretariat no longer claims its service cost to the Multi-Donor Trust Fund (MDTF) for PEMNA. The Korea Institute of Public Finance, the parent institution of the PEMNA Secretariat, fully covers the salary of the Secretariat's full-time staff, which in turn significantly reduced the operation cost. The operating cost of the year 2018, therefore, only includes the Secretariat's travel cost, part-time staff salary, audit cost, and miscellaneous items incurred between May and December 2018.

Chart 11. Structure of Expenditure from 2016-2018



In addition, while the expenses for the plenary conferences remain relatively consistent from 2016 to 2018, the expenses for learning events significantly reduced as there were fewer CoP meetings held in 2018.

The following paragraphs report expenditures made in 2017 and 2018 in details.

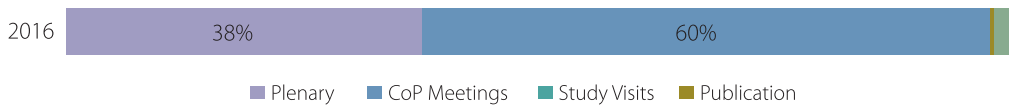
16) The Secretariat follows calendar year in reporting the expenses incurred for the network.

6.2. Expenditures in 2017

The total expenditures for CY2017 were US\$683,139.¹⁷⁾ Chart 12 shows the breakdown of the expenses by category from January to December 2017.

Thanks to members' active participation, PEMNA was able to hold 4 CoP meetings in 2017, and the expenses made for these CoP meetings accounted for 60% of the total expenditures for the said year (See Chart 12). The financial contribution made by the host countries helped PEMNA save its resources. In December 2017, Cambodia MEF had a bilateral study visit to Korea MoEF. The Cambodia MEF bore most of the travel expenses, thereby keeping the actual expenses covered by PEMNA MDTF minimal to local ground transportation cost.

Chart 12. Expenses by Category (2017)



Also, the Secretariat started producing outputs such as Issue and Talk series, in light of the network's medium-term strategic plan, as well as the communication products such as Annual Report for PEMNA (2016-2017). US\$5,400 was spent to publish these two publications. As PEMNA plans to produce more tangible knowledge products in the future, the related cost is expected to increase accordingly.

17) The expenses covered by the host countries, Indonesia, Vietnam, and Lao PDR, are not reflected in the total numbers.

Table 6 presents the total expenditure of PEMNA during CY 2017.

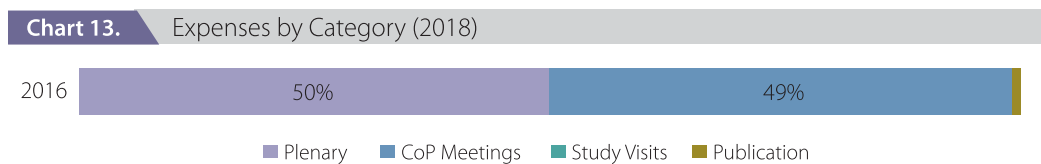
Table 6. Expenditures for PEMNA (January to December 2017)	
	Expenses (US\$)
1. 2017 Plenary Conference (Hosted by Indonesia)	\$ 145,215
2. CoP Meetings	\$ 232,810
(1) T-CoP Bangkok Meeting (No-host)	\$ 54,503
(2) B-CoP Da Nang Meeting (Hosted by Vietnam)	\$ 40,933
(3) T-CoP Seoul Meeting (No-host)	\$ 92,675
(4) B-CoP Vientiane Meeting (Hosted by Lao PDR)	\$ 44,698
3. CoP Study Visits	\$ 1,984
B-CoP Study Visit to Korea	\$ 1,984
4. Publication	\$ 5,400
5. Operating Expense ¹⁸⁾	\$ 297,730
Total Expenditures from Jan. to Dec. 2017	\$ 683,139

18) This includes service cost and travel expenses of the Secretariat staff and other administrative expenses not attributable to an individual event.

6.3. Expenditures in 2018

The total expenditure for CY2018 was US\$365,448. Chart 13 shows the breakdown of the expenses by category from January to December 2018.

PEMNA channeled most of its resources to organizing learning events as illustrated.



The total expenses fell drastically due to a sharp decline in the operational cost. As mentioned above the KIPF started covering the Secretariat's service cost for full-time staff, starting May 2018.

Another driver that drove the expenses down was the reduced number of meetings held in the year. For the Treasury side, only one webinar was held and this did not incur any direct expenses. For the Budget side, one of the two meetings held in 2018 was a hosted meeting,¹⁹⁾ which further drove the costs down.

Table 7 presents the total expenditure of PEMNA during CY 2018.

Table 7. Expenditures for PEMNA (January to December 2018)	
	Expenses (US\$)
1. 2018 Plenary Conference (Hosted by Cambodia MEF)	\$ 119,088
2. CoP Meetings	\$ 117,945
(1) B-CoP Kuala Lumpur Meeting (No-host)	\$ 76,564
(2) B-CoP Bangkok Meeting (Hosted by Thailand)	\$ 41,381
3. CoP Study Visits	-
4. Publication	\$ 1,961
5. Operating Expense	\$ 126,453
Total Expenditures from Jan. to Dec. 2018	\$ 365,448

19) The Budget Bureau of Thailand partially covered the expenses incurred for the 2018 PEMNA B-CoP Bangkok Meeting.

7. Looking Ahead

7. Looking Ahead

7.1. Key Challenges and Next Steps

Value-Proposition for Member Countries: How Do We Deepen PEMNA's Value?

PEMNA has certainly established a regularity of meetings and a sense of community among officials that facilitate candor and transparency about PFM challenges faced. It also continued the bottom-up approach in deciding the meeting topics, which was instrumental in preserving its distinctive identity as a “peer-driven learning network.” While PEMNA flourishes as a member-driven community, it is now at a point where it should further think about ways to provide greater value added for the members and for other stakeholders, to contribute to the sustainability of the network.

Going in line with this objective, PEMNA further developed the medium-term strategic plan (MTSP), first introduced at the 2018 PEMNA Plenary Conference. Based on the MTSP, PEMNA plans to pursue a “deepening” of its accumulated knowledge beyond what can currently be characterized as a compilation of meeting presentations and discussions. Said plan includes developing a set of topics that will cycle through during the next 4-year period (2019-2022) as well as future plans to better highlight member countries’ progress toward PFM outcomes.

Table 8. MTSP Timeline for the Budget CoP

		YEAR			
		2019	2020	2021	2022
Projected PFM Topics for B-CoP Meetings	Greater Budget Transparency	○			
	Stronger Linkages between Policy Outcomes and Annual Budgets			○	
	Strengthening Macro-Fiscal Discipline and Sustainability of Expenditure				○
	Enhancing the Timeliness and Effectiveness of Capital Expenditure		○		

Table 9. MTSP Timeline for the Treasury CoP

		YEAR			
		2019	2020	2021	2022
Projected PFM Topics for T-CoP Meetings	Stronger Implementation of National Accounting Standards and Financial Reporting	○			
	Increased Efficiency in Treasury and Public Debt Management			○	
	Enhancing Effectiveness of Financial Management Information System (FMIS)				○
	Strengthening Planning and Execution of Capital Expenditure Plans and Public Investment		○		

So far, PEMNA has made modest progress with building some knowledge products. A fair number of meeting outputs (e.g., meeting summaries and presentation materials) were produced as a result of its activities. However, extensive research and analysis on the accumulated knowledge remain light to-date. Taking this into account, the MTSP introduces the network's plans to produce additional knowledge products in the form of policy briefs and research papers.

In addition, increased efforts were made to capture the value PEMNA represents to members. Quotes and examples of information sharing by participants with their colleagues were presented in communication products. Although PEMNA was able to show some progress through these products, more could be done to improve how it presents progress toward PFM outcomes as addressed in the MTSP.

In adopting the MTSP, PEMNA will use the following resources to strengthen its support for members: (i) meetings and study visits; (ii) knowledge products such as presentation materials, research papers, reference materials; (iii) advisory services; and (iv) communication products including annual reports, periodic newsletters, social media platforms, etc.

The MTSP will allow a more structured focus in the network's discussions and activities, which would lead to an optimal allocation of PEMNA's collective resources while meeting the needs of all stakeholders. It will be brought before the Steering Committee for its endorsement in early 2019.

A Big Thank You to the First CoP Chairs of PEMNA

In 2019, both Budget and Treasury CoP will have a new CoP Chair leading each CoP, respectively. PEMNA's first CoP Chairs, Ms. Amelita Castillo from the Philippine DBM and Mr. Rudy Widodo from the Indonesia MoF, representing B-CoP and T-CoP, respectively have done a fantastic job

providing crucial inputs in setting the agendas, leading the discussion during the meetings, and also boosting the community morale.

PEMNA plans to seek candidates to take the next CoP chair role for each CoP soon, and in turn, hopes to keep the community lively and active.

Upgrading the Online Platform for Better and Easier Use

In the past 18 months, PEMNA has generated various communication products to showcase the outputs and outcomes of the network. These products include Issue and Talk Series, e-Newsletters, A Look Back on PEMNA Series, Facebook Page posts, and the official website. The stakeholders were able to keep track of PEMNA's updates and member countries' current PFM reforms through these products, yet the official website faced difficulties in increasing its traffic. Two of the biggest issues that the members raised were the log-in method and the non-user-friendly interface which further hindered their accessibility to the website.

In order to improve accessibility and also enhance knowledge sharing through the website, the Secretariat will contract a website development firm and present a renovated website to the members in 2019. To support this project, it was agreed at the 2018 Steering Committee meeting that the expenses for hiring a local website developer will be allocated from the budget.

Additional Financial Support and Expansion of Partnership

After the Grant Agreement renewal,²⁰⁾ PEMNA will receive 1 million US dollars which is additional financial support from the government of Korea. Furthermore, the EU's Delegation to Southeast Asia has agreed to make a financial contribution to PEMNA in 2019 to support member countries' PFM reform. As such, the EU, an observer of the network in the past, would then join PEMNA as a donor and join the SC to give inputs for PEMNA's future strategic direction. PEMNA's current financial donors are the governments of Korea, the Philippines, and Timor-Leste, and other member countries have been generously providing in-kind support by hosting PEMNA activities. Nonetheless, as such generous contributions may yet be subject to fluctuations in the future, it is imperative to find additional funds over the long term.

20) Said Grant Agreement was amended in January 7, 2019.

7.2. Future Work Plans

PEMNA expects another great year in 2019. Building on member countries' strong commitment to peer-learning, the network has a series of conventional learning events planned for the first half of the year 2019. Vietnam has been confirmed as the host of the 2019 PEMNA Plenary Conference.²¹⁾ Both budget and treasury CoPs plan to organize no-host CoP meetings before the plenary conference. The future work plans for the second half of the year are to be further discussed.

The future event schedule for each CoP is as follows. The below schedule is subject to change.

	Budget CoP	Treasury CoP
1 st half of 2019	CoP Meetings (no-host)	
	2019 PEMNA Plenary Conference	
2 nd half of 2019	TBD	TBD

21) The PEMNA SC accepted Vietnam's proposal to host the next plenary conference at the PEMNA SC meeting held on May 4, 2018.



Annual Report 2017-2018

From July 2017 to December 2018

8. Annex

8. Annex

8.1. Summary of Discussions

Chapter 8.1 offers the summary of discussions from the below learning events. The summaries are presented in chronological order.

- 2017 Treasury CoP Seoul Meeting (November 2017)
- 2017 Budget CoP Vientiane Meeting (November 2017)
- 2018 Budget CoP Kuala Lumpur Meeting (March 2018)
- 2018 PEMNA Plenary Conference (May 2018)
- 2018 Treasury CoP Webinar (October 2018)
- 2018 Budget CoP Bangkok Meeting (November 2018)

2017 PEMNA T-CoP Meeting on Improving Treasury Services for Spending Units/Line Ministries

November 14-15, 2017 | Seoul, Republic of Korea



I. INTRODUCTION

1. The member countries²²⁾ of the PEMNA Treasury Communities of Practice (T-CoP) met in Seoul, Republic of Korea, on November 14-15, 2017, and had extensive discussions on the theme “Improving Treasury Services for Spending Units/Line Ministries.” The key objective of this meeting was to discuss the core functions of the treasury and the ways to improve its services for spending agencies and line ministries to help the latter more effectively discharge their functions, especially on financial and service delivery performance outcomes. The meeting covered diverse areas that included experiences from different treasury systems (Anglophone and Francophone), a comparative assessment of the Treasury Practices of PEMNA member

22) Cambodia, China, Indonesia, Korea, Lao PDR, Malaysia, Mongolia, Myanmar, The Philippines, Thailand, Timor-Leste, and Vietnam

countries (with Cambodia, Laos PDR and Vietnam sharing their experiences) and case studies presented by Korea, Indonesia, Mongolia, and China on specific innovations that they had undertaken in the recent past. This was followed by working group discussions on identified key areas; country strategy discussions and presentations on intended reforms and the next steps forward. There was also a session dedicated for discussion on the progress of the action plans from the previous PEMNA T-CoP meeting in Bangkok in March 2017, and individual countries reported on the progress achieved. A T-CoP Leadership Team (LT) meeting discussed the current issues and brainstormed on the way forward, including on the oncoming Plenary meeting in Cambodia. The T-CoP meeting was very interactive with opportunities for in-depth individual, group and separate bilateral discussions. A summary of the meeting evaluation responses has been sent separately to all meeting participants by the Secretariat.

2. The relationship between the treasury and the spending units and line ministries is important to ensure the effectiveness of public service delivery. In countries and system where both the Treasury and the Ministry of Finance exist, it is critical to identify the roles and responsibilities of these two agencies, as also that of the spending units and spending ministries. The country cases focused on the innovations in a key area of treasury systems and processes that have led to improved Treasury services for spending units. For comparison purposes, three specific areas of innovation were identified – i) Treasury Structures and/or Business Processes, ii) Information Technology and Systems, and iii) Human Resource Management issues. The key findings of these case studies are described later in this paper. Meeting participants discussed these innovations as well as the opportunities, challenges, and prerequisites for introducing and/or improving such services in their respective countries.



3. **Improving Treasury Service for Spending Units/Line Ministries** - To set the stage for the larger discussion, an expert from the US Department of Treasury Office of Technical Assistance (USOTA), Mr. Guillermo Tello, who is also the Resident Advisor in the Indonesian Treasury, presented an overview of the experiences from the Anglophone and Francophone countries. This was useful given that there is a mix of countries with an Anglophone and Francophone background in the East Asia region. The presentation provided an overview of the core tasks

and functions of the Ministry of Finance (MOF), the Treasury and the spending ministries and spending units. A clear distinction was made between the core functions of each of these agencies and the relationship between them. The presentation also provided an outline of the budget execution processes in the two systems and the stages of spending, and the relative influence of the MOF and the Spending Ministries in budget execution. The respective models of financial control and the role of the treasury between the two systems, Anglophone and Francophone, were compared and analyzed.

4. A key message that emerged was that the spending agencies/line ministries have a greater influence in budget execution and oversight in the Anglophone system whereas the MOF (Treasury, Budget, and Accounting departments) have a greater say in the Francophone system. The presentation also discussed in detail the key differences in budget execution and expenditure control and the key features of the Public Expenditure Management in the two systems. There was also a brief discussion on the budget cycle and the role of sector ministries in planning, budget preparation and execution, and monitoring and evaluation, as also on Good Financial Governance (GFG) to help improve the capacity of spending units and line ministries. GFG was identified as a value-based, holistic and systemic approach that has three dimensions (Normative, Political, and Technical), and integrates all sub-systems and actors in the public finance arena. The presentation further delved on overall PFM responsibilities in the two systems as also responsibilities in the areas of budget execution and service delivery and a comparison of the expenditure chain and control mechanisms. The relative merits and demerits of the centralized and decentralized treasury models were also discussed.

5. **Comparative Assessment of Treasury Practices of PEMNA Member Countries and their Strengths and Weaknesses** - The objective of the presentation was to discuss the respective strengths and weaknesses of different country systems and understand how the countries are addressing the challenges. There were presentations from Cambodia, Lao PDR, and Vietnam and the discussions and outcomes of this session were used for the group work the following day.

- Mr. Vichet Suon, from the **Cambodian** General Department of National Treasury (GDNT), provided an overview of the organization and structure of the GDNT and a summary of the Treasury processes. Details of how the reform processes brought about benefits in the areas of payments and receipts in “payroll” and “goods and services” were presented and discussed. The presentation also gave an overview of the “Procure to Pay” process of the IFMIS and the cash management process (Treasury Single Account, revenue collection and payment through the banking system) within the Cambodian treasury, as also the quality and timeliness of the financial reporting process. The critical success factors identified were the efficient inter-ministerial coordination, organizational capacity and skills and modern systems and data administration, while the key challenges related to the successful implementation of the FMIS Stage 2 (covering spending units and line ministries) as compared to the successful

completion of FMIS stage 1 that was implemented at the Ministry of Economy and Finance (MEF), GDNT and the provincial treasuries.

- Mr. Viengsone Phetsinouan of the National Treasury of **Lao PDR** presented the policy framework and the organization and structure of the Treasury, as also an overview of the processes of budget management, funds commitment, payments and receipt, cash management, debt and aid management, and budget review and financial reporting. He identified the key challenges as labor-intensive and time-consuming paper-based transactions, weaknesses in the Chart of Accounts (COA) and financial reporting (incomplete data), lack of annual cash forecasting and the yet to be fully implemented Financial Information Systems. He also shared the potential solutions that the Lao PDR treasury team is considering, including a two-phase PFM reform process, going forward.
- Ms. Nguyet Van Vu from the **Vietnam** State Treasury (VST) also went over the organization and functions of the VST, the achievements, and challenges in the areas of revenue receipts and expenditure and the possible solutions to these problems that are being discussed.



II. COUNTRY CASES

The objective of the country cases was to share examples of countries who have undertaken specific innovations in a key area of treasury systems and processes, that have led to improved Treasury services for spending units. Three specific areas of innovation were identified, for comparison purposes – i) Treasury Structure and/or Business Processes, ii) Information Technology and Systems, and iii) Human Resource Management issues. Each country provided a brief introduction of their implementation of a specific innovation of improving Treasury services for spending units. The discussions and outcomes of this session were then used for the group work the next day.

6. **Korea** The Korea team presented their experience of implementation of the Integrated Government Subsidy Management Information System. They explained how the system is managing the entire state subsidy-handling process and how it is being used to implement subsidy programs and prevent duplicate and unlawful payments of subsidies. The presentation contained the details of the system configuration, interface status and the financial information disclosure protocol, as also the operational status – supporting information system operation through diverse user supports and having an integrated state subsidy deposit organization to manage deposits. The Korea team identified the key benefits of this System as prevention of duplicate and unlawful payments, increased efficiencies in the task of providing subsidies and provision of effective citizen services.
7. **Indonesia** The Indonesia team also provided a brief timeline of treasury reforms in Indonesia and the key Business Process Improvements achieved. These are in the areas of, i) Regulations and Business Processes, ii) Workload Analysis Measurement, iii) Service Commitment Assurance, iv) Improvement of Standard Operating Procedures (SOPs), v) IT improvement, and vi) Spending Review. The concurrent bureaucratic and organizational structure reforms ongoing and improvements in Human Resources Management were also touched upon. The critical success factors to reform were identified as the top management commitment, persistent policies, effective change management, and communication strategies, task and function enrichment, sufficient allocation of funds and a robust regulatory framework. The key challenges were felt in the areas of organizational reform, business process improvement, HRM and communication strategy and IT development.
8. **Mongolia** The Mongolia team made a presentation on the structure, functions and business processes of the national treasury, and the supporting legal framework. They also discussed the recent developments and reforms like the Fiscal Sustainability Law, Integrated Budget Law, Performance Management approach, Decentralization and Development of Local Government, Glass Window Procurement System (Transparency), and Monitoring (Fiscal Risk Management and Internal Auditing). The advancements in IT and systems including migration of Free Balance to a higher version and its effect on the budget execution and on government

performance management were also discussed. The presentation touched on the current platforms, Platform 1 (BPIS system) - Platform 2 (FISCAL system) - Platform 3 (GFMS v6.5) - Platform 4 (MS Office). The team also explained that in the current platform budget planning and execution is performed in 4 different systems using 4 platforms. After the implementation of GFMS v7, information can be migrated automatically by an interface tool and budget planning and execution will be performed in two different systems using one platform, thereby providing more flexibility and security. Finally, in the GRP unified system, budget planning and execution will be performed in one system using one platform. An approach of progressive activation of modules, modernization, and decentralization is also envisaged.

9. **China** The recent reforms and innovations of treasury services in China include a GFMS at the Central Government level that has various GFMS sub-systems interface with each other. These subsystems cover fiscal analysis, receipt and budget management, payment and cash management, wages management, government bond management, and government procurement and asset management. The salient features of the electronic disbursement management system as also the electronic collection management system were also covered in the presentation.



10. In the last session of Day 1, member countries reported on the progress of their country action plans which had been presented during the previous T-CoP meeting in Bangkok in March 2017.

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11. Based on the discussions during Session 3 (Comparative Assessment of Treasury Practices of PEMNA Countries) and Session 4 (Innovative Country Cases), the following five areas related to Treasury functions were identified for Group work and the meeting participants broke into work groups to discuss these topics:
- Cash Management, Forecasting, and Payment Policy
 - Debt Management
 - Relationship with Central Bank and Budget
 - IT Strategy and Financial Management Information Systems (FMIS)
 - Legal Framework Supporting Treasury Functions

To facilitate a meaningful discussion, the following questions/sub-topics were suggested to the respective discussion groups:

12. **Cash Management, Forecasting, and Payment Policy** – What is the time frame of the cash flow forecast – weekly, monthly, annual? What is the degree of predictability of the cash flow forecast? Do you perform variance analysis and how did this help to improve predictability levels? Is the forecast used as a tool for short-term financing and investment decision making, for example, is there a cash management committee? How can the cash flow forecasting capabilities of the treasury be strengthened? What vendor payment policy have you implemented and how is this factored into the cash flow forecast?
13. **Debt Management** – Is the debt management function run separately from the treasury management function and, if so, how is the coordination for debt issuance done? How does the short-term debt planned issuance fit into the debt management strategy? What is the structure of the debt, i.e., the percentage of domestic debt versus the percentage of foreign debt? How is this factored into the cash planning? How is the larger strategic objective of reducing funding costs achieved?
14. **Relationship with Central Bank and Budget** – What is the strategic objective? What is the level of coordination with the Central Bank in terms of money market operations, auctions, cash flows? Does the Central Bank remunerate the deposits? What is the level of coordination between Treasury, the Budget division and spending units/line ministries, i.e., how are budget appropriations and cash allotments implemented (including timing) and factored into cash planning?
15. **IT Strategy and FMIS** – What is the strategic objective – is it full automation of budget planning and budget execution? Is the automation system/FMIS solution being designed in-house or through a third party vendor? What are the advantages and disadvantages of each approach? Is the FMIS being used for the entire workflow process or only parts of it, with other activities being performed outside of the system? Is there a built-in Treasury module in the automation system, and, if so, is it integrated with the Budget division, line ministries, and the Central Bank?

16. **Legal framework supporting treasury functions** – Are there laws and internal procedures that define the scope of Treasury functions and responsibilities? For example, does the Treasury set cash allotments? Is the Treasury the sole collector of revenue (both tax and non-tax) and the sole authority authorizing for opening/closing accounts and/or consolidating these into the Treasury Single Account (TSA)? Is the Treasury the only authorized entity to negotiate and establish bank service agreements? Is there a move towards eliminating the use of circulating funds and establishing alternative payment mechanisms such as debit/credit cards?

III. COUNTRY STRATEGY PRESENTATIONS BASED ON GROUP WORK

17. The above thematic groups then went back into their country groups and deliberated on the strategies that would best suit their respective countries. The table below summarizes the proposed country strategies based on the Group discussions on the above five topics. The countries shared their ideas of improving treasury services in the above areas or in any other areas. The strategies tried to identify the most important areas that needed to be worked upon in order to achieve the broader objective of effective treasury support to the line ministries.

Table 1. SUMMARY OF COUNTRY STRATEGIES	
Country	Proposed Treasury services strengthening
Brunei	<ul style="list-style-type: none"> Expediting payment process through IT systems and reduce the time taken to pay vendors. Set up the cash management committee. Ensure all line ministries on board using One Common Billing System (OCBS).
Cambodia	<ul style="list-style-type: none"> In short-term introduce Electronic Funds Transfer (EFT) and MOU with Central Bank, in medium-term (2020) introduce Government Credit Card and FMIS. In long-term decentralize the functions of public accounting (2022-25).
China	<ul style="list-style-type: none"> Increase the proportion of authorized disbursement by, i) strengthening the rights and responsibilities of spending units, ii) supervising the process of post audit instead of control in advance, iii) integrate procurement system into the Treasury payment system.
Indonesia	<ul style="list-style-type: none"> Revision of MOF regulation where line ministry could submit fund disbursement forecasting 5 days before cash received or waiting for 5 days in advance. Improve the quality of forecasting and make it easier for spending units. Introduce cash mismatch protocol and an early warning system.

Country	Proposed Treasury services strengthening
Lao PDR	<ul style="list-style-type: none"> Plan by all budget entities to complete using bank product “Smart Cash” for disbursement. Draft Cash Management Manual estimated to complete in June 2018. Establishing Cash Management Committee with the involvement of the Customs Department, Tax Department, State Owned Enterprise Department, Debt Management Department, and Central bank. Working with Banks for Treasury Single Account.
Malaysia	<ul style="list-style-type: none"> Areas to be strengthened, i) Integration – Budgeting system, Project Monitoring system, Tax/ Customs collection, ii) Reporting – Extraction of the report, subsidiary account, manual collection system, iii) to resolve the integration issues (tax/ customs).
Mongolia	<ul style="list-style-type: none"> Strengthening of spending controls – approvals, commitments, accruals, paid. Coordination for budget and cash programming. Take advantage of the financial market, increase efficiency on short term financing, cash optimization, reducing costs, economies of scale. Manage interest rates, financial risks, currency and portfolio risks. Assess the impact on cash programming and budget control. After the implementation of GFMS 7, information can be migrated automatically by interface tool and budget planning and execution will be performed in one system using one platform. Progressive activation of modules, modernization, and decentralization.
Myanmar	<ul style="list-style-type: none"> To finalize rules and regulations regarding the Treasury function, to open the Treasury Policy and Quality Control Division.
Philippines	<ul style="list-style-type: none"> Challenges of cash management - Compliance of Spending Agencies to provide realistic cash forecast, variations between the Monthly Disbursement Program against the actual disbursement. Improvements - Through the BTMS, line ministries will have to queue their cash outlays, especially large volume transactions. Create an Asset-Liability Committee (ALCO) Budget and Treasury Management System The off-the-shelf system includes the Budget Execution and Treasury Management Module. Improved convenience, efficiency, accuracy, and timeliness of financial reporting, accountability, and transparency. However, not interfaced with systems used in the Treasury, Central Bank and PCHC payment systems need customization. Improvements -Closely coordinate with the Central Bank, Strengthen the Change Management Team to cover all Line Ministries, identify which system can be discontinued, Strengthen the TSA by closing accounts outside of the TSA.
Timor – Leste	<ul style="list-style-type: none"> Interface between Treasury FMIS with Central Bank Timor Leste (CBTL) CORE Banking system for real-time settlement of payments. This would also include training, implementation, monitoring and evaluation. Establishment of the Debt Management Unit under Treasury.
Vietnam	<ul style="list-style-type: none"> Automatic payment in lots for highly stable expenditures. New procedures for payments that require spending units to sign into VSTs electronic service website and submit payroll data. VST will send a payment order to Banks to transfer money into bank accounts of civil servants. Upgrade VSTs electronic service website. Improvement of TABMIS reporting (alignment of COA with GFS) and Business Intelligence reporting.

2017 PEMNA B-CoP Meeting on Fiscal Strategy and Budget Reform Plan Implementation

November 28-30, 2017 | Vientiane, Lao PDR

I. Introduction

1. The PEMNA B-COP membership met in Vientiane, Laos PDR, from November 28-30, 2017. The meeting focused on the topics of Fiscal Strategy and Budget Reform Plan Implementation. The meeting was opened by Vice Minister of Finance, H.E. Dr. Atsaphangthong Siphandone, and followed by remarks from the World Bank Country Manager, Mr. Jean-Christophe Carret; EU Ambassador, H.E. Mr. Leon Paul Faber, and Korea Ministry of Strategy and Finance Director General, Mr. Wansup Kim (Co-Chair of the PEMNA Steering Committee).



2. **Session 1** began with a presentation of **Lao's Vision 2030** and the **Public Finance Development Strategy to 2025**, by Dr. Bounleua Sinxayvoravong, Director General of the Fiscal Policy and Legislation Department. Laos has a development goal to graduate from LDC status by 2020. The first generation of PFM reforms was launched in 2005, and they focused on revising legislation, centralizing treasury, tax, and customs, and fiscal decentralization. The biggest challenges have been the managing the scope of reforms, given the limited technical skills and knowledge, along with staff rotations and changes in MOF management. The new Public Finance Development Strategy is central to the country's broader development path. Their 10 sub-strategies include (i) macro-economic stability, (ii) improving revenue policy and collection, (iii) enhancing efficient of expenditure management, (iv) efficient debt

management, (v) strengthening personnel, (vi) strengthening accounting, auditing, and controls, (vii) modernization of public financial sector entities, (viii) revision of the PFM legal framework, (ix) international integration, and (x) better management of SOEs.

3. In **Session 2**, Mr. Soulivath Souvannachoumklam, Deputy DG for Budget Development, introduced **Lao's Budget Reform Plan**. The State Budget Law of 2015 provides the legal framework for the reform plan discussed earlier. The Fiscal and Budget Policy Statement (FBPS) is now being developed to give the budget planning process a more medium-term perspective. This strategic phase would proceed the preparation of the annual budget and is intended to cover on and off-budget expenditures, domestic and external financing. They are still considering two options for introducing the FBPS, one using line ministry submissions as inputs and the other proceeding budget submissions. MOF is also considering how best to introduce baseline budgeting, with a special process to consider new initiatives. The reform roadmap covers the period 2018-2020.



4. During **Session 3** four countries shared their **experiences implementing budget reforms**, focusing on the sequencing of reforms, change management, and capacity building. Members focused particularly on reforms to improve budget preparation.

- **Vietnam** explained their four-tier budget system that spans across central government all the way to commune level. The State Budget Law 2015, which came into force in 2017, introduced major reforms, including a medium-term budget framework, results-based management, more transparency in budget management, expanded budget coverage, revised revenue sharing, and controls on local debt. The Vietnamese recognize the some of the reforms have brought challenges, for example, the four-tiered budget approach adds complexity and time to budget preparation because of the added coordination required. They are also concerned that budgeting remains mostly input-focused, with little criteria to assess performance.

- **Cambodia** shared its approach to PFM reform, which has consisted of four “platforms” or stages. Platform 1 focused on improving budget credibility and generally spanned from 2005-2008. Platform 2 has focused on strengthening financial accountability, while

platform 3 focuses on budget-policy linkages. Since 2016 Cambodia's reform program has entered into stage 3 and the focus on stronger budget-policy linkages. It is targeting 2020 to start introducing the concept of performance accountability. An important foundation for improving the budget-policy link has been the introduction of a program structure to the budget. They have set guidelines that ministries may have a maximum of two policy objectives and give programs; under each program, there may be sub-programs and activities. They foresee many challenges ahead due to the ambition of the plan and realize it will require a high level of political commitment.

- The **Philippines** shared the history of its PFM reform, as well as the governance structure used for managing PFM reform projects. Initial projects in the Philippines included treasury single account, accounting, and auditing standards reform, budget reporting, FMIS development, and liability management, among others. Over time this has led to some "reform fatigue". As they move ahead, they want to prioritize reforms. These include moving from multi-year obligations to single-year obligations supported by cash appropriations.
- **Korea** was the last country to present and shared its experience with an integrated government subsidy management system. The decision to build the system, called e-Nara Doeum, stemmed from public concern over duplicate and unlawful payments made as the volume of subsidies rose to KRW 60 trillion by 2016. The new integrated system removes the fragmentation that previously existed between departments and programs and enables monitoring by work phase. The government now traces the flow of funds through subsidy deposit accounts and real-time execution management. Moreover, transparency is assured through a citizen portal, while unlawful and duplicative payments can be detected through automated pattern analysis.
- Experts from **Malaysia** and **the World Bank** joined a panel discussion with the presenters from Cambodia, the Philippines, and Vietnam to wrap up Day 1. The discussion was moderated by the Regional Economic Advisor for the European Union.



5. Day 2 focused on (1) development of fiscal and budget policy statements and (2) implementation of baseline budgeting. This was done through a series of country presentations in the morning, followed by group discussion and presentations in the afternoon.

- The **Philippines** began Session 5 by sharing how the National Economic and Development Authority (NEDA) develops its 6-year development plan and 6-year results matrices. Key elements of the long-term visioning process include: an advisory committee made up of government and non-government representatives, public consultations via focus groups, technical studies, and more general communications and advocacy via social media and public forums. NEDA develops medium-term growth targets, as well as a variety of broader socioeconomic goals. The current medium-term plan covers the period from 2017-2022. Accompanying the Philippines Development Plan is a 6-year Public Investment Program and a 3-year rolling infrastructure program. The Budget Priorities Framework, in turn, is the annual budget preparation document, which aims to give agencies guidance on strategies and priority programs/projects for potential funding, as well as information on available fiscal space for new initiatives or expansion of existing ones.

- **Thailand** explained the work that goes into its Pre-Budget Statement and the Executive's Budget Proposal. The Pre-Budget Statement requires the development of the Economic and Fiscal Outlook, through the combined efforts of MOF, Bureau of the Budget, Bank of Thailand, and the national planning board (NESDB). Multiple documents are subsequently used to develop the "annual budget allocation strategy," including the 20-year national strategy document, ministry master plans, and the Thailand 4.0 document. The budget allocation strategy document is structured to include national strategic issues, allocation strategic issues, targets, KPIs, and allocation priorities. Recently, the annual budget allocation strategy has begun to promote "top-down" budgeting, more explicit links to the 20-year strategy, and use of international data for KPIs. In addition to producing the Executive's Budget Proposal for submission to Parliament, the Bureau of the Budget also manages a website called "People's Watch" for citizen's to see how to benefit from public spending.

6. During Session 6 Indonesia shared how it has used baseline budgeting to enhance efficiency and effectiveness of spending. Indonesia MOF uses the baseline review to analyze the forward estimates figures supplied by line ministries to generate an initial indication of the budget for the following year. They try to use this as the starting point for future budget preparation, rather than the previous year's ceiling. Indonesia baseline reviews are rooted in the program and activity-based structure of the annual budget. Adjustments can be made to the baseline due to changes of more than 10 percent in either economic parameters (e.g., inflation, exchange rate) or non-economic parameters (e.g., database adjustment, budget reallocation, etc). Baseline reviews are conducted face-to-face between DG Budget, the line ministry, and the Planning ministry to jointly discuss the basic numbers submitted in the MTEF software application by the line ministry. The baseline budget is primarily an instrument of the central government, but some subnational governments have begun to apply the approach.

- **Vietnam** shared the legislative framework for annual budget preparation and its state budget allocation principles or “norms” for capital and recurrent spending. Their budget calendar begins with the Prime Minister’s guidance to line ministries in mid-May on state budget planning, followed by circulars from MOF and Ministry of Planning on the indicative budgets for recurrent and development spending, respectively by June 1. Vietnam uses a 5-year socio-economic development plan that assures top-down direction and an aggregate budget framework. This is accompanied by a 3-year state budget plan that allows for bottom-up input in the formulation of the 3-year rolling budget. The 3-year rolling budget includes a baseline for ongoing and committed projects, as well as fiscal space for new spending initiatives.
7. During the remainder of Day 2, B-CoP members broke into three “role play” groups to discuss how they would advise policymakers on the development of a fiscal and budget policy statement. Each group was asked to develop recommendations based on the potential questions that could be posed by one of three stakeholders: Budget Director, Minister of Finance, or Chair of Parliamentary Budget Committee. After an extensive period of table discussion to prepare for the hypothetical meeting, the teams were asked to present their recommendations to some of their peers, who took on the roles of Budget Director, Finance Minister, and Member of Parliament. Other table groups who listened in on the presentation provided feedback after the “meeting” concluded on the quality of the recommendations and/or on how it compared and contrasted with their own experiences in their country. (A set of notes from the discussion and the original case study scenarios are available separately.)



8. The Budget CoP Leadership Team meeting on Day 3 focused primarily on planning for the next B-CoP meeting and the Plenary. The LT agreed that the next CoP meeting would be a no-host meeting in Feb/Mar 2018 in Kuala Lumpur, Malaysia, following the recommendation of the Facilitator. The topic would be on global lessons from implementing performance budgeting, and an external expert from OECD would be invited to present their research findings. In addition, Cambodia confirmed that they would host the Plenary in Siem Reap from May 2-4, 2018, but that they were still discussing potential topics.

2018 PEMNA B-CoP Meeting on Rethinking Performance Budgeting: Applying the Lessons from Global Experience

March 6-8, 2017 | Kuala Lumpur, Malaysia

I. INTRODUCTION

The first PEMNA B-CoP meeting of 2018 was held in Kuala Lumpur, Malaysia from the 6th to the 8th of March. The three-day event was attended by B-CoP members from nine countries as well as international experts. Participants heard presentations and had discussions surrounding three topics; (i) Rethinking Performance Budgeting: Applying the Lessons from Global Experience”, (ii) Managing Performance Information for Different Stakeholders; and (iii) Budget Transparency/ Reporting Portals. The meeting was opened by **Mr. Wansup Kim**, PEMNA Steering Committee Co-Chair and **Ms. Amelita Castillo**, B-CoP Chair, who welcomed and thanked the participants for their presence and expressed hopes for a productive learning session ahead.



II. DAY 1: RETHINKING PERFORMANCE BUDGETING: APPLYING THE LESSONS FROM GLOBAL EXPERIENCE

1. The first session, “OECD Experiences with Performance Budgeting,” began with a presentation by Mr. Ivor Beazley from the **OECD** on the global lessons from performance budgeting, where he defined performance budgeting as the process of linking budget allocation and reporting to the achievement of results. The main lessons from the OECD experiences with performance budgeting are to i) set realistic objectives for performance budgeting by making sure that the goals reflect national circumstances and practical realities such as capacity and culture, ii) strengthen performance budgeting links to strategic policy goals, such as the Sustainable Development Goals, iii) align planning and budgeting processes, iv) put in place the right training and infrastructure to support, v) avoid system overload such as bureaucratic burden, vi) incentivize performance, and vii) close the feedback loop by having a deep understanding of why programs are or are not delivering results and how to act upon it.
2. Mr. Beazley’s overview of global lessons from performance budgeting was followed by three brief and focused presentations of OECD country experiences in managing performance information effectively for results.
3. Mr. Beazley’s overview of global lessons from performance budgeting was followed by three brief and focused presentations of OECD country experiences in managing performance information effectively for results.
 - Mr. Nikolay Begchin of the Ministry of Finance of the Russian Federation gave an overview of Russia’s program budgeting history and current framework before offering some initial lessons. Mr. Begchin explained that performance budgeting had yielded several positive outcomes in Russia, such as increased transparency and a better understanding of the federal budget expenditures, improved discipline and improved opportunities for analysis. Despite these positive outcomes, performance budgeting in Russia has yet to develop into a fully-fledged component of the budgeting process and has no significant impact on budget allocation decisions. Due to a lack of quality performance indicators and goals, and inadequate integration of the government programs into the budget process, the framework has yet to result in the better prioritization of budget allocations, alignment of budget allocations with outcomes and consideration of feedback in future budgeting periods. To improve the current framework, Russia has initiated changes in several “pilot ” government programs in 2017, including the development of a goal-setting system, the streamlining of government program formats, greater clarity in budget classification and the comparability of budget indicators over time, and the development of a single information resource that enables access to complete information on program parameters in real time.

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- Mr. Lewis Hawke, Lead Public Sector Specialist the World Bank Group who was the former head of the Performance Budgeting Unit within the Australian Government focused his presentation on the quality and usefulness of the performance information generated in Australia. Mr. Hawke noted that the performance information in Australia was best used to clarify organization priorities, enable staff to focus on results, track achievements and be used as a basis for performance dialogue. However, Australia still faces many challenges in producing and using the information, including measurement and attribution difficulties, the inflexibility of indicators and the burden of compliance. As a result, performance measures remain often weak, outcome performance management remains challenging and the quality of usage of data is patchy.
 - Mr. Bernard Myers, Senior Public Sector Specialist at the World Bank, shared France's experience with performance budgeting, drawing from a presentation that the Ministry of Finance made at the 2016 OECD meeting of Senior Budget Officers in Asia. France's budget framework law introduced in 2001, helped reorganize the budget structure from 30 ministries and 850 chapters based on the nature of the appropriation to 31 mission and 122 programs based on the main public policies of the government. The performance targets, justification of appropriations, and cost analysis of actions are presented in October each year, while reports on the execution or results are presented every April back to Parliament. Within the administration, the performance framework reaches all levels of the government, and performance indicators are used to monitor local operational services and set management objectives for high civil servants. Despite this, France has yet to establish a direct link between performance and budgeting, as performance results are rarely discussed in Parliament. Acknowledging this, it is working towards making improvements in two directions: i) making the framework more comprehensive by covering all public spending, and ii) making it more simple and understandable for MPs and citizens.
4. The presentations were followed by a panel discussion, where members raised questions about the need to strike a balance between maintaining consistency in the budgeting framework while implementing important and necessary changes to it, and the link between budgeting and performance information. Members also asked the panel about the pre-conditions required for a successful implementation of Performance Based Budgeting (PBB) and the common teething problems for countries starting out with PBB. The pre-conditions raised by the panel included some stability and predictability in the resource system, some flexibility and authority to move some line items across, clear accountability, a framework that is consistent with the capacity of the central budget authority to use the performance information, properly-set goals and indicators for evaluation and some demand from performance information from the top. Some of the teething problems for countries new to PBB include a lack of trust from line ministries on how the Ministries of Finance will use the information, lack of capacity, measurement quality and effective accountability of the parties involved.

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5. The second session began with PEMNA country updates by the Philippines and Thailand on the progress and challenges in implementing PBB since the 2015 B-CoP meeting. The Philippines highlighted their performance budgeting implementation progress thus far, which included a continued emphasis on results and outputs, greater use of performance information in the budget process, emphasis on incentives for good performance, an improvement in agency performance due to the implementation of the Performance-based Bonus, and the continued use of the Unified Reporting System, an online platform for the submission of required budget documents and reports from government agencies. The Philippines also stressed the challenges in the implementation process, including the difficulty in measuring performance, changes in indicators over the years, accountability for sector outcomes, lack of time-series data, poor target-setting, “gaming” of incentives and the need to establish better links between performance targets and budgeting. To address these challenges, the Philippines is sequencing reform initiatives, implementing more stringent target-setting policies and refining the PBB framework by rewarding collaborative efforts of agencies, using performance analytics for decision-making and capacity development and eliminating criteria that are not relevant to performance. In Thailand, progress included the implementation of an “Integrated Budget Plan for Regional Development” in the Eastern Region under the Eastern Economic Corridor (EEC), the holding of public hearings in the annual budget formulation process and the revision of all eleven categories of budget documents.
 6. The session also included a presentation by Mr. Bernard Myers on Malaysia’s Outcome Based Budgeting (OBB), drawing on highlights from the World Bank draft report on Budgeting for Performance in Malaysia. With high-level support, a multi-stakeholder steering committee and a dedicated team created to implement the OBB, Malaysia had succeeded in shifting the focus of national budgeting from outputs to outcomes, establishing clear links between ministry outcomes and the medium-term national strategic thrusts and national outcomes, outlining ministry outcomes that cascade down into articulation of program and activity outcomes and creating performance agreements that document accountability for all levels. However, several challenges remain in areas such as the systematic reporting of performance indicators to the Ministry of Finance, capacity to evaluate performance information effectively, and the use of performance information to inform the budgeting and policymaking process.
 7. The final session of the day showcased examples of performance budgeting from the primary education and primary health care sectors in six countries. Each country presentation described the way in which its programs are structured and the type of performance indicators used for performance budgeting in these sectors.
 - In **Russia**, the education and healthcare programs each have overarching goals, objectives, and indicators. Both programs have a set of subprograms, which cascade down to core activities. Mr. Nikolay Begchin, who gave the presentation explained that while a hierarchy of indicators at all levels, i.e. at the Government program, subprogram and core activity levels

is ideal, this has been extremely rare in practice amongst ministries in Russia. The education program has indicators set at the program level, while the healthcare program has indicators set at the program and subprogram levels. The performance indicators set in 2018 for Russia's healthcare program include the increase of life expectancy at birth to 76.0 years, the decrease in mortality of the working-age population to 380 cases per 100,000 people and the reduction of mortality from cardiovascular diseases to 500 cases per 100,000 people by 2025. In the education program, indicators include the maintaining of the country's position in the PIRLS and TIMSS assessments, the availability of pre-school education for children ages 2 months to 3 years and an increase in the number of people trained in online courses.

- Similarly, the performance criteria set in **Australia** is linked to the goals outlined for each sector. Mr. Lewis Hawke, who delivered the presentation, warned that while in theory, this reflects a clear link between goals and outcomes indicators, governments must avoid setting and reporting indicators in a way that is misleading to the public. He advised to ensure usefulness and relevance in the selection of performance indicators and to transparently and adequately provide explanations and interpretations for the measurement and results presented to the public.
- In **Malaysia**, the healthcare sector strategy is outlined in the 11th Malaysia Plan, under a Focus Area entitled "achieving Universal Access to Quality Healthcare ", which is a part of a broader Strategic Thrust, "Improving Wellbeing for All". The implementation of this Focus Area comes under the purview of the Ministry of Health. At the Ministry level, there are outcomes and KPIs set, alongside programs, sub-programs and activities for intervention. These programs, subprograms, and activities each have their own outcomes and KPIs as well. The Malaysian government uses three principles to set its KPIs; (i) relevant, (ii) reliable, and (iii) practical. In addition, the Ministry ensures that the KPIs are focused on ensuring that each outcome can be tracked by less than three KPIs.
- The budget allocation process for recurrent expenditure in the education and training sector in **Vietnam** is strongly decentralized due to laws governing the organization of the national and sub-national governments. As such, there is a lack of coordination and linkages between the capital and recurrent budget, and the sector is managed by multiple ministries, such as the Ministry of Education and Training, Ministry of Labors, Invalids and Social Affairs, and the Ministry of Agriculture and Rural Development. As of now, the budget allocation is not performance-based. Salaries and welfare policies, which comprise a large share of the budget are given priority. Non-salary operational expenditures are then allocated resources based on availability. A 2016 Public Expenditure Review recommended the review of remuneration policies which favored seniority and certain locations, review of welfare policies and the refinement of fiscal decentralization and delegation of powers by reducing the number of agencies involved to enhance accountability and improve linkages between budget allocation and outputs in the sector.

- In **Thailand**, the education and healthcare sectors each have targets with corresponding KPIs. Each of these KPIs are supported by a guideline strategy, which cascades down into sub-KPIs under the purview of different agencies or funds. The budget is allocated according to these sub-KPIs. For example, the healthcare sector's target to ensure that the health insurance system is comprehensive, of high-quality, and reduce disparity. It has a central KPI of having less than 0.47% of households become poor due to medical expenses. The guiding strategy to achieve this KPI is to ensure the health insurance system is comprehensive. The first sub-KPI under this guideline is to ensure that 99.93% of the population is covered by health insurance. This sub-KPI is the responsibility of several agencies and funds, such as the Central Fund, Social Security Office, and the National Health Security Fund. The second sub-KPI is to ensure that at least 22% of emergency patients use the emergency medical services available. This KPI is covered by the Emergency Medical Fund.
- The **Philippines** practices Performance-Informed Budgeting (PIB), whereby strategic objectives, sector, and organizational outcomes are set for both the education and healthcare sector. Under each organizational outcome, performance indicators are outlined, under which outcome and output indicators are defined. For example, the primary education sector in the Philippines has an organizational outcome of access for every Filipino to an enhanced basic education program. Supporting this is a performance indicator to support schools and learners' programs. This is guided by outcome indicators such as retention and completion rates, and output indicators such as the number of learners benefitting from programs. Performance reporting in the Philippines is in the form of two reports: (i) the Budget Execution



Documents (BEDs), and (ii) the Budget Financial Accountability Reports (BFARs). The BEDs report quarterly physical targets and financial requirements for the current year, while the BFARs reports actual accomplishments and utilization of allotments. The Philippines also uses an online web-based application called the Unified Reporting System (URS) for online data entry and submission of the various reports required by the Department of Budget and Management from government agencies and its operating units. The DBM conducts mid-year and year-end Agency Performance Reviews to determine the level of accomplishment of each agency in terms of physical outputs, income generated and actual expenditures incurred against the targets set for the same period.

III. DAY 2: MANAGING PERFORMANCE INFORMATION FOR DIFFERENT STAKEHOLDERS

8. During the first session of Day 2, member countries presented ways in which their government agencies manage the demand for performance information from multiple stakeholders and the volume and timing of the information reported. The session also included a presentation on OECD country challenges and efforts in managing performance information.

- In his presentation on the challenges and emerging good practices of **OECD** countries in managing performance information, Mr. Ivor Beazley explained that performance information is often used by multiple stakeholders with varied perspectives. Stakeholders at the center of government, for example, use performance information to achieve headline policy targets and cross-agency goals, while line ministries use it to determine ministry- or agency-level performance. The public uses performance information to gauge public sector efficiency and adherence of the government to plans and policies, while auditors use it to assess the accuracy and reliability of data and spending efficiency. Key challenges that arise from this are difficulties in managing data volumes, ensuring the quality of performance information, relating performance to budget data, communicating performance, and acting on performance information. In this context, OECD countries have been working towards simplifying information and fulfilling demands of different users. France, for example, has been progressively simplifying its performance information in terms of indicators, objectives, and programs. Canada established an InfoBase that provides multiple points of entry to users with varying interests in an accessible, user-friendly and flexible manner.
- In the **Philippines**, government agencies have five main stakeholders to submit performance information to: (i) The Department of Budget and Management, who uses the information to monitor fund utilization and performance targets, (ii) the Commission on Audit, for the preparation of annual financial audits, (iii) the National Economic and Development Authority, to ensure alignment of planning and budgeting and for the preparation of the medium-term plans and socio-economic reports, (iv) the Office of the President, for the preparation of Priority Program Accountability reports and the State of the Nation Address, and (v) Congress,

for the review of agencies' budgets during budget hearings and deliberations. The reporting of information to these stakeholders occurs at various frequencies and times, with mechanisms in place to ensure quality information. This includes a Performance-based Incentive system consisting of a Productivity Enhancement Incentive and a Performance-based Bonus for the high-quality setting of physical targets, good governance conditions and effective performance management, and a Transparency Seal Requirement for performance reports.

- In **Indonesia**, ministries and agencies are required to submit performance reports on a quarterly basis to the Ministry of Finance. However, some of the challenges arising from this process are the poor quality of reporting, little connection between planning and budgeting and low compliance with outcome-based performance reporting. The MoF is taking several steps to overcome these challenges, which include refining the structure of outcome and output statements, establishing a single database for planning and budgeting information, and enhancing the Budget Implementation Checklist by adding output indicators to measure performance.
- **Korea's** Performance Budgeting system is comprised of three layers. First, the Performance Goal Management System requires ministries to submit their annual performance plan that details their objectives, performance indicators, targets, and budget proposals. The system also requires the submission of an annual performance report that contains actual performance in achieving objectives, measured by performance indicators and targets. Second, the Core Program Evaluation is a three-year performance evaluation on core budgetary programs that comprises outcome indicators on a three-yearly, yearly and quarterly basis, as well as quarterly on-site visits. The third is an in-depth evaluation that focuses on core projects, such as the President's initiatives, ministry-level flagship programs and other pursued programs by the Ministry of Strategy and Finance.
- **Thailand manages** performance information for different stakeholders by employing a range of tools for various purposes, such as to review past performance, to initiate and analyze projects and budget proposals, and to monitor and report information on an ongoing basis. For example, ministries are required to consistently submit periodical reports as an ongoing monitoring mechanism. At the same time, they are subject to ad hoc monitoring on specific issues and policies.
- **Russia** produces an annual report of Government programs using the information on the program's implementation from participants as well as the program implementers. The annual report is available electronically and is reviewed by the Ministry of Finance, the governmental Commission on Optimization and Improving the Efficiency of Public Expenditure and the Government of the Russian Federation before being finalized. The information is then used at the allocation of the basic budget stage in the budgeting process. Heads of ministries and departments are responsible for achieving the Government program indicators, and the Government may reduce the budget allocation or undertake disciplinary measures on the heads when appropriate, although, in practice, this has never been done.

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- **Australia's** performance information framework consists of three key documents: the Portfolio Budget Statements and Corporate Plan at the forecasting stage, and the Annual Reports to report actual performance. The primary purpose of performance information in Australia is to ensure compliance with government requirements and to make improvements in services, processes and budget planning. However, reporting practices of performance information vary considerably across agencies. Some of the best practices include a quarterly reporting of key indicators to senior management, while weaker practices include a lack of alignment with corporate plans and objectives, weak data collection and assurance.
9. The presentations were followed by a panel discussion, where members raised questions on some of the common themes in the presentations, such as incentives and sanctions in performance reporting, and the setting of indicators and targets. A question was asked about sanctions imposed for ministries that do not achieve their targets. In Russia, sanctions include the reduction in allocation to the ministry for the next year, the cancellation of the project or program, or in the worst case, disciplinary actions against the head of the ministry, although this is seldom exercised. In Indonesia, sometimes the budget allocation for the ministry or agency involved is reduced, or disbursement is postponed. On the other hand, Australia provides incentives for individuals in the form of a bonus for yearly achievements of targets. These bonuses cascade down through the organization, senior management, and staff who also receive bonuses based on their contributions to overall targets. Sanctions are imposed in a more indirect way. For example, poor performance is picked up by the MoF and used during negotiations for budget allocation in the following cycle. Similarly, the Philippines does not impose direct sanctions but asks ministries or agencies to justify their slow progress and propose catch-up or recovery plans. The setting of indicators and targets was also discussed. Experts on the panel advised that targets should be negotiated as a win-win situation that fulfills both the agencies' and the public's needs. Targets should not be too easy such that agencies can achieve them without putting in any additional effort. Setting unrealistic and too difficult targets, on the other hand, can overwhelm agencies and result in them trying to achieve targets artificially. In education, for example, impractical targets may burden students and lead teachers to falsify results. The setting of targets sometimes requires independent evaluations to ensure targets are realistic, achievable and sufficiently challenging. Independent checks can also be done on what is being reported by line ministries to avoid "gaming".
10. Members spent the second part of the day participating in a role-playing exercise on managing performance information for stakeholders. Mr. Bernard Myers, who moderated the session, divided participants into groups of 6-10 people, each of which was presented with one of three case study scenarios. Each scenario assumed that the first phase of PBB had already been rolled out, and the current phase involved reporting performance information and using it to improve public sector management. Each scenario had a different stakeholder and technical advisors, with different concerns and interests that needed to be addressed by the group's proposal. Groups prepared presentations for their stakeholders, based on guiding questions in their case scenarios. The roles of the three stakeholders – Budget Director,

Minister of Finance, and Chair of the Parliamentary Budget Committee – and their technical advisors were assigned to selected PEMNA peers and OECD experts. The stakeholders and advisers were tasked with listening to the groups' proposals in a simulated policy meeting and providing feedback on the quality of the proposal after the meeting concluded.

11. The case studies were as follows:

- Case Study 1: One group was assigned a case study where they were to role play as a Deputy in charge of implementing performance budgeting. The group had to present a clear and convincing plan to the Budget Director on how to manage the flow of performance information from line ministries to the Budget Office, limit the volume of information and additional workload for line ministries, retain and develop expertise to assess performance information and manage the evaluation of performance data within a tight annual budget calendar.
- Case Study 2: Two groups were assigned the same case study where they were to play the Budget Director, who has been tasked to present to the Minister of Finance ways in which the ministry could work with line ministries to deliver and use performance information. The groups were also asked to propose ways to encourage other ministers to take interest in performance reports and to use them for management purposes.
- Case Study 3: One group was assigned a case study where they were to role-play a Budget Director, who has been asked to prepare a proposal for the Parliamentary Budgetary



Committee on how and when performance results will be reported to Parliament, at what level, and whether it will be public information. The group was also required to propose ways to encourage Parliament's interest in performance reporting.

IV. DAY 3: BUDGET TRANSPARENCY/REPORTING PORTALS

12. The final day of the conference opened with a presentation by **Mr. Murray Petrie**, entitled "Fiscal Transparency: Fiscal Data Portals & Public Engagement" that showcased some of the best practices and global examples of budget transparency. Mr. Petrie started by giving the audience a brief background of the Global Initiative for Fiscal Transparency (GIFT), as a global action network that facilitates dialogues between governments, civil society, international institutions, private sector and other stakeholders to find and share solutions to challenges in fiscal transparency, participation, and accountability. He then explained the need for countries to make budget data more accessible by publishing it in free and machine-readable formats, but also to engage directly with citizens, journalists, and researchers on the types of data they would find useful and help improve budget literacy among the public. Some of GIFT's efforts in this area include the Open Fiscal Data Package (OFDP) initiative, which is a simple, standardized framework for countries to publish budget data that is easy to use by both the data providers and users, as well as fiscal transparency portals, which are single entry points to fiscal data. The presentation also showcased country examples of service delivery and performance improvements from several countries, including the Philippines, South Korea, Malaysia, Mexico, and New Zealand. Mr. Petrie emphasized the importance of minimizing the publishing of data that the public does not need and promoting public debate in fiscal transparency. To do this, he advised participants to engage users of fiscal data on their needs, establish single fiscal data portals and provide open data, publish what citizens want to know, and engage service delivery recipients directly on their needs and views of service quality.



13. The meeting also benefitted from presentations by Vietnam and the Philippines on their experiences and practices in enhancing budget transparency. In **Vietnam**, nearly all public

finance information is publicly disclosed, including all financial data, audit reports and budget procedures. Vietnam's fiscal transparency system features clearly defined roles and powers between the National Assembly and Subnational People's councils; responsibilities in budget management; functions and mandates of agencies and individuals; fiscal decentralization of revenue sources and expenditure mandates; and a clearly defined budget process and timeline. While the system allows for clarity and accountability of government agencies, Vietnam recognizes that it also limits the flexibility and discretion that sub-national governments can exercise. Similarly, in the Philippines, government agency websites display a Transparency Seal, that links to a page where a required index of items are downloadable, including the mandates and functions of the agency, name of officials and contact information, status of budget, performance measurements and targets, annual procurement plans, awarded contracts and names of vendors, use of funds and status of income. In addition, the Philippines has also improved access to budget information via its Freedom of Information website, which allows citizens to request information about government transactions and operations. Because of its efforts in budget transparency, the Philippines now leads Asian countries in the Open Budget Index survey rankings by the International Budget Partnership.

14. The meeting ended with a wrap-up by each country on their key takeaways from the past two-and-a-half days and topics of interest for future meetings. Both **Thailand** and the **Philippines** expressed gratitude for the friendships forged through PEMNA activities and the sharing of experiences by each country. An important realization for the **Philippines** from this meeting is that each participant country – regardless of income level or cultural differences – is working in the same direction to enhance budget transparency and accountability. The **Thai** delegation expressed better appreciation of the objectives of PBB and the importance of participatory budgeting and budget literacy through the discussions and presentation. They also expressed aspirations to publish a document similar to the Philippine's citizen's guide to the budget. Similarly, the **Malaysian** team had gained a better understanding of the importance of budget literacy and the demand for performance budgeting information. They also communicated the need to acquire more knowledge and experience on ways to generate interest in budgeting information and to enhance budget literacy amongst the consumers of information, such as the general public, journalists, and academics.
15. Both **Vietnam** and **Lao PDR** concurred that they had received a lot of encouragement from other PEMNA members in their efforts to carry out PBB measures, despite being in the very early stages of implementation. While both countries foresee a lot of challenges ahead, they were reassured that they can overcome these challenges in time, given the right tools, experience, and expertise. Lao PDR also shared its plans to explore the possibility of a joint study visit with Thai counterparts to the Philippines to learn more about their PBB initiatives, especially the performance bonus given to the staff of well-performing ministries. A representative from Cambodia expressed appreciation for being able to learn by examples through the other countries' experiences that were shared during the meeting. **Cambodia**

also conveyed an interest in learning more about the development and monitoring of performance budgeting indicators. A participant from **Timor-Leste** conveyed his team's key takeaway from the meeting, which is the importance of budget transparency in keeping governments accountable and in line with their responsibilities of serving their citizens.



V. FUTURE WORK PROGRAM

At the end of the meeting, members were asked to leave their thoughts on two white boards for future areas of discussion:

1. What are the main goals and challenges your ministry is facing?
 - Costing of performance indicators
 - Monitoring for results
 - Cash-based appropriations
 - Budget review process with line ministries
 - Citizen budgeting
 - Performance information management
 - Performance evaluation

2. Expectations for PEMNA:
 - Compendium of best practices among PEMNA member countries

2018 PEMNA Plenary Conference

May 2-4, 2018 | Siem Reap, Cambodia

Note: The 2018 PEMNA Plenary Conference largely consisted of joint sessions followed by individual CoP sessions for the Budget and Treasury CoPs.

I. INTRODUCTION

The 2018 PEMNA Plenary Conference meeting was held in Siem Reap, Cambodia, from May 2-4, 2018. The theme of the conference was “Strengthening Revenue and Budget Management to Support National Policy Priorities.” The three-day event was hosted by the Ministry of Economy and Finance of Cambodia.



II. OPENING SESSION: WELCOMING REMARKS AND KEYNOTE SPEECH

1. HE. Mr. Ros Seilava, Secretary General of the General Secretariat of Public Financial Management (PFM) Steering Committee of Cambodia, delivered the first welcoming remarks

and extended a warm welcome to all the participants. Mr. Seilava also shared his hopes for the conference, which are for Cambodia's PFM reform experience to provide useful insights for other countries engaging in similar reforms, and for Cambodia to leverage on the opportunity to learn from others who have successfully implemented their own.

2. In his welcoming remarks, **Mr. Wansup Kim**, Co-Chair of the PEMNA Steering Committee, and Director-General for Fiscal Performance Management at the Ministry of Strategy and Finance of Korea, took the opportunity to congratulate and thank the Cambodian government for the successful launch of the plenary event. As PEMNA celebrates its 6th anniversary and has solidified its position as a prominent PFM network in the Asian and Pacific region, Mr. Kim asked members to review the network's medium-term direction and consider ways to generate tangible, informative and valuable products driven by collective demand from member countries.



3. **HE. Mr. George Edgar**, Ambassador and Head of the European Delegation to Cambodia, highlighted the importance of sound and effective PFM systems to achieve results in areas such as education, social protection, health, infrastructure maintenance, and agriculture, as well as the Sustainable Development Goals (SDGs). Mr. Edgar added that a key success factor in PFM reform is leadership and commitment at both the political and technical levels, to ensure that the reform process is suited to each country's own unique context, and is adaptive, iterative and inclusive. In reiterating the European Union's support for PEMNA, Mr. Edgar also announced the EU's plans to directly finance PEMNA in the near future.

4. **Mr. Lars M. Sondergaard**, Program Leader at the World Bank introduced a few of the themes for the Plenary discussion and explained why they are relevant to the PFM work that members have embarked on:

i. *National Development Planning*: As a key process in many countries, planning has often failed to deliver on government aspirations. Mr. Sondergaard suggested three key factors for successful planning. First, he urged that plans be fiscally realistic, with public finance officials playing a critical role in ensuring that plans are underpinned by credible fiscal frameworks and realistic revenue projections. Second, plans must be rooted in good policy research. Partnerships with sector experts, for example, can help improve understanding of the results chain between interventions and outcomes. Third, plans need to be focused on implementation, considering past barriers to implementation and addressing them as a part of the strategy development.

ii. *Program Monitoring*: Program monitoring has evolved over the years to shift focus from expenditure monitoring to results monitoring. The plenary's discussion on the potential and challenges that performance budgeting brings can offer important lessons for countries in the early stages of implementation.

iii. *Review, Evaluate and Adapt*: Like private sector companies, public sector institutions have to be "learning" organizations. Mr. Sondergaard emphasized the important role that public finance officials play in helping senior policymakers know whether the programs and activities in place are really working and whether the benefits justify the costs to continue them. The learning process of evaluation and adaptation, he added, is vital to our long-term growth and prosperity.

5. In his keynote address, **HE. Dr. Aun Pornmoniroth**, Senior Minister at the Ministry of Economy and Finance of Cambodia provided members with an overview of Cambodia's PFM journey which started in 2004 and comprises four stages of the implementation. The first and second stages, which focused on budget credibility and financial accountability respectively, have been completed. The program has now entered its third stage, Budget-Policy Linkages, which aims to strengthen linkages between budgeting and national policy through the rollout of Program



Budgeting efforts for line ministries at both national and sub-national levels. In addition, Cambodia has also successfully launched the Financial Management Information System (FMIS), a budget reform tool designed to improve the governance and transparency of national budget management. It also plans to implement a new performance-informed budget system by 2025, which will include a multi-year budget framework, inclusion of performance information, improvement of budget discussions, streamlining of the implementation process, and better linkages between national and sub-national budgets.

III. JOINT SESSION 1: TRANSLATING NATIONAL DEVELOPMENT POLICIES INTO STRATEGIC ACTIONS

Speakers:

- HE. Mr. Chan Narith, Deputy Director General, General Department of Policy, Ministry of Economy and Finance, **Cambodia**
- HE. Mrs. Nguon Sokha, Secretary of State, Ministry of Economy and Finance, **Cambodia**

6. In the first plenary session, Cambodian officials shared ways in which Cambodia's national-, sectoral-, and ministry-level policies are translated into actions, emphasizing the importance of the support and cooperation from all relevant parties to achieve policy goals and objectives.
7. HE. Mr. Chan Narith provided an overview of **Cambodia's** national policies, which consist of the five-year Rectangular Strategy, five-year National Strategic Development Plan, and Sectoral Policies. These policies are the basis for the preparation of the Budget Strategic Plan at the ministry-level, which breaks down into programs, sub-programs, and activities. Budget resources are allocated to activities undertaken by each Ministry, each of which is linked to a goal or objective in the national policy. For example, the fourth pillar of the Rectangle Strategy, "Capacity Building and Human Resource Development", is encapsulated by the Education Strategic Plan 2014-2018, under the purview of the Ministry of Education, Youth and Sport. The plan is broken down into two main policies, and five pillars of reform priorities. Budgetary resources are allocated to activities under both the policies and pillars, whose goals and objectives are directly linked to the sectoral- and national-level policies.
8. HE. Mrs. Nguon Sokha also shared Cambodia's budget preparation process. From March to May of every year, a three-year rolling budget plan, called the Budget Strategic Plan (BSP) is prepared. All agencies are required to prepare their own annual budget, focusing on their priority programs. From June to September, these plans are presented to the MEF and reviewed in terms of budget priorities. The final stage of the process is the approval of the final budget at the National Assembly. The coordination and collaboration of all agencies and ministries in preparing their budget plan and designing their activities in accordance with the sectoral- and national-level policy facilitates the achievement of policy goals and objectives.

IV. JOINT SESSION 2: STRENGTHENING REVENUE MOBILIZATION WITH EFFICIENCY, EQUITY, AND SUSTAINABILITY

Speaker:

- Mrs. Bun Neary, Deputy Director General, General Department of Taxation, Ministry of Economy and Finance, **Cambodia**

9. The second session of the day discussed the core challenges faced by **Cambodia's** tax administration in dealing with non-compliance and the available tools that have been used to address it. In Cambodia, tax policy reforms have been undertaken since 2014, including the streamlining of three tax regimes into one, and the reclassification of taxpayers for the easier filing of returns for small taxpayers. In addition, measures to strengthen tax revenue collection were implemented in several areas, such as taxpayer registration, taxpayer services, return filing, and audits. Capacity building in the General Department of Taxation was also undertaken, through training at the National Tax School, and a new IT system was developed to manage tax arrears.
10. As a result of these reforms and measures, Cambodia succeeded in not only achieving higher success rates for tax revenue collection targets but exceeding them, from 89% to 113% in 2017. The reforms had also allowed Cambodia to capture more large taxpayers and increase tax revenue despite a rise in its salary tax thresholds.
11. However, challenges remain in strengthening revenue collection, particularly in overcoming a long-standing low tax-paying culture and transfer pricing issues that result in tax avoidance. There is also limited cooperation from the relevant government agencies and local authorities concerned, exacerbated by the lack of integrated systems, for example, between the Ministry of Commerce and the General Department of Customs and Excise, to cross-check on tax collection information. In addition, Cambodia faces other revenue collection challenges that stem from increasing e-commerce activity and the rise in cyber-crimes.
12. In tackling these challenges, the Cambodian government has worked continuously to update tax provisions to close loopholes, strengthen all core and supporting tax administration functions (e.g., registration, taxpayer service, human resources and IT), modernize rules and procedures, enhance cooperation with stakeholders, and seek bilateral and multilateral collaboration international tax issues.

V. JOINT SESSION 3: A PARADIGM SHIFT TOWARDS LINKING FORMULATION, EXECUTION, AND STRATEGIC REVIEWS

Speaker:

- HE. Mr. Chan Sothy, Under Secretary of State, Ministry of Economy and Finance, **Cambodia**

13. The third session discussed **Cambodia's** shift from Input-based to Strategic Planning and Performance Budgeting, and its efforts to design carefully-planned programs – with well-defined performance indicators – for better resource allocation, execution, and performance monitoring.
14. Medium-term strategic planning was introduced in Cambodia in 2008 when the Public Financial System Law was adopted. Cambodia's strategic planning currently has two components: (i) the Macroeconomic Policy Framework, which considers economic indicators such as GDP growth, inflation, exchange rate, current account balance, and short- and long-term policy measures; and (ii) the Public Finance Policy Framework, which considers the government's policy objectives, as well as their measures and key indicators. Based on these medium-term frameworks, a three-year rolling plan, called the Budget Strategic Plan (BSP) is prepared on an annual basis.
15. By 2025, the Cambodian government plans to fully implement a Medium-term Fiscal Framework (MTFF) and a Medium-term Budget Framework (MTBF) to strengthen current approaches. The MTFF will feature improved macroeconomic forecasting using better and more regularly updated information, while the MBTF will provide a concrete benchmark for line ministries to prepare their BSPs and annual budgets.
16. Among the key challenges faced by the Cambodian Government in implementing these reforms are the needs to develop the institutional capacity of line ministries, review their program structures, properly enforce rules and regulations, and digitalize budget management. Despite these challenges, Cambodia's performance budgeting reforms benefit from the momentum in implementation that has been built up over the years, as well as strong initiative and commitment from the Minister of Economy and Finance.

VI. JOINT SESSION 4: INTERNATIONAL EXPERIENCE IN STRENGTHENING BUDGET AND REVENUE MANAGEMENT SYSTEMS

Speakers:

- Ms. Jeawon Kim, Deputy Director, Fiscal Performance Evaluation Division, Ministry of Strategy and Finance (MOSF), **Korea**
- Mr. Lewis Hawke, Lead Public Sector Specialist, Governance Global Practice, **The World Bank**

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- Mr. Holger van Eden, IMF Regional Public Financial Management Advisor for Southeast Asia, IMF Technical Assistance Office in Thailand (TAOLAM), **IMF**

Moderator:

- Mr. George Larbi, PEMNA SC Co-Chair / Practice Manager, Governance Global Practice, **The World Bank**
17. The last session of the Day 1 sought to tie the discussions of the previous sessions together, by highlighting international experiences in strengthening the linkage of national policies to national development plans and the budget, enhancing revenue mobilization, and strengthening performance monitoring of national priorities.
 18. Ms. Jaewon Kim shared **Korea's** experience in revamping its Budgetary Project Evaluations (BPEs) to improve linkages of national policies to the budget and to enable more effective monitoring and evaluation of programs for better decision-making. First, the new BPE framework provides increased autonomy to line ministries in conducting self-assessments, developing performance indicators and restructuring their expenditure. The BPEs are also followed by an autonomous development and implementation of performance improvement plans for "ineffective" programs, with periodic reviews of plan implementation. In addition, the new system focuses on core projects for evaluation, and the holistic assessment of short-term outputs and medium-term impact based on the development of quarterly, yearly and 3-year term performance indicators. Quarterly site visits are also undertaken to enhance the reliability of qualitative evaluations via interviews, discussion, and field visits.
 19. With these changes, the Korean government is aspiring towards three key effects: (i) more autonomy and accountability within line ministries in delivering public services; (ii) a more comprehensive and rigorous expenditure restructuring approach, guided by a holistic evaluation approach and enhanced performance indicators; and (iii) better-informed budgetary decisions, via high-quality information obtained from on-site observations and in-depth evaluations of core programs.
 20. In response to a question on the follow-up actions taken by MOSF for ministries or agencies that did not perform well, Ms. Kim shared that in the past, automatic cuts to discretionary spending by 2% were undertaken as a result of poor performance. As the new system focuses on the real performance of projects, MOSF now requires ministries to submit a follow-up plan and monitors their adherence to it, shifting the strategy from punishment to performance improvement. A question was also raised on whether or not the Korean government commissions external parties, in addition to in-house expertise to conduct its evaluations in different areas. Ms. Kim shared that professors from universities, as well as researchers and experts from the private sector, are invited to engage during the evaluations the Korean MOSF conducts.

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21. Mr. Lewis Hawke from the **World Bank** shared some lessons from Australia, Netherlands, and the UK on introducing performance orientation to budget planning. Amongst the essential ingredients for successful implementation, he explained, include performance culture and the reinforcing of incentives. For example, it is vital for management and top leadership to prioritize performance to encourage the alignment of accountability with responsibility, and to ensure that results always lead to action. As data quality and availability have remained perennial challenges for most countries, the adequacy of data, systems, and skills must be taken seriously and cannot be done as an add-on to existing jobs. Another key takeaway from international experience is to keep it simple and focused, by developing systems that are manageable and cost-effective and being clear about who the users of performance budgeting are, what type of data they use, and what they use it for. Continuous refinement and change to the process are also important in achieving success.
 22. During the Q&A session, a question was raised on ways to minimize the seemingly high costs of PFM reforms, including monetary, human resource, compliance, and evaluation costs. Mr. Hawke advised that countries be clear about why they are introducing PBB, and who will use the information it generates. This clarity ensures that the cost and benefits of PBB are properly valued, and that unnecessary spending and work be avoided. For example, the US and Korea have moved from producing heavy and underutilized reports on unrealistic targets to having genuine performance conversations based on the qualitative and quantitative information obtained from their PBB processes. He added that many countries quickly learned that the burden on staff to provide information is immense, and a lot of the detail provided is often ignored. The focus should, therefore, be to produce high-quality information at a time when people require it, aimed at improving the effectiveness of government spending and performance culture at the agency level.
 23. In his presentation, Mr. Holger van Eden from the **IMF** explained the concept of revenue mobilization and its importance in increasing resources for credible and sustainable budgeting. Revenue mobilization is the generation of additional government revenue domestically through revenue policy and revenue administration reforms, and not through increased taxation. This includes measures such as the simplification of tax laws, broadening of the tax base, improvement in tax compliance, strengthening of core tax functions, and curbing of tax evasion. Revenue mobilization is critical for development as it creates the fiscal space for governments to fund critical investments and deliver public services in a sustainable manner. Mr. van Eden also drew important linkages between revenue mobilization and PFM, which include the crucial role of treasury management in strengthening revenue collection and monitoring, and the contribution of more stable and certain revenue collection to improved accuracy in revenue forecasts, which in turn leads to more credible budgets and medium-term fiscal frameworks. Mr. van Eden also emphasized the importance for governments to put strong performance management and budgeting systems in place to allocate and spend resources well, on top of improving revenue intake.

24. During the Q&A session, Mr. van Eden debunked the perception that there is often limited room for revenue mobilization. As the tax gaps for developing countries remain quite significant, there are large opportunities for these countries to broaden the tax base, reduce exemptions, and conduct better policy targeting for the poor. He discouraged the use of raising taxes as an easy way out and recommended it only when a country's tax rates are out of sync with its stage of development or with its peers. In response to a question on the right timing to expand the tax base, Mr. van Eden explained that the tax base can be expanded when there are constraints in public investment and social spending that need to be fixed. In addition, the government must possess the knowledge and capability to plan and spend additional resources efficiently.



B-CoP Sessions on Strengthening Budget-Policy Linkages to Improve Public Sector Performance

May 3, 2018 | Siem Reap, Cambodia

After a review of Day 1 and opening remarks by Ms. Amelita Castillo, B-CoP Chair, and HE. Mr. Ros Seilava, Secretary General of the PFM Steering Committee, members began discussions on the meeting's theme, "Strengthening budget-policy linkages to improve public sector performance". The day was organized into four sessions.



I. SESSION 1: LINKING NATIONAL STRATEGIC PLANS TO ANNUAL BUDGET PROGRAMS

Speakers:

- Mr. Ung Luyna, Deputy Director General of Budget, Ministry of Economy and Finance, **Cambodia**
- Ms. Yolanda R. Reyes, OIC Assistant Director, Fiscal Planning and Reforms Bureau, Department of Budget and Management, the **Philippines**
- Mr. Nguyen Van Phong, Head of Local State Budget Division, State Budget Department, Ministry of Finance, **Vietnam**

Moderator:

- HE. Mr. Hav Rattanak, Director General of Budget, Ministry of Economy and Finance, **Cambodia**

1. The first session of the Budget CoP focused on the linkages between national strategic plans and annual budgets, emphasizing the need for clear policy guidance for line ministries to implement strategic plans and programs that are fiscally sustainable and supportive of development priorities. Representatives from Cambodia, the Philippines, and Vietnam shared their experiences in translating national strategic plans into annual budget statements and circulars, and in cascading national priorities down into sectoral or ministry plans.
2. Mr. Ung Luyna attributed better linkages between **Cambodia's** budget and the government's policy priorities to the implementation of program budgeting, which began in 2008. With a focus on accountability for results, Cambodia ensures national priorities are cascaded to line ministries' plans through several measures. For example, Cambodia's circulars for both the three-year Budget Strategic Plan and the annual budget defines government policies and priorities, the budget ceiling for each sector set by the MEF, and measures for allocative and operational efficiency. The list of project proposals submitted by line ministries are also reviewed by an inter-ministerial committee based on policy priorities and are subject to feasibility studies. The MEF also reviews the proposals, costing and relevance to of proposals to national and sectoral strategies.
3. In the **Philippines**, budget linkages to national priorities are ensured through the issuance of the National Budget Memorandum. Ms. Yolanda R. Reyes explained that the country's Three-year Rolling Infrastructure Program (TRIP) has two levels of prioritization. The first ensures responsiveness to the development goals set in the Philippine Development Plan, as well as the implementation readiness of infrastructure projects. The second-level adopts a programmatic approach and identifies national priority areas for increased spending. The National Budget Memorandum also clearly defines the annual budget priorities for development, outlines past progress in meeting development objectives, and highlights budget performance and pressure points to emphasize accountability.
4. As **Vietnam** is still in the early stages of implementing PBB, linkages between its national and sectoral plans to the annual budgets remain weak. Mr. Nguyen Van Phong explained that this is partly due to revenue collection uncertainties, as well as the institutional separation between the roles of the investment and planning agency, which are responsible for planning, and the public financial management agency responsible for budgeting. However, recent reforms have enabled better alignment between Vietnam's the three-year financial plans to its five-year plans, as the three-year plans are now prepared by benchmarking against the objectives and targets set out in the five-year socio-economic development plan.



II. SESSION 2: CONVERTING POLICY TO ACTION IN PROGRAM BUDGETS— STRATEGIES AND CHALLENGES

Speakers:

- Mr. Langgeng Suwito, Deputy Director, Budget Performance Evaluation, Ministry of Finance, **Indonesia**
- Mr. Tran Trung Hieu, Official, State Budget Department, Ministry of Finance, **Vietnam**
- Mr. Lewis Hawke, Lead Public Sector Specialist, Governance Global Practice, **World Bank**

Moderator:

- Dr. John M. Kim, Head of the PEMNA Secretariat / Senior Research Fellow, Korea Institute of Public Finance (**KIPF**)

5. The second session of the B-CoP meeting discussed the translation of policy into action and outputs. Participants shared their ideas and experiences in forming productive linkages between program outputs and policy outcomes to ensure budget resources are used efficiently.
6. Mr. Langgeng Suwito, Deputy Director of Budget Performance Evaluation at the MoF shared four strategies that the **Indonesian** government employs to strengthen links between policy goals and budgeted programs, as well as to mitigate any coordination risks that may arise from having many local governments and agencies at the sub-national level. The first is to

strengthen the integration between the planning and budgeting process. This is done by combining the planning and budgeting application systems and formats, enhancing the link between both documents. A trilateral meeting is also held between the Ministry of National Development and Planning (BAPPENAS), the Ministry of Finance, and line ministries to review the line ministries' working plan proposals, and ensure minimal overlaps between public and private spending, as well as between central and local government spending. Second, Indonesia emphasizes the importance of comprehensive performance information to facilitate effective decision making. Line ministries are required to present detailed information on their proposals, with explanations on the output, outcome, and impact of each proposed activity. Third, Indonesia is undertaking improvements to the effectiveness of its coordination mechanism, through a more fluid exchange of information and increased communication. Lastly, another strategy to improve the conversion of policy into action is to strengthen the monitoring and evaluation mechanism to ensure national priorities are executed effectively, that programs and their components are carefully reviewed, implementation is thoroughly monitored and that results are evaluated. Any changes in national priority outcomes or outputs require clearance from the planning ministry.

7. In **Vietnam**, the overall objectives of the Socio-Economic Development Plan (2016-2020) policy are translated and implemented via two types of programs: (i) National Target Programs (NTPs), and (ii) Target Programs (TPs). Mr. Tran Trung Hieu explained that the NTPs, such as the NTP on Sustainable Poverty Reduction (2016-2020), are designed to achieve national socio-economic targets, are implemented nationwide, and can be broken down into projects and sub-projects. TPs, on the other hand, are narrower, sector- or region-specific, and aimed at achieving one or several specific targets.
8. An integral part of ensuring an efficient and productive conversion of policy to action in program budgets is the undertaking of evaluation and reviews. Mr. Lewis Hawke shared some **OECD** experiences and lessons in evaluation and review strategies, focusing on the undertaking of spending reviews to assess program alignment with policy, value for money, efficiency, and opportunity cost. Spending reviews are traditionally used in cost-cutting exercises or to support fiscal consolidation, although more recently, there have been fewer, but more targeted, cross-cutting reviews being undertaken in areas governments deem have significant potential for change. International experience shows that spending reviews undertaken in the time of fiscal stress, and focusing primarily on savings with limited use of performance data are less effective when fiscal conditions improve and can dissipate quickly if fiscal control is weak. However, substantial and sustainable efficiency and effectiveness improvements can be made if line agencies are involved in the review process, and if reviews are not undertaken primarily to cut expenditure. Reviews are also more effective when they are evidence-based, requiring quality performance data, and when they are linked to wider reform programs and policy cycles.

9. A common issue raised by several members during the discussion was that while their governments are trying to pursue PBB, and encourage the gathering and reporting of performance information, parliamentary discussions still center around budgetary details on inputs and operational matters, which have little relevance to real performance. In his response, Mr. Hawke shared efforts undertaken by OECD countries to raise the level of debate on budget information and encourage the relevant parties to ask sensible questions on effectiveness. These efforts include training parliamentary members, NGOs, and the media on strategic directions, impact evaluations, and questioning government programs.



III. SESSION 3: ADDRESSING THE CHALLENGES OF VERTICAL AND HORIZONTAL ALIGNMENT AND INTEGRATION

Speakers:

- Mr. Praj Prajyabhorn, Budget Analyst, Budget Bureau, **Thailand**
- Ms. Carmencita P. Mahinay, Director, Budget and Management Bureau, Department of Budget and Management, the **Philippines**
- Mr. Zulkhairil Amar Mohamad, Section Head, National Budget Office, Ministry of Finance, **Malaysia**

Moderator:

- Ms. Tracy Henderson, Advisor, Office of Technical Assistance, U.S. Department of Treasury (USOTA)

10. The achievement of national priorities often requires the collaboration and contribution of multiple ministries and/or levels of government. In the third session, participants discussed ways to encourage collaboration between multiple parties in planning and implementation, effectively manage and coordinate vertical and horizontal alignments to prevent program overlaps, and establish clear accountability for outcomes when contributions are shared across different parties.
11. In **Thailand**, the government implements an Integrative Budgeting approach to encourage a collaborative budget process. The approach, as explained by Mr. Praj Prajyaborn, helps reduce overlapping activity, maximize returns from limited budget resources, and focus on national priorities. Under this approach, a committee, chaired by the Deputy Prime Minister is set up for each program, to develop a budget proposal to be approved by the Budget Bureau. Each committee comprises the line ministries or departments involved the Budget Bureau, the National Economic and Social Development Board (NESDB), and the Office of the Public Sector Development Committee (OPCD). The committee for Thailand's narcotics control program, for example, comprises the Office of Narcotics Control Board as secretariat, the Budget Bureau, NESDB and OPCD as co-secretariat, and other participating ministries, including the Ministry of Justice, Ministry of Interior, and Ministry of Health as members of the committee. The collaboration in place from the budget proposal development stage helps ensure that the incentives and outcomes of the multiples parties involved are aligned.
12. In her presentation, Ms. Carmencita P. Mahinay shared the **Philippines'** Program Convergence Budgeting process, where several government agencies work as one to achieve common objectives, instead of competing for budgetary resources. The approach reinforces the government's push for more prudent and targeted spending by fostering collaboration amongst agencies in planning, budgeting, and implementing priority programs and projects. The Program Convergence is deemed an important component of the budget preparation process and occurs every January to April, after the Budget Call and in parallel with stakeholder engagement and consultations with regional development councils. During this activity, different departments or ministries involved in a project or program come together to develop their budget proposals and align their objectives and outcomes. The Tourism Development Program, for example, brought together the Tourism Department as the lead department, and other participating stakeholders such as the Public Works, Transportation, Environment, and Foreign Affairs departments. Upon approval of the budget, funds are released directly to implementing departments.
13. In its efforts to implement PBB, **Malaysia** has introduced the Outcome Based Budgeting

system and adopted the Integrated Results Based Management principles, which enable long-term planning through effective horizontal and vertical integration. Mr. Zulkhairil Amar Mohamad from the National Budget Office explained the framework of the 11th Malaysia Plan (2016-2020), which outlines six strategic thrusts to address the needs of Malaysia's development, each broken down into several Focus Areas. Multiple ministries collaborate to implement programs that contribute to each Focus Area under a Strategic Thrust. For example, the Strategic Thrust "Enhancing Inclusiveness towards an Equitable Society" breaks down into several Focus Areas, one of which is to "Uplift B40 Households towards a Middle-Class Society". The outcome of this Focus Area is to increase the size of middle-class households, and this is to be achieved through programs implemented by the Ministry of Education, the Ministry of Agriculture and Agro-based Industry, and the Ministry of Rural and Regional Development. Outcomes are outlined at sub-program, program, and ministry-level, and all of these contribute to national-level outcomes under the Focus Area and Strategic Thrust. A Programme Rationalization Committee has also been set up to review and evaluate new and existing programs, and to minimize overlaps, redundancies, and gaps, as well as to ensure shared outcomes.

14. Following the presentations, a group discussion led by Ms. Henderson, Advisor at the USOTA, asked participants the following three questions:
 - *We heard about different models of integrating issues across multiple ministries. Should the executive/prime minister's office have coordination responsibility? Or some other ministry? If yes, which one? And why?*
 - *How can the budget analysts engage in these integrative/converging issues?*
 - *We heard examples of cross-ministry issues such as 1) increasing tourism, 2) narcotic control, and 3) increasing the middle class. What are some other examples of issues/priorities that cross multiple ministries? Which type of ministries would be involved in each example?*

15. Most groups agreed that the Prime Minister's office should have coordination responsibility, due to the authority that it has in managing and harmonizing the different ministries and agencies. In most member countries, any budgeting conflicts between multiple parties are discussed at the ministry- or agency-level, before being brought up to the Prime Minister for resolution. Examples of priorities that cross multiple ministries included Cambodia's health initiatives, where implementation would not only concern the Ministry of Health, but also other ministries such as the Ministry of Economy and Finance, and the Ministry of Labor. Thailand also offered the example of the poverty reduction initiatives and the Special Economic Zone in Thailand, both of which require collaboration and cooperation from multiple ministries and agencies.



IV. SESSION 4: INTEGRATED BUDGETING FOR COMPREHENSIVE AND EFFECTIVE BUDGET-POLICY LINKAGE

Speakers:

- HE. Mr. Pen Thirong, Director General, General Department of International Cooperation and Debt Management, Ministry of Economy and Finance, **Cambodia**
- Mr. John Carlo Dumas, OIC-Division Chief, Fiscal Planning and Reforms Bureau, Department of Budget and Management, the **Philippines**
- Ms. Anchidtha Roonguthai, Budget Analyst, Budget Bureau, **Thailand**

Moderator:

- Mr. George Larbi, PEMNA SC Co-Chair / Practice Manager, Governance Global Practice, The **World Bank**

16. The last session of the day focused on the importance of reporting all costs associated with achieving national policy objectives, including all components of Operating and Capital Budgets, as well as funding from Development Partners (DPs) and Public-Private Partnership (PPP) initiatives, for effective program budgeting. Participants discussed ways in which all the information can be integrated into budget submission documents, and linked to policy objectives and outcomes.

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17. The need for integrated budgeting in **Cambodia** arose due to unconsolidated current and capital budget information, and between national budget and projects funded by DPs, the absence of an effective long-term public investment management framework, and the difference in procedures in implementing the national budget and DP-funded projects. HE. Mr. Pen Thirong, Director General of the Department of International Cooperation and Debt Management of the MEF shared Cambodia's efforts to integrate its budgets since 2004, which includes the setting up of Budget Working Group for every ministry to consolidate and integrate activities within it and amongst other ministries. The Budget Strategic Plan, which is a three-year rolling budget, also acts as a tool for integrated budgeting and is prepared annually by line ministries to link the priorities of the Ministries and Agencies to sectoral goals and the National Strategic Development Plan. It is a comprehensive effort, covering all revenue sources and expenditure types. In addition, the Cambodian government has also harmonized local procedures for national and DP-funded projects. While these efforts have improved integrated budgeting in Cambodia, several challenges remain, including the inconsistency between the Annual Budgets and the Budget Strategic Plans, inefficiencies in some Budget working Groups, and the limited human resource capacity in ministries and agencies. To resolve these challenges, the Cambodian government strives to enhance integrated budgeting with further consolidation of budgets and the implementation of a Strategic Capacity Development Plan.
18. In his presentation, Mr. John Carlo Dumas shared the tools used by the **Philippines** to ensure integrated budgeting. The first, its Framework for Strategic Budgeting links top-down and bottom-up budgeting in determining budget priorities. The top-down approach utilizes macroeconomic forecasts and projected revenue and expenditure levels to develop the expenditure direction and priorities for the Government in the Budget Priorities Framework. Based on this, the Budget Priorities Framework then outlines the budget ceilings for each Ministry or agency for their ongoing programs or projects, and the fiscal space available for new programs or projects, or expansion of existing policies. The bottom-up process involves line ministries working closely with each other to propose their spending proposals and develop budgetary estimates of their new and ongoing programs, projects and activities, based on the Budget Priorities Framework. The Philippines also employs an Integrated and Medium-term Approach to national budgeting, where the Department of Budget and Management works closely with line agencies to determine and integrate their operating and capital expenditures for new and ongoing budget proposals, and then to combine them into a total budget proposal. Going forward, the Philippines is implementing further reforms towards integrated budgeting, which include the establishment of an integrated financial management system for enhanced processing, recording, monitoring and reporting of government financial transactions, refinement of agencies' costing and operational plans, and further tightening of linkages between agency strategic plans and national development priorities.

19. Ms. Anchidtha Roonguthau from the Budget Bureau shared the mechanisms in place in **Thailand** to ensure clear and effective linkages between the budget and national policy. At the budget planning stage, a top-down approach helps establish this linkage, as the Thailand 20-year Master Plan, the National Economic and Social Development Plan, SDGs, Thailand 4.0, National Security Policy, and other government policies feed and trickle down into the budget allocation strategies for the central fund, public sector personnel, ministries/agencies, regional development, and public sector debt management. At the budget preparation stage, budget allocation guidelines are put in place to ensure comprehensive information from line ministries on each program, including on current and capital expenditure and all other sources of funding. Internal budget scrutinizing committees such as the Committee on National Security Expenditure, the Committee on Economic Affairs Expenditure, and the Committee on Social Services Expenditure help ensure that program objectives are in line with policy and met in the most cost-effective manner.
20. Following the presentations, a group discussion led by Mr. George Larbi, Practice Manager of the Governance Global Practice at the **World Bank**, asked participants the following questions on the integration of capital and expenditure budgeting:
- *Do line ministries in your country present their capital and current expenditure proposals in one budget submission? How do they clarify the linkage between both types of expenditures? Do they use a program classification for this? What additional information would benefit decision-makers?*
 - *Are the total costs of new investment projects (including current expenditures) calculated and presented in the budget documents? How should multi-year commitments (in the capital and current expenditure) be presented in the budget?*
 - *Are current expenditures of investment projects funded by development partners, state-owned enterprises or through public-private partnerships systematically calculated? For how many years? What are the difficulties in presenting this information in the budget?*



- Does the budget calculation and chart of accounts clearly distinguish between capital and current expenditure in line with international standards?

21. The group discussion reflected the efforts that member countries have embarked on to integrate the reporting of all expenditure types and to link them to national outcomes. The Philippines, for example, requires line ministries to combine their capital and current expenditures into a total budget proposal, and is now working to establish an integrated financial management system to further strengthen this integration. In Thailand, line ministries are similarly required to report information on both capital and current expenditure for each program to internal budget scrutinizing committees. For multi-year investments, some countries, such as Cambodia and the Philippines, present the total costs of multi-year commitments in three-year rolling plans. The rolling plans provide an estimation of the investment costs over a three-year period, but also enable some flexibility for adjustment on a yearly basis through the tabling of the annual budgets.

V. PEMNA B-COP LEADERSHIP TEAM (LT) MEETING

22. At the end of Day 2, the B-CoP LT convened to discuss future B-CoP events and other matters. The next B-CoP Meeting was confirmed to be held in Thailand in mid-November 2018.
23. The Secretariat also proposed for the B-CoP to produce more tangible and substantive outputs, such as reports or knowledge products on specific topics, based on the discussions and inputs captured at B-CoP meetings. These outputs will not only serve as useful references for members but can also be used to present the B-CoP's work and knowledge to other stakeholders and external parties. The LT agreed to support the Bank and the Secretariat to develop these outputs if an appropriate consultant or volunteer can be found to coordinate the effort. The LT thanked the Secretariat for their hard work in executing a successful 2018 Plenary Conference.

T-CoP Sessions on Developing an Effective Government Revenue and Management System

May 3, 2018 | Siem Reap, Cambodia

After the opening remarks by Mr. Rudy Widodo, T-CoP Chair, and Mr. Atul B. Deshpande, T-CoP Facilitator, the T-CoP members began discussions on the meeting's theme, "Developing an Effective Government Revenue and Management System." The day was organized into four sessions.



I. SESSION 1: DEVELOPING COLLABORATION WITH BANKING/NON-BANKING INSTITUTION IN ACCELERATING REVENUE COLLECTION

Speakers:

- Mr. Youroath Te, Chief Office of Accounting Department, General Department of National Treasury, Ministry of Economy and Finance, **Cambodia**
- Mr. Seung Park, Deputy Director, Treasury Division, Ministry of Strategy and Finance, **Korea**
- Ms. Ngoc Minh LE, Officer, General and Legal Affairs Department, Vietnam State Treasury, **Vietnam**

Moderator:

- Mr. Rudy Widodo, PEMNA Treasury CoP Chair / Director of State Cash Management, Directorate General of Treasury, Ministry of Finance, **Indonesia**

1. This session focused on the collaborative role of the banking and non-banking institutions in developing an effective government revenue management system. Ideally, Government revenues should be deposited into the Treasury Single Account (TSA) immediately after being collected so as to minimize the float, i.e., the time gap between the revenue receipt and the credit to the TSA. The session discussed the optimal service level agreements with banking and non-banking institutions, as well as the role of the Treasury as the sole negotiator of such agreements. It was emphasized that setting up of the TSA is a critical way of gathering the floating cash into a single place. The service charges and IT arrangements related to accelerating revenue collection were also discussed.
2. Mr. Youroath Te of the National Treasury of **Cambodia** discussed the various stages of Treasury reforms in Cambodia and the criteria for selecting commercial banks for collecting tax and non-tax revenues. He also brought out the linkage between the revenue collections and the TSA through the tax agency, line ministries, commercial banks, and the National Bank. Some of the challenges faced were non-recognition of revenue and a lack of interface between the revenue collection system and the FMIS and opined that this would need to be addressed through the linking up of the tax systems and the financial systems reporting revenue collection. Setting up of the TSA resulted in the closing of thousands of accounts and gathering floating cash in one place, while revenue collection through banking channels provides efficiency and effectiveness of cash transfer to the TSA on time.
3. Mr. Seung Park from the Treasury of the Ministry of Strategy and Finance (MOSF) of **Korea** explained the process of collecting revenue receipts and the policy infrastructure for the same. Under the policy framework, the MOSF allows the Bank of Korea (BoK) to make a contract with the financial institutions for receiving revenues and providing services related to treasury management. There is a National Treasury Network System linking IT systems of the MOSF, BoK, and financial institutions in a server to the server environment, which helps real-time transfers.
4. In **Vietnam**, the involvement of the commercial banks in the revenue collections has improved efficiencies and timelines, reduced costs, and simplified processes for the taxpayer as well as for the tax collection agency. However, Ms. Le Ngoc Minh of the Vietnam State Treasury explained that there is a need to have a separation between administration information and payment information while standardizing information on state budget collection. She felt that there is also a need to upgrade and implement the IT system, improve the legal basis, expand specialized accounts for revenue gathering and simplify information exchange between agencies.

5. At the discussion session, Cambodia explained that some entities within the government do not always report their revenue in a timely manner and this challenge is being addressed, inter-alia by assigning a code to each of the line ministries. The team from South Korea clarified that the designated Banks are authorized to manage cash and it takes about a day or two for the transfer. The banks thus have a day or two to manage these funds and are also paid fees for their services.



II. SESSION 2: DEVELOPING APPROVAL SYSTEM OF REVENUE TRANSACTIONS ELECTRONICALLY

Speakers:

- Mr. Moudy Hermawan, Head of Special State Treasury Service Office of Revenue, Directorate General of Treasury, Ministry of Finance, **Indonesia**
- Ms. Thi Thanh Tam LE, Officer, Information Technology Department, Vietnam State Treasury, **Vietnam**

Moderator:

- Mr. Rusdi Ahmad, Senior Principal Assistant Director, Accountant General's Department of Malaysia, Ministry of Finance, **Malaysia**

6. This session focused on developing a safe and secure electronic approval system for

revenue transactions. The session discussed the mechanisms implemented in the Financial Management Information Systems (FMIS) for this purpose, by classifying funds according to the type of tax and revenue sources, to achieve effective financial management. Information Technology can be used for tagging individual receipts instead of the traditional method of verification by financial officers. These mechanisms allow for the implementation of standards of control inherent in accounting and the adoption of optimal international practices while supporting the acceleration of revenue collections to the TSA.

7. Mr. Moudy Hermawan of the **Indonesian** Treasury explained the history and the evolution of the Government's Revenue Receipt Management System and the key challenges faced. These related to handling the timeout transaction (certainty for taxpayer, transaction and cash reconciliation, and data notification and monitoring), IT infrastructure (server-network durability and emergency events continuity), and Business processes (e-channel, data reconciliation, transaction costs). Some of the key lessons learned were the need for an integrated and interconnected IT system, multi-collecting agents, innovation in business processes and ICT and continuity in monitoring, evaluation, and development. He also explained the key features of the enhanced system, MPN G3.
8. Ms. Le Lhi Thanh Tam gave an overview of the state budget and discussed the system of revenue transaction in **Vietnam**, including the implementation of modern and convenient ways of paying tax. They have also centralized and unified the data of revenue transactions between the State Treasury and the collecting agencies. A key challenge is that a lot of management information is still integrated into the revenue transactions with the attendant risk that some of it may be lost during the process of transferring revenues. There are a limited number of commercial banks involved in revenue collection and there are errors in the information collected between the State Treasury and the Banks, and these issues are being addressed.

III. SESSION 3: IMPROVING THE CASH FORECASTING QUALITY FOR GOVERNMENT REVENUE

Speakers:

- Mr. Guillermo Tello, Resident Advisor, Office of Technical Assistance, U.S. Department of Treasury (USOTA)
- Mr. Inacio Orlando E Silva Araujo, Treasury Officer, National Directorate of Accounting and Financial Regulation, Ministry of Planning and Finance, **Timor-Leste**

Moderator:

- Mr. Atul B. Deshpande, Senior Public Sector Specialist, The **World Bank** Group, Myanmar Country Office

9. This session deliberated on the methods to improve the quality of cash forecasting as an important input for estimating government revenues. Effective cash management can only take place if the tools and resources are in place to record, monitor and project accurate short-term inflows and outflows in the TSA. While an analysis of trends and historical data can facilitate the projection of tax revenue flows, the pattern of sales tax flows present idiosyncratic components. The session also discussed quantitative and qualitative approaches to produce more robust cash forecasts with a focus on sales tax revenues.
10. Mr. Guillermo Tello of the Office of Technical Assistance of the **US Treasury** stressed on the need to implement a structured approach and use appropriate techniques to increase the predictability of the Revenue Forecasts. These would include selecting forecasting methods and implementing key forecasting techniques like Single Exponential Smoothing, Simple Trending, 12-month Moving Average, and Time Series Regression. Mr. Tello also cautioned that it was more difficult to forecast Value Added Tax because of its multi-stage nature and needs to be administered separately. The potential tax revenue through VAT is a function of the tax rate, the tax base, and the level of compliance and can be simulated through an input-output model based on these three parameters. Nevertheless, revenue estimators cannot overcome volatility in the economy and tax systems and for this, the policymakers need to consider boosting liquidity reserves, implement fiscal devices to limit reliance on volatile taxes and link spending limits to revenue. In conclusion, a structured process fosters best forecasting practices while the time horizon influences the techniques and approaches a forecaster may use.
11. Mr. Inacio Orlando E Silva Araujo from **Timor-Leste** outlined the revenue collection procedure and the revenue process flows – both cash payments and direct deposits. He also explained



the process flows for tax and customs revenues and the operation of the TSA that comprises accounts from commercial banks and government accounts held at the Central Bank. All amounts are consolidated in reporting the TSA, however, due to daily sweep, the commercial bank balances are usually zero. Mr. E Silva Araujo also discussed the existing weaknesses of the treasury accounting processes and the actions being taken to address these. The Treasury plans to improve revenue forecasting through the development of revenue models for major agencies, timely analysis of collections, to determine causes for variances and using systems interface to monitor the entire process from invoicing to input to collections.

12. At the discussion, it was emphasized that the right tax policy is critical to avoid the revenue shortfall, and coordination between the tax authority and the treasury is necessary for accurate revenue forecasting. There should be a long-term approach to assessment and collection of corporate taxes based on the trend analysis of the key sectors of the economy while the revenue potential of VAT should be carefully simulated through appropriate models.

IV. SESSION 4: DEVELOPING CONTROL AND ACCOUNTABILITY OF THE SPENDING UNIT THAT HAS FLEXIBILITY/ AUTHORITY TO USE NON-TAX REVENUE

Speakers:

- Mr. Izharul Haq Saufian Tarmudji, Deputy Director of Treasury Dealing Room Policy and Risk Management, Directorate General of Treasury, Ministry of Finance, Indonesia

Moderator:

- Mr. Alexis Pastrana, Treasury Operations Officer III, Bureau of the Treasury, Department of Finance, the **Philippines**

13. The final session discussed the optimal practices for the establishment of accounting records of non-tax revenues deposited in the TSA. The role of the Treasury is to ensure the flow of revenues to the TSA, but in some cases, the Treasury can give flexibility to spending units (say a public hospital or university) to use non-tax revenues first, account for the expenditures, and then send the balance of the revenues to the TSA. This will allow for the efficient use of cash while other accounting entities maintain ownership of such financial resources. These practices tend to increase the willingness of the owning entity to deposit the revenues in the TSA.
14. Mr. Izharul Tarmudji of the Indonesian Treasury discussed the evolution of public services and the growth of the public service agency (BLU). The BLU needs to meet some substantive and some technical requirements and is regulated by the Ministry of Finance. The substantive requirements relate to the ability to provide public services and generate revenues while the

technical requirements related to the performance of public services and the financial health of the entity. Once the agency meets these requirements, it can take up varied functions like revenue and expenditure management, cash and debt management, investment, procurement and development of financial and accounting procedure.



2018 T-CoP Webinar on Improving Efficiency, Effectiveness, and Accountability of Foreign Currency Transactions

October 16, 2018 | Videoconference



1. The Treasury Community of Practice (T-CoP) organized a webinar on the subject “Improving Efficiency, Effectiveness, and Accountability of Foreign Currency Transactions through the role of selected Commercial Bank as Treasury Agent.” Six-member countries, Cambodia, Myanmar, Malaysia, Philippines, Timor Leste, and Vietnam attended the meeting and participated in the discussions that followed. The Ministry of Finance of Indonesia made a presentation on the subject and shared the experience of the Indonesian State Treasury and its partnership with commercial banks to route and distribute funds to their overseas spending units. The presentation covered the existing mechanisms for fund transfers and the planned future mechanisms that are expected to result in greater efficiency and effectiveness. The webinar was moderated by Mr. Atul Deshpande, the facilitator of the PEMNA T- CoP.
2. The T-CoP facilitator welcomed all the participants from the attending member countries and thanked the Indonesia team for volunteering to make this presentation. The facilitator also requested other member countries that may have made progress in the implementation

of a commercial bank as treasury agent, to share their experiences and challenges they are facing. The Indonesia team of Mr. Indra Soeparjanto, Deputy Director of Cash Revenue and Expenditure Management of the Directorate General of Treasury, Ministry of Finance, Indonesia, Mr. Imam Subagyo, Deputy Director of Other Account Management and Treasurer Accountability Guidance and Mr. Noor Faisal, Deputy Director for Cash Optimization then made a presentation (attached) on the subject and on Indonesia's experience.



3. The Indonesia Treasury/MOF team explained that in the existing mechanism all payment requests from spending units were routed through the "Financial Bureau of the Ministry of Foreign Affairs and the payment/ fund disbursement orders went through a correspondent bank and on to the headquarters of the representative bank. The change/breakthrough planned is the Ministry of Finance entering into a partnership agreement with a Forex Operational Bank that has, a branch or a representative office in Indonesia. The planned future mechanism will involve the fund disbursement order directly being routed to the Foreign Exchange Operational Bank in Indonesia (Citibank), which will have a KPPN expenditures account in foreign exchange. The funds will then be routed to the Citibank in New York and thereon to the representative accounts in different countries, maintained in the branches of Citibank. This initiative has been implemented and is expected to bring about a standardization of bank accounts and help manage idle/petty cash. The spending units at Indonesia's representatives overseas, the Financial Bureau of the Ministry of Foreign Affairs, and the Directorate of Cash Management at the Ministry of Finance will also benefit from these changes. Currently, a pilot project within five spending units at Indonesia's representatives overseas is implemented. The evaluation has been done and expansion of the pilot project is on progress.



4. Following the presentation, participants actively asked questions and shared their thoughts on how to improve efficiency, effectiveness, and accountability of foreign currency transactions in their respective home countries.
5. Some of the questions and areas of discussion were as follows:
 - a. How many Indonesia spending units are there in the country and overseas? How about spending units handling the cash? How does the process happen?
 - b. How does the spending unit record the bank transactions, and whether the accounting system is manual?
 - c. Regarding the open bank account, do they need the approval from the central bank (or Ministry of Finance, Treasury department)?
 - d. How do they control the bank account manually?
 - e. How do you handle the payment request given the exchange risk associated?
 - f. Why has Citibank been chosen as the commercial bank? What are the criteria?
 - g. Who provides the cash management system? How are staff trained?



6. The facilitator wrapped up the webinar emphasizing the importance of this subject and the need to improve the efficiency of foreign currency transactions using commercial banks as treasury agents. He also encouraged the further exchange of experiences between countries and suggested that members contact their counterparts from the Indonesia Treasury for further questions and clarifications. It was also agreed that at the next Treasury CoP Webinar, Indonesia will present the pilot for "Procurement, Accounting and Spending Unit's issues

2018 PEMNA B-CoP Meeting on Fiscal Responsibility

November 14-16, 2018 | Bangkok Meeting



I. INTRODUCTION

1. The second PEMNA B-CoP meeting of 2018 was held in Bangkok, Thailand from the 14th to the 16th of November. The event was attended by B-CoP members from twelve countries²³⁾ as well as experts from international organizations. Participants shared their experiences and discussed lessons surrounding three topics: (i) Fiscal Responsibility, (ii) the Role of the Central Budget Office in Oversight of Subnational Spending; and (iii) Program Monitoring and Evaluation for Social Programs.
2. **Mr. Dechapiwat Na Songkhla**, Budget Director of the Budget Bureau in the Office of the Prime Minister in Thailand, expressed his satisfaction to see how the PEMNA community has thrived since his initial involvement six years ago. He extended a warm welcome to all the participants and expressed his hopes for the meeting: PEMNA member countries learn significantly from

23) Countries represented were: Brunei, Cambodia, Indonesia, Korea, Lao PDR, Malaysia, Mongolia, Myanmar, Philippines, Singapore, Thailand, and Vietnam.

each other and from international experiences, and that participants openly share their opinions, as well as reconnect with each other.

3. In his opening remarks, **Mr. Moustapha Ndiaye**, Senior Advisor at the World Bank, congratulated and thanked the Government of Thailand for hosting the meeting. He highlighted the timeliness and relevance of “fiscal responsibility” as a meeting theme, given the growing concerns about the global economy. He noted that global growth is expected to edge down in the near term, coupled with risks surrounding policy uncertainty, geopolitical developments, the gradual tightening of global financing conditions, rising debt levels and currency volatility. Against this backdrop, Mr. Ndiaye emphasized the importance for countries to rethink their fiscal policies so that they are well prepared to face future turbulence.



4. Mr. John M. Kim, Head of the PEMNA Secretariat, and **Ms. Amelita Castillo**, B-CoP Chair and Assistant Secretary of the Department of Budget and Management in the Philippines, also took the opportunity to thank the Thai government for not only hosting the meeting but also for supporting the PEMNA network from its inception.



II. DAY 1: FISCAL RESPONSIBILITY

5. The first session of Day 1 provided members with **international perspectives on fiscal rules and fiscal responsibility acts**. International experts delivered an overview of how countries around the world have approached fiscal responsibility, covering issues such as the types of fiscal rules used and their motivations, when and why countries use legislative acts and fiscal councils to enforce rules, data accuracy and institutional independence, limitations and risks associated with fiscal rules, and the implications for PEMNA member countries.

- **Mr. Holger van Eden**, IMF Regional Public Financial Management Advisor for the South-East Asian region discussed fiscal responsibility laws (FRLs), and how to make them work based on international experiences. To start, Mr. van Eden defined a FRL as “a legal framework that embeds in law an agreed set of policies, processes or arrangements intended to improve fiscal outcomes, discipline, transparency, and accountability by requiring governments to commit to monitorable fiscal policy objectives and strategies”.
- Countries introduce FRLs for four main reasons: (i) to codify good practices; (ii) change bad practices, such as to close loopholes and protect investments; (iii) drive PFM reform; and (iv) alter the financial balance of power, such as between central and sub-national governments. Fiscal policy can often be problematic, however, due to autonomous drivers of public expenditure, irresponsible politicians, “policy” failures due to short-sightedness and information asymmetry, implementation breakdowns, and inconsistent use of the fiscal policy.
- FRLs are unique in that they exchange policy discretion for rules-based management, but the more reputational capital is built up the more effective they are. FRLs are useful instruments in supporting fiscal discipline, sustainability, stability, transparency, and accountability, but their success depends crucially on appropriate design, wide political support, acceptance, and the availability of adequate PFM systems. The coverage of FRLs has to be realistic. Too narrow a coverage may lead to the shifting of expenditure to other sectors, or have a limited impact on the fiscal stance, while too broad a coverage may prove difficult to monitor or gain political consensus. Because FRLs tend to be pro-cyclical during difficult economic times, it can be useful to include escape clauses for events such as natural disasters and severe economic recessions.
- Fiscal rules, defined as rules that impose a long-lasting constraint on fiscal policy through numerical limits on budgetary aggregates, can be a useful addition to FRLs by making their requirements more focused and binding. The use of fiscal rules around the world has been growing, and they are used to provide clarity to fiscal policy, a commitment by the authorities, a signal of fiscal sustainability to markets, or as an automatic, objective and non-political response to economic situations. Fiscal rules can be broadly grouped into four categories: expenditure rules, revenue rules, debt rules, and budget balance rules.

- Fiscal rules have had a positive impact on sustainability, but they must reconcile fiscal policy with other macroeconomic policies and balance the requirements of enforcement with some flexibility to accommodate deteriorating economic environments. More importantly, both FRLs and fiscal rules need to be supported by adequate fiscal monitoring and reporting, sufficient management capacities, sound budget institutions, and be calibrated to country-specific circumstances.



- **Mr. Lewis Hawke**, Lead Governance Specialist at the World Bank also shared some observations on fiscal responsibility practices globally. More than 90% of OECD countries employ fiscal rules, mostly in the form of budget balance and debt rules. Most of these OECD countries apply two rules at a time, and the legal basis for fiscal rules is mainly legislation, followed by international treaties, internal policies, and others.
- Some of these rules have led to both good experiences. Fiscal rules in Belgium, for example, have successfully reduced forecasting bias, increased policy transparency, and helped the government resist pressure for higher spending. In Chile, fiscal rules facilitated careful fiscal policy, reflected in a decline in net government debt and growth in net foreign assets. Examples of bad experiences, on the other hand, include the Euro area, which had never abode the set fiscal criteria, leading to a sharp rise in the debt-to-GDP ratio between 1999 and 2014. Mr. Hawke also shared unexpected side effects of fiscal rules, including cases in Albania and Macedonia, where limitations to public debt and the budget deficit led to undeclared payment arrears and frozen capital projects.
- Mr. Hawke also explained the three paradoxes of fiscal responsibility arrangements: (i) Fiscal responsibility arrangements work well when they are not needed, but often fail when they are needed most; (ii) Governments that need fiscal responsibility arrangement are least likely to adopt or abide by them; and (iii) Governments that are the most fiscally responsible are more likely to adopt fiscal responsibility arrangements and abide by them.

6. The second session of Day 1 turned to PEMNA member perspectives on fiscal rules and responsibilities, by first discussing the findings of a survey conducted amongst member

countries, and then by drawing deeper on the experience of three middle-income countries: Thailand, Malaysia, and Indonesia.

7. Prior to the meeting, Mr. Hawke had administered a PEMNA survey to member countries on the meeting's main topics, including on fiscal rules and responsibility. 11 countries had responded to the survey, namely Brunei, Cambodia, Indonesia, Korea, Malaysia, Myanmar, Mongolia, the Philippines, Singapore, Thailand, and Vietnam. To set the stage for the session, Mr. Hawke presented the survey results, including the following key findings:

- 9 of the 11 countries have implemented fiscal responsibility arrangements in law, and 1 has set fiscal responsibility arrangements through other means, such as policy declaration.
- Elements of fiscal responsibility arrangements in member countries mostly consisted of fiscal rules, medium-term budget plans, fiscal reports, good practice principles, and fiscal targets.
- Most countries' fiscal responsibility arrangements cover either all of the government or more than one level of government, with only 1 country responding that its fiscal rules only applied to the national government.
- Fiscal rules in member countries covered mostly elements of the budget balance or deficit, expenditure (aggregate, recurrent, capital, earmarked allocations), and debt-or debt-related aspects (such as the debt to GDP ratio or debt sources).

8. The rest of the session discussed how Thailand, Malaysia, and Indonesia have implemented their fiscal rules, the effectiveness of such rules, and their main concerns or lessons from the experience.

- **Thailand's** Fiscal Responsibility Act B.E. 2561 (FRA) was introduced in 2018 with the intent to instill fiscal discipline among agencies, encourage fiscal innovation, and enforce fiscal reporting and analytics. It is overseen by a Fiscal Policy Committee, chaired by the Prime Minister, with the Finance Minister as Deputy Chairman, and the MoF, Budget Bureau, the National Economic and Social Development Board and the Central Bank as committee members. The committee prepares and revises Thailand's Medium-term Fiscal Framework (MTFF), sets fiscal disciplines and requirement thresholds, suggests solutions to issues relating to budgeting, revenue collection, and public debt management, and sets reporting criteria on public debt and fiscal risks.
- The FRA stipulates that the MTFF serve as the principal master plan for fiscal planning, budget expenditure preparation, and public debt management. The FRA also contains key provisions on budget matters such as budget appropriations to agencies and the transfer of appropriations between them, the annual budget expenditure bill and rules, the

supplementary budget, and the central fund. Fiscal rules in the FRA include requirements for contingency funds and principal repayments of public sector debt, as well as thresholds for public debt and foreign-currency public debt. However, the government faces several challenges in implementing the Act, including the increased burden to agencies, and the need to conduct fiscal limit checks on some rules.

- In addition to the FRA, a New Budget Procedure Act (BPA) is also in place, aimed at improving the overall budget management process for better efficiency and accountability. The BPA prescribes that the planning, executing, controlling, monitoring and evaluating of the budget be pursued in accordance with the BPA and FRA. Its key features include an emphasis on outcomes achieved from spending, the role of ministers in overseeing and monitoring their spending, the new function of local administrative organizations as direct budget recipients, and the provision of budget M&E systems for pre-allocation, ongoing, and post-spending reviews. Similar to the implementation of the FRA, the BPA also has its share of implementation challenges, including the expected increase in the volume of work as 7,851 local administrative organizations become direct budget recipients, the undertaking of full-scale M&E, and the collection of other sources of revenue from agencies.



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- **Malaysia** has yet to introduce a FRA, but it has had extensive experience in the application of fiscal rules. This includes guidelines on operating expenditure and federal government debt in the preparation of the annual budget, a threshold on debt service charges, and guidelines on fiscal prudence for external borrowings. There are also legal limits on borrowing by state governments and non-financial public enterprises. Malaysia also has a Fiscal Transformation Programme in place, which comprises structural and institutional reforms to strengthen the transparency of PFM, in line with ongoing fiscal policy initiatives. These measures include the creation of a Fiscal Policy Committee, which is high-level, strategic decision-making, an executive committee comprising of key economic policymakers, which decides and coordinates policies pertaining to public finances. Other reforms include the implementation of accrual accounting practices for increased accountability and transparency, the adoption of performance-based budgeting, and the increased role of the National Audit Department in auditing high-impact projects to raise the efficacy of budget expenditure.

 - Malaysia's debt management function is currently not centralized but carried out jointly by the MoF, Central Bank, Accountant-General's office, and the Ministry of Economic Affairs. The MoF also houses a Fiscal Policy Office, which roles include to act as a "gatekeeper" in ensuring the achievement of fiscal targets and long-term fiscal sustainability, formulate fiscal strategies, forecast fiscal revenue, monitor and assess the fiscal and debt position, ensure fiscal discipline and to support the Fiscal Policy Committee.

 - **Indonesia's** fiscal rules, as a mandate of its public finance reform, were laid out to promote greater fiscal responsibility and covers indicators such as the balance budget deficit, the debt-to-GDP ratio, and minimum thresholds for public investment in the education and health sectors. The implementation of these fiscal rules has facilitated a reduction in government debt, from a debt ratio of 90% of GDP in 2000 to around 30% between 2009 and 2018. It has also encouraged higher-quality and more productive investments, such as in infrastructure, education, and health, as well as promoted alternative financing, such as through public-private partnerships, to overcome the Government's limited funding sources.

 - Indonesia attributes this success and the high compliance to fiscal rules to several factors, including the enactment of fiscal responsibility law with no escape clauses, the difficulty to change or circumvent fiscal rules, strong political commitment from the Government and Parliament, a historically prudent and conservative fiscal policy, and the strong role the MoF plays in ensuring compliance. The MoF undertakes three main exercises in ensuring fiscal discipline, which is to (i) assess risk, including macroeconomic, revenue and financing risk; (ii) recommend policy to optimize revenue, cut spending and manage cash flow; and (iii) take preemptive action, including regular monitoring and reporting.

 - Through its experience, Indonesia has learned several lessons. First, fiscal rules are necessary but not sufficient in ensuring greater fiscal responsibility. The observation of other fiscal

parameters, such as the tax ratio, primary balance, and debt maturity, as well as the implementation of other relevant policies, such as those to improve spending quality and to ensure efficient and effective budgeting, are also vital. Second, when there is limited room to intervene in the economy, fiscal policy can be an appropriate tool. By enacting sound fiscal policy, the government can stimulate and sustain high economic growth, ensure budget allocations provide the optimal multiplier impact on the economy, and that tax targets are realistic and optimal economically. Third, in times of fiscal limitations, the government can turn to other financing instruments to stimulate the economy. This includes injecting capital into SOEs to provide better public services, and to find more creative ways for financing, such as through public-private partnerships.

- During the subsequent question and answer period with IMF/WB experts and PEMNA officials, several points were discussed including the following:
 - Fiscal rules have been helpful in some ASEAN countries, but they need flexibility. They are also not well-suited to cope with global crises.
 - Some countries like New Zealand that have escape clauses but they require the government to give reasons why they are breaching the targets and detail what they will do to return within them.
 - It is possible to have effective fiscal rules that are not set in law.
 - In Thailand, the government created flexibility by linking fiscal rules to the term of the government.
 - Fiscal councils have been used in central and eastern Europe to provide independent advice on application and adherence to fiscal rules. However, fiscal councils are most effective in countries where technical capacity is high but more challenging to staff in low capacity environments.



9. A discussion on fiscal responsibility followed, drawing upon the international experience presented earlier in the day. Participants were divided into groups and asked to deliberate on the following questions:
- i. What main features do you want in your fiscal responsibility act/rules?
 - ii. What advantages are there in having a fiscal responsibility law?

- iii. What risks do you see and how can you mitigate them?
- iv. How would the rules be enforced?
- v. What escape clauses might you want, if any?

- In discussing the main features that participants want in their country's FRL or fiscal rules, members agreed that there should be guidelines or ceilings in place for government debt or the deficit and for the type of projects can be funded by debt. The FRL or rules should also include mechanisms for M&E, and incentives or sanctions if necessary, to ensure compliance and the achievement of objectives. Participants also expressed the need for rules that emphasized transparency and accountability, such as requirements for timely and accessible reporting, and public engagement. Some participants also opined that an independent fiscal council is necessary to oversee adherence to the rules, and to make important decisions with regards to revisions or exemptions. While members agreed that a variety of rules or requirements should be in place, they also concurred that there should not be too many rules and that the rules should remain simple, targeted, easily quantified or measured, and flexible during emergency situations.
- All member countries agreed there are numerous advantages to having a fiscal responsibility law. These include increased fiscal discipline, transparency, and accountability, as well as the institutionalization of good fiscal practices. The consolidation of fiscal rules under a single law also allows for better enforcement and monitoring of practices and strategies. In addition, the enactment of a FRL creates a perception of predictability of available funds, and thus increases public trust and confidence in the government's fiscal planning.
- Participants also concurred that there are risks arising from FRLs, which include the premature introduction of law before a country's systems and institutions are sufficiently developed, the lack of flexibility FRLs may impose in unexpected crises, the need for strong political will, and the improper design of objectives and indicators. To mitigate these, groups suggested periodic reviews and revisions to FRLs to enable continuous adjustments and improvements, as well as the implementation of escape clauses to allow for some flexibility during unexpected emergencies. Continuous efforts to improve PFM systems, requirements for performance audits and reporting, capacity building, and strong monitoring mechanisms can also help agencies improve on their fiscal practices over time, as well as strengthen fiscal discipline.
- In most of the member countries, FRLs and fiscal rules are enforced by a high level of authority, such as the Secretary of the Prime Minister in Thailand, or Parliament in Vietnam. Some countries also provide incentives for adherence to fiscal rules, such as the use of performance-based bonuses in the Philippines. Other methods to ensure communication and coordination between agencies to strengthen implementation and accountability include conducting public hearings, capacity building, and dialogues, for example between national and local government agencies.

- While Indonesia has a strict “no-escape” clause, other member countries have escape clauses in place, mainly for crisis or emergency situations, such as an economic recession, natural disaster or humanitarian crisis. Indonesian officials expressed concern that the availability of escape clauses could weaken political commitment, and in turn, undermine fiscal discipline.



DAY 2: OVERSIGHT OF SUBNATIONAL SPENDING AND MONITORING / EVALUATION OF SOCIAL PROGRAMS

10. The first session of Day 2 focused on the role of the central budget office in the oversight of subnational spending. To begin, Mr. Hawke presented the PEMNA survey results on this topic. Some of the key takeaways are as follows:
 - The most common major responsibilities of subnational governments in member countries include infrastructure investment (e.g., buildings, roads, and airports) and community services (e.g., administration of licenses, certificates, and approvals), followed by sectoral services (e.g., education and agriculture), and law and order.
 - When asked what percentage of subnational government revenues are provided by the national government, five countries answered 25-49%, three answered 0-24%, two responded 50-74% while only one answered 75-100%.

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- The bases for allocation from the national governments to the subnational governments included untied grants or transfers (based on standard formulas, such as demographic, socioeconomic criteria), tied grants (for specific purposes such as education, service delivery, specific target groups, results achieved), and tax or other revenue sharing.
 - 7 out of the 11 respondent countries indicated that their subnational government budgets did not have to be approved by the national parliament, but 8 out of the 11 countries' national governments analyze the subnational government budget results and provide comments or recommendations.
 - Subnational government borrowing is permitted in 6 out of the 11 countries, and most are approved within a legal framework on the types and purpose of financing.
 - When asked what the implications of national government monitoring of subnational budgets are in their countries, most members responded that it entails the preparation of consolidated reports on subnational spending results and that budgets may be revised if results deviate significantly from plans or specific policy settings, although this seldom happens.
11. Following the survey results, member countries presented ways in which their central governments delegate authority to local governments, while at the same time facilitate coordination between the central and local governments on national development priorities. The session also discussed how MOFs can encourage efficient and effective spending by subnational governments, using both their own source revenues as well as fiscal transfers from the central government.
- In **Vietnam**, the central government delegates responsibilities and grants some autonomy to subnational governments in their financial and budgetary affairs, for example in terms of raising their own revenues and incurring specific expenditures. At the same time, it enforces legislation on state budget management for subnational authorities through the State Budget Law, Debt Management Law, and the Public Investment Law. It also determines specific development objectives and other fiscal rules to steer subnational spending in line with national development goals. In addition, the Vietnamese government issues guidelines on the purpose and relevancy of subnational spending, some of which are mandatory, such as those on public debt thresholds, spending envelopes, and budget deficit limits. The government also monitors and supervises the spending execution of the subnational governments for timeliness and handling of wrong-doings. The detection and handling of non-compliance are managed by the State Audit Agency, an independent and professional audit body which reports directly to the National Assembly.

- Vietnam's MOF, on behalf of the government, undertakes unified budget management for the whole of government, including proposing legislation on the financial and budgetary affairs of subnational governments and developing the fiscal framework for their revenues and expenditures. It also issues guidelines for budget preparation of the subnational governments, as well as consolidates and submits subnational budget proposals and final account statements. In addition, the MOF monitors subnational government spending by verifying spending compliance, reviewing irregularities in their financial and budgetary affairs, and proposing revisions in legislation to mitigate any gaps, leakages or corruption at the subnational level.
- During Q&A, a question was raised on the flexibility of the public debt level thresholds set for subnational governments. The presenter explained that the Vietnamese central government specifies the maximum level of borrowing that can be incurred by subnational governments based on their revenue. The highest revenue earning provinces are allowed to incur a debt of up to 60% of their budgets, while the lowest revenue earning provinces are permitted of incurring up to 10% of their budgets.



- In **Myanmar**, tax collection and legislative powers of subnational governments are defined in the 2008 New Constitution, while guidelines for subnational financial management, fiscal discipline, budget preparation, and their duties and powers are outlined in the Financial Management Regulation 2017. The central government (or union) transfers funds to subnational governments in four ways: (i) general transfers, for financing subnational government deficits, (ii) special transfers, for specific matters such as the Regional Development and Poverty Alleviation Fund, and the Township Development and Management Fund, (iii) tax transfers according to the union tax law, and (iv) loans. An Intergovernmental Fiscal Relation Division is also established within the Budget Department to set the fiscal procedures, approve fiscal transfers, consolidate region and state budgets for submission to the Financial Commission, oversee the budget execution of region and state governments, provide recommendations regarding any fiscal concerns of subnational governments, and grant subsidies and unconditional transfers to subnational governments based on government policy.

- However, the government faces challenges in several areas, such as in clearly defining fiscal assignments for both revenue and expenditure of the subnational governments, encouraging collaboration between the central and subnational levels, and M&E on the implementation of national government programs. In response to a question on Myanmar's decentralization process, the presenter explained that Myanmar has undergone decentralization for 7 years, and permanently assigned officials to regional offices to ease communication and coordination.



- The **Philippine** Department of Budget and Management (DBM) has a Local Government and Regional Operations Group, comprising the Local Government and Regional Coordination Bureau and 16 Regional Offices. The Coordination Bureau administers Internal Revenue Allotments and all allocations to the local government units (LGUs), formulates Public Expenditure Management policies for the LGUs, oversees their compliance to those policies, and coordinates the activities of the Regional Offices. The Regional Offices review budgets of the provinces and some municipalities and cities to ensure compliance with local government laws and regulations, provide advisory and technical assistance to LGUs, advocate the implementation of PFM and procurement reforms, and monitor the conduct of PGM plans and assessments by LGUs.
- The DBM also issues several manuals for LGUs, including an Internal Audit Manual, to help them establish and maintain a functional and operational Internal Audit Unit, and a Budget Operations Manual to improve and systematize the procedures employed in their budget preparation, authorization, execution, and accountability. In addition, the DBM also provides PFM Assessment Tools and a PFM Roadmap and Implementation Strategy for LGUs to assist them in improving and strengthening their PFM systems.
- In **Indonesia**, subnational governments are required to report their budget, finances, expenditures, and achievement of outputs to the central government. Subnational government spending is also overseen on three levels: (i) internal controls at the subnational levels are conducted by the local government inspectorate; (ii) M&E is done by the line ministries and the MOF on the subnational government's outputs and financial management,

and (iii) financial audits that are conducted by a supreme auditor. There is also use of a Planning and Budgeting Application (KRISNA) that integrates projects for both the central and subnational governments to avoid overlap for regional infrastructure projects.

- Transfers are cut or postponed if subnational governments are delayed in delivering their financial information or infrastructure reports, collect local taxes or charges that are not permitted by the central government, accumulate arrears on loan or health insurance payments, or fail to implement mandatory spendings, such as those for education or health.
- While improvements have been made in guiding and overseeing subnational expenditure, there remain several challenges, including the heavy dependency of subnational governments on central government transfers, the high portion of local expenditure allocated to salaries rather than capital expenditure, delayed execution of local government projects, weak human resource capacity and low-quality IT systems at the subnational levels.



12. The second session of Day 2 discussed **program monitoring and evaluation for social or non-capital programs** to assess their feasibility and potential effectiveness ex-ante. The PEMNA survey results revealed the following on member countries' evaluation practices:

- 5 out of 11 of the respondent countries perform an average of 2-4 evaluations on projects and programs each year, 5 perform more than 11 evaluations, while 1 country responded that it conducted 8-10 evaluations on average.
- In most countries, the government and central agencies decide on the projects that should be evaluated, and most evaluations mainly involve the collaboration of central and line agencies.
- When asked what is assessed by their countries' evaluations, performance indicators (actual versus targets) was the most selected answer, followed by performance objectives, effectiveness (results achieved vs. resources used), and efficiency (cost per unit of output).

- Evaluation results in member countries are mostly used for the budget preparation and negotiation process, followed by internal use in line agencies and lastly, for publication for communication to the public.
13. The session also explored how social programs can be monitored and evaluated for financial and non-financial performance within the budget year and over time. Korea and the Philippines shared their experiences.
- In 2018, Korea introduced social value as an evaluation measure for social programs, such as the expansion of child or senior safety zones or household utility voucher programs for the underprivileged, adding to the other evaluation components such as economic analysis, policy analysis, and balanced regional development analysis. After the program has been executed, a line ministry-led assessment is undertaken, with additional points granted to programs with realized social value, defined as social and community benefits to the public. These programs are also then exempted from the end-of-term evaluation, which is carried out for programs approaching their 3rd year of operation.
 - During the Q&A, a question was raised on what would be done if the progress of a program was unsatisfactory. The Ministry of Economy and Finance (MOEF) representative explained that non-performing programs could be discontinued after three years and that this is decided by a panel of experts that include both MOEF and private experts.
 - The program development cycle of the Philippines is designed to be applicable to both capital and social projects, and the process of determining a project's feasibility and potential effectiveness is also similar, with several differences. For example, at the approval and financing stage during the pre-investment phase, capital project proposals are evaluated by the National Economic and Development Authority's (NEDA) infrastructure staff, while social project proposals are assessed by other NEDA sector staff, such as those from the Social Development department. However, the approval of proposals for both types of projects is determined by the Investment Coordination Committee (ICC) comprising of NEDA, DOF, DBF and the Central Bank. During the investment phase, monitoring on project implementation for capital projects includes undertaking desk reviews, field monitoring, and independent third-party monitoring, while monitoring for social projects includes those with the addition



of participatory or community monitoring and the review of grievances and complaints. During the post-investment phase, an internal monitoring system has been set up to monitor the progress of the program, while spot checks are conducted externally from time to time. In the mid-term, quantitative and qualitative impact evaluations are also conducted.

- Several participants raised questions on the type of indicators used to measure the effectiveness of social programs. In the Philippines, both qualitative and timeliness indicators are employed, guided by the objectives of the programs. In Korea, indicators include measures such as beneficiaries' satisfaction, unemployment rate or the Gini coefficient, depending on the type of program that is evaluated.



14. Following the presentations, a discussion on Program Monitoring and Evaluation for Social Programs ensued, aimed at sharing international experiences in the importance of M&E for social programs, the different aspects of M&E, and the roles and responsibilities of M&E stakeholders. Participants were asked to discuss the following questions within their assigned groups:
 - i. Does your ex-ante assessment process for social programs differ substantially from the assessment of capital projects? If so, how?
 - ii. Do you assess "social value"? and Is there specific guidance/criteria for it? Is it mainly quantitative or qualitative, and what are some key features?
 - iii. Do you have mid-term assessments and impact assessments? How are they used?
 - iv. What are your biggest challenges faced in assessing social programs and what reforms are you considering to address them, if any?
- Most countries have ex-ante assessments for both social and capital projects, with similar processes but different considerations or indicators. The assessment of social programs tends to more heavily consider the impact on beneficiaries, and other aspects such as environmental impact. In contrast, the assessment of capital projects considers measures such as value for money and imposes requirements such as financial and detailed engineering plans.

- The assessment of social value for all of the member countries is mainly qualitative in nature and assesses aspects such as employment, health and environmental effects, well-being, and culture.
- Most countries also have mid-term and impact assessments for their social programs, although methodologies for these assessments differ. Thailand, for example, obtains data through regular financial and fiscal assessments in the budget cycle, while the Philippines conducts detailed ex-post evaluations on large programs. The results of these assessments are used for similar purposes across the countries, such as to measure progress, refine the program, assess the impact on beneficiary groups, determine the allocation of additional funds, and as feedback to annual financial planning.
- Member countries also raised the common challenges faced in assessing social programs, which include a lack of human capacity and know-how, data availability and reliability, defining the right KPIs and indicators, difficulty in measuring long-term impact, limited resources, delayed program implementation, weak linkages between programs and strategic plans, overlapping policies with conflicting interests, and political interference in programs. Some examples of reforms include the improvement of project management and monitoring through strengthened PFM systems (Philippines), enhancement of ICT infrastructure and the involvement of communities in gathering data (Thailand) and having clear program objectives to guide the determination of KPIs and indicators (Indonesia).

8.2. Post-Event Survey Results

	1	2	3	4	5
In line with expectations	4.32	4.48	4.23	4.58	4.44
Secretariat's support	4.53	4.57	4.58	4.66	4.56
Effectiveness of presentations	4.27	4.26	4.3	4.25	4.43
Quality of discussion	4.38	4.3	4.19	4.13	4.46
Opportunities to ask questions	4.47	4.39	4.27	4.44	4.56
Peer interaction	4.29	4.26	4.27	4.33	4.46
Balance between presentations and discussion	4.35	4.32	4.16	4.2	4.26
Knowledge acquisition	4.29	4.44	4.42	4.26	4.6
Relevance to your work	4.45	4.59	4.5	4.48	4.57

1: 2017 T-CoP Seoul Meeting (November 2017)

2: 2017 B-CoP Vientiane Meeting (November 2017)

3: 2018 B-CoP Kuala Lumpur Meeting (March 2018)

4: 2018 PEMNA Plenary Conference (May 2018)

5: 2018 B-CoP Bangkok Meeting (November 2018)

8.3. Issue and Talk Series

ISSUE & TALK

Cambodia PFM Reform Program



PEMNA ISSUE & TALK looks into a specific issue in a PEMNA country through the eyes of its members. In celebration of the 2018 PEMNA Plenary Conference, Mr. Soksean Meas from the General Secretariat, Steering Committee of the Public Financial Management Reform (GSC) of the Royal Government of Cambodia walks us through the country's public financial management reform program (PFMRP).

Q1. About GSC

The General Secretariat, Steering Committee of the Public Financial Management Reform (GSC) is an operational arm of the PFM Steering Committee of the Royal Government of Cambodia. We carry out the initiatives of PFM reform strategies and seek the endorsement of the Steering Committee through regular meetings on monthly, quarterly, and annual bases. We also develop the framework of the PFM reform action plan (so-called Consolidated Action Plan, "CAP") of the government and monitor the implementation of line ministries.

Q2. Cambodia's PFM Reform Program: Achievements & Challenges

The Public Financial Management Reform Program in Cambodia follows a four-stage structure. Through the first two stages of the program, we were able to establish internal audit units in line ministries; improve procedure of budget commitment; implement budget entities, program budgeting, and budget classification; launch FMIS Phase 1, etc. To have achieved what we have today, we have faced many obstacles and difficulties because of the limited understandings of the value of PFM and lacking in human resources capacity and commitment of line ministries. Naturally, the Ministry of Economy and Finance took the leading role in implementing PFMRP.

Having completed Stages 1 and 2 of the PFMRP, we are at Stage 3 of the PFMRP, which focuses mainly on ensuring the linkage between budget and policies through full implementation of program budgeting and budget entities. Also, we have introduced the Budget System Reform Strategy 2018-2025 and the FMIS Phase 2, while continuing to carry out the critical reform tasks from the previous stages.

Q3. Expectations for the 2018 PEMNA Plenary Conference

As the host of this year's plenary conference, Cambodia would like to share its reform efforts with the participating countries. In addition, we would also like to hear from PEMNA member countries as well as from experts. In particular, we are keen to learn about effective ways of managing revenues; key points of developing policies to be in line with the national policy priorities; key challenges faced by executive agencies and implementing agencies when developing the reform framework to ensure the budget-policy linkage; and lastly, further improvements in budget system management. Without a doubt, the experiences and knowledge shared at the 2018 PEMNA Plenary Conference will serve as valuable inputs for effective management of the budget system as well as for the country's economic growth both from revenue and expenditure side.



Mr. Soksean Meas, Deputy Secretary General of GSC

“We are committed to fully performing as the operational arm of PFM Steering Committee and improving the PFM system of Cambodia. This will be done effectively and efficiently by changing from an input-based to output-based system that is in accordance with international best practices.”

Facts on Cambodia

General Information	
Country name	Kingdom of Cambodia
Government type	Parliamentary Constitutional Monarchy
Capital	Phnom Penh
Administrative divisions	24 Provinces, 1 Municipality
Area	181,035 km ² (71 st in the world)
Population (2017 est.)	16.2 million (161 st in the world)
Ethnic groups (2015)	Majority: Khmer Minority: Chinese, Vietnamese, Cham, Thai, Laotian
Language(s)	Khmer (official)
Religion (2009)	Buddhism (official) 96.9%, Muslim 1.3%, Other 1.2%
Economy (2017 est.)	
GDP, current prices	\$22.25 billion
GDP growth rate	7.0%
Inflation rate	3.0%
Unemployment rate	0.3%
Exports	\$10.84 billion
Exports commodities	Clothing, footwear, rubber, etc.
Imports	\$14.22 billion
Imports commodities	Personal products, steel, cement, etc.
Government Finance (2017 est.)	
Fiscal year	Calendar year
Revenue	18.67% of GDP
Tax revenue	15.97% of GDP
Expenditures	23.17% of GDP
Public external debt to GDP	22.0%

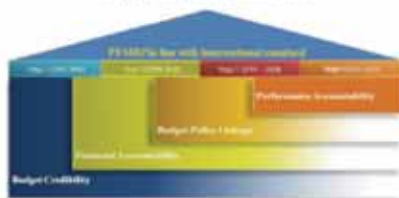
Sources: CIA - General Information; IMF - GDP; WDI, Cambodia - Economy; Government Finance; WB, Cambodia - Ethnic Groups, Unemployment Rate

ISSUE & TALK: Cambodia PFM Reform Program

Overview

In December 2004, the Prime Minister of Cambodia launched the country's Public Financial Management Reform Program (PFMRP) to improve public service delivery and resource allocation. Cambodia's PFMRP aims at a gradual transformation of the current budget system, from an input-based and centralized system to an outputs- or results-based and decentralized system. It is structured on four sequenced platforms and implemented in four stages: *Stage 1) Budget Credibility* (2005-2008), *Stage 2) Financial Accountability* (2009-2015), *Stage 3) Budget-Policy Linkage* (2016-2020), and *Stage 4) Performance Accountability* (2021-2025).

Figure 1. Four Stages in PFMRP



Source: Ministry of Economy and Finance (2017)

Progress to Date

To date, Cambodia has achieved the following results through Stages 1 and 2 of its reform:

- Revenue outturn stayed close to the set target.
- No new arrears were accumulated in the years 2014 and 2015, keeping the arrears well below 2% of the total expenditure.
- Internal audit units are now in place for each line ministry.
- Budget holders committed expenditure in line with approved budgets and cash flow forecasts during the fiscal year and followed the expenditure classification (e.g. salary, goods/service, and capital).
- A new law on financial system was approved and implemented.
- Budget entities, program budgeting, and budget classification were developed and implemented.
- Phase 1 of the financial management information system (FMIS) was launched in Stage 2.

Stage 3 (2016-2020): Budget-Policy Linkage

Having focused on establishing a credible budget, internal control, and financial accountability through Stages 1 and 2 of its reform, Cambodia is now at Stage 3 (*Budget-Policy Linkage*) which aims to strengthen the linkage between budget and policy by ensuring full implementation of program budgeting and budget entities. [Refer to Figure 2.]



High National Strategic Development Plan
Source: Ministry of Economy and Finance (2017)

The budget system reforms are implemented based on the following strategies:

- First, strengthening the implementation and improving the effectiveness of budget strategic plan (BSP)
- Second, strengthening and implementing full program budgeting for line ministries, including Ministry of Economy and Finance
- Third, reviewing, revising and implementing a new budget classification, a new chart of accounts and Phase 2 of the FMIS
- Fourth, introducing and implementing the Budget System Reform Strategy 2018-2025

Conclusion

So far, Cambodia has essentially been achieving targets set forth in each stage of the reform. A strong political will, commitment, and leadership of the management of line ministries will be crucial to the success of the PFMRP. Additionally, there is a strong emphasis on the importance of human resource development and institutional capacity to support the implementation of the new budget system that is both robust and sustainable.

ISSUE & TALK: Thailand

The New Budget Procedure Act



PEMNA ISSUE & TALK: Thailand looks into the Thai government's recent amendment of the Budget Procedure Act (1959). This new Act – the fruit of the Thai government's commitment to promoting fiscal discipline and sustainability – is expected to improve budget comprehensiveness, accountability of the central and local governments, as well as efficiency and effectiveness of spending. Joining us for an interview is the Budget Director of the Budget Bureau (BB) of Thailand, Mr. Dechapiwat Na Songkhla. In this interview, Mr. Na Songkhla walks us through the highlights of the new (amended) Budget Procedure Act and shares his expectations for the PEMNA Budget CoP Meeting in Bangkok this November 2018.

Q1. Can you tell us about the Budget Bureau of Thailand?

The Budget Bureau (BB), an official unit equivalent to a department under the Prime Minister's Office, is a central agency responsible for budgeting and reporting directly to the Prime Minister. The main role of the BB is to assist the PM and the cabinet in meeting the government policy, budgetary management, and regulatory objectives as well as to promote transparency, fairness, effectiveness, efficiency, and accountability of public spending. Its vision is to be an indispensable, modern and trustworthy part of the mechanism that drives the government policy and ensures the achievement of government objectives. Pursuing our vision, the BB a) provides budgeting policy recommendations to the government and its agencies; b) prepares budget expenditures corresponding to the government policies and goals while taking into consideration fiscal discipline and economic stability; c) manages the budget in such a way that limited resources are spent effectively and efficiently, and desired outcomes are achieved; and d) monitors, evaluates, and reports how the budget is spent with corresponding outcomes to the cabinet and the legislative.

Q2. What are some of the challenges facing Thailand?

Escaping from the middle income trap and becoming a high income country are the main challenges that Thailand faces, coupled with achieving an inclusive and sustainable growth as driven by the recently enacted 20-year National Strategy (2018-2037). In accordance with this National Strategy, Master Plans under the National Strategy, and other national policies, the budget allocation strategies are formulated while strictly observing the principles of the Fiscal Responsibility Act B.E. 2561 (2018) which has been enacted in April 2018.

Q3. What are your expectations for the PEMNA Budget CoP Meeting in Bangkok?

The PEMNA Budget CoP Meetings offer a platform for participants to share opinions, gain understanding of new perceptions and evolutions, reconnect with colleagues, and build up further improvements of budget system. As the host of this meeting, Thailand would like to share our recent reform initiatives aiming at enhancing fiscal responsibilities with the participating countries. In this regard, we also would like to hear from PEMNA member countries as well as from experts about the designs and implementations of fiscal rules, as well as the roles of central budget office in the oversight of subnational spending, and monitoring and evaluation for social program. Given the growing global trend towards budgeting and fiscal responsibility, it will be very useful for the Thai budget officials and users to learn how to interpret various international standards into practical implementation guidance in order to raise the levels of budget sustainability and overall good governance.



Mr. Dechapiwat Na Songkhla
Budget Director of Budget Bureau

“ It is my intention for our staff to **work smart** by re-engineering and streamlining work processes, equipping our staff with the necessary analytical skills and financial knowledge for a professional budget analyst, using modern IT systems in facilitating budget procedures as well as creating a work environment that ensures good **work-life balance.**”

PEMNA ISSUE & TALK looks into a specific issue in a PEMNA country through the eyes of its members. In celebration of the 2018 PEMNA Budget CoP Meeting in Bangkok, this issue examines Thailand's new Budget Procedure Act. We would like to especially thank our colleagues from the Budget Bureau for their contributions in drafting this document.

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ISSUE & TALK: Thailand's New Budget Procedure Act

Overview

The current Budget Procedure Act B.E. 2502 (1959) has been in place for almost six decades. Some of the contents have now become less relevant to the changing socio-economic circumstances and institutional contexts. Consequently, the new Budget Procedure Act updates and amends these outdated contents to improve the overall budget management to be more result-oriented, efficient, and effective. The new Budget Procedure Act is now awaiting the royal endorsement.

There are a number of challenges enacting the new Budget Procedure Act. The most concretely challenging task concerns managing the budgets of 7,851 Local Administrative Organizations (LAOs) as they become direct budget recipients under the amendment. Nonetheless, in preparing to handle such a substantial volume, the BB has set up a committee to help ensure a smooth transition by formulating and disseminating guidelines to all agencies. Regarding the LAOs, the BB will phase out the implementation, starting with 76 Provincial Administration Organizations (PAOs) in preparation for the fiscal year 2020.

Key Provisions

The key salient provisions of the new Budgetary Act include:

- Emphasis will be given to outcome achievements or benefits derived from budget spending while spending will explicitly recognize all funding sources. The spending plan must incorporate both budgetary and extra-budgetary funds to improve the budget comprehensiveness.
- Medium-term expenditure framework will be emphasized and prepared at least three years ahead.
- Ministers and head of agencies receiving the budget are now required to oversee, monitor, and evaluate the spending to improve spending accountability.
- Local Administrative Organizations (LAOs) will become direct budget recipients.
- For efficient management, the public sector personnel programme is separately classified while the transfer of allotted budgets among agencies under the same integrated programme is now permitted.
- Agencies can no longer carry over their budget to the following fiscal year unless an obligation has been committed by the end of the fiscal year.
- Budget monitoring and evaluation systems will be provided for pre-allocation, ongoing, and post-spending reviews.

Expected Results and Outcomes

Along with the enactment of the Fiscal Responsibility Act B.E. 2561 (2018), this amendment represents a concrete effort of the Thai government to promote fiscal discipline and sustainability. The new Budget Procedure Act aims to improve the overall budget management to be more result-oriented, efficient, and effective. Budget comprehensiveness, accountability of the central and local governments, as well as efficiency and effectiveness of spending are expected to improve going forward.

Expanded Role for the Budget Bureau

The new Budget Procedure Act redefines and strengthens the roles of the BB: shifting the focus from input control to supervising spending outcomes. More budget coverage needs to be considered in preparing the budget. The budget monitoring and evaluation processes will be more systematic, ranging from the pre-allocation review, ongoing review, and post-spending review to assess the program's outcomes or impacts.

Facts on Thailand

General Information	
Country	Kingdom of Thailand
Government Type	Parliamentary Constitutional Monarchy
Capital	Bangkok
Administrative Divisions	76 Provinces / 2,441 municipalities / 5,313 Sub-District Administration Organizations / Bangkok Metropolitan Administration / Pattaya City
Area	513,117 sq. km
Population (2017)	66,386,500
Ethnic Groups	Thai (majority)
Languages	Thai (official)
Religion	Buddhist 94%, Muslim 5%, Others 1%
Economy (2018)	
GDP, Current Prices (2017)	\$468.27 billion (\$1 = 33 baht)
GDP Growth Rate (est.)	4.2 - 4.7
Inflation Rate (est.)	0.9 - 1.4
Unemployment Rate	1.1
Exports (2017)	\$251.25 billion
Export Commodities	Computers, cars, jewelry, etc.
Imports (2017)	\$293.22 billion
Import Commodities	Petroleum, machinery, electrical parts, etc.
Government Finance (2018)	
Fiscal Year	1 Oct. - 30 Sep.
Revenue	390.25 billion (83.2% of GDP)
Tax Revenue	303.64 billion (76.9% of GDP)
Expenditure	392.42 billion (83.6% of GDP)
Public Debt as % of GDP	41.5
<small> Source: BB, Thailand - Government Finance CIA - World Factbook ICA, Thailand - Administrative Divisions IMF, Thailand - Population IMF, Thailand - Export Commodities, Import Commodities IMF, Thailand - Revenue IMF, Thailand - Public Debt as % of GDP World Factbook - Area, Religion * preliminary </small>	

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