



PEMNA

Public Expenditure
Management
Network in Asia

Annual Report
2019

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Abbreviation

AP	Asia-Pacific
B-CoP	Budget Community of Practice
BTMS	Budget and Treasury Management System
COA	Chart of Accounts
CoP	Community of Practice
CSO	Civil Society Organization
CY	Calendar Year
DBM	Department of Budget and Management
DP	Development Partner
FMIS	Financial Management Information System
GIFT	Global Initiative for Fiscal Transparency
IBP	International Budget Partnership
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
KIPF	Korea Institute of Public Finance

LT	Leadership Team
MDTF	Multi-Donor Trust Fund
MTSP	Medium-Term Strategic Plan
OECD	Organization for Economic Cooperation and Development
PEMNA	Public Expenditure Management Network in Asia
PEMPAL	Public Expenditure Management Peer-Assisted Learning
PFM	Public Financial Management
ROO	Rules of Operations
SC	Steering Committee
TABMIS	Treasury and Budget Management Information System
T-CoP	Treasury Community of Practice
TSA	Treasury Single Account
TTL	Task Team Leader
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNICEF	United Nations Children's Fund
USOTA	U.S. Treasury Office of Technical Assistance





1. Outline of current
situation
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Executive Summary

Executive Summary

The Annual Report for PEMNA highlights how the network supports its members to attain their institutional goals—strengthening the PFM systems in their countries. This report, 2019 Annual Report for PEMNA, summarizes the progress and impact of the network during this period. PEMNA continued to show strong performance by helping more than 470 PFM practitioners, including officials from the PEMNA member countries, international experts, civil society actors, and academics, to develop the capacity to better understand the attributes of a sound PFM system.

Operationalization of the MTSP

Entering the second phase of its development, the PEMNA Steering Committee adopted the medium-term strategic plan (MTSP) at its annual meeting in May 2019. The MTSP sets a strategic direction for the network over the four-year period, from 2019 to 2022, giving greater emphasis on creating and capturing the impact of the PEMNA network. The plan identifies the priority PFM outcomes of each community of practice (CoP) and offers multiple activities and resources to operationalize the strategy.

Under the MTSP, each CoP works towards attaining one specific high-level PFM outcome per year and organizes its activities focusing on issues that are relevant to accomplishing the targeted outcome. In 2019, the Budget CoP focused on addressing challenges and efforts to achieve greater budget transparency whereas the Treasury CoP (T-CoP) focused on the stronger implementation of national accounting standards and financial reporting.

The MTSP also introduces the network's plans to expand its work on producing PFM contents. PEMNA aims to create knowledge products to further support its members understand the PFM policy-making processes. A series of new knowledge products such as policy briefs and research papers are proposed in the plan. PEMNA, in 2019, hired a consultant to produce a policy paper on the topic of fiscal transparency.

Value Realization

The impact of the PEMNA activities is gradually manifesting in the member countries. As pointed out in previous annual reports, a growing number of PFM practitioners are recognizing the value of PEMNA as well as the advantages of peer-to-peer knowledge exchange. According to the post-event evaluation survey results, 82% of the respondents found the knowledge and experiences

shared at PEMNA events relevant and useful, giving scores of 4 ('satisfied') or 5 ('very satisfied') on the evaluation. In addition, among those who attended a PEMNA event in the last two years, around 91% had the opportunities to apply the learning from the network to their daily work.

Representatives from Vietnam, Mongolia, Thailand, Indonesia, Cambodia, and Malaysia also identified that the knowledge and experiences shared at the PEMNA events were helpful in implementing PFM reforms in their countries and gave specific examples of how they had applied the lessons learned from PEMNA to their daily work. As evidenced by member interviews, the knowledge exchanged at these events helped members better understand different concepts such as the medium-term expenditure framework, performance-based budgeting, fiscal transparency, etc. Some members aimed to benchmark other member countries' experiences when adopting or improving their policies. Members' narratives on how they have benefited from PEMNA are documented in this annual report.

Key Achievements in 2019

PEMNA continues to fulfill the expectations of its members by providing stimulating and resourceful learning environments. Active and engaging, more than 470 PFM practitioners in the region benefited from the PEMNA's peer-to-peer learning events in 2019. PEMNA organized a total of five learning events—*one* plenary conference and *four* CoP meetings during this year and facilitated high-quality peer-to-peer knowledge exchanges among participants. Around 100 presentations were delivered on the topics such as fiscal transparency, participatory budgeting, digital transformation of government treasuries, national accounting standards, etc.

Country presentations, Q&A sessions, contributed by the members of the network enriched the quality of discussions at these meetings. In 2019, more than 100 country cases were shared. Representatives from all *fourteen* member countries have contributed contents to these meetings by sharing country updates, delivering presentations, participating in group discussions, etc. Among these contributors, Vietnam, Korea, and The Philippines were the knowledge sharing champions of the network during this period as these countries shared the highest number of country cases with their peers and led the discussions at the events.

Technical collaborations with other organizations further enriched the quality of services and resources that PEMNA provides. Experts from *thirteen* different organizations participated in the recent CoP events held in 2019. Bringing in international experiences into the PEMNA knowledge exchanges, these experts introduced current trends and recent developments in the selected field or issue.

In particular, PEMNA facilitated further knowledge exchange with the Federal Treasury of Russia in October 2019. The Russian Treasury, an observer of the PEMNA network, hosted the T-CoP

meeting in Moscow for a three-day knowledge exchange. Representatives from the Public Expenditure Management Peer-Assisted Learning (PEMPAL), where Russia is an active member, also joined this event, further enriching the quality of discussions. The sister network in East Europe and Central Asia region also provided the members with multiple opportunities to interact with experts from Global Initiative for Fiscal Transparency (GIFT) and the International Budget Partnership (IBP)—leading institutions in the field of fiscal transparency.

The post-event evaluation survey results also attest a high level of members' satisfaction. Many participants appreciated the rich knowledge and experiences shared at these events and found the learnings relevant to their daily work.

In addition to its peer-to-peer learning events, the network also embarked on a new project which aims to produce multiple forms of knowledge products. These products may include policy briefs, in-depth research papers and other publications that may serve the needs of the members.

Disseminating the PEMNA Results

PEMNA shares the results of these activities through multiple communication channels. The network launched a new website in November 2019. The new website features a range of enhancements that ensure improved user experience and better present the network's activities, products, and overall vision to its targeted audience. With the enhanced features, the site aims to better demonstrate the network's value proposition.

The network also issues periodic newsletters to update the community news with the members. Around 750 readers subscribe to the network's newsletters as of December 2019. Also, members can further engage with PEMNA through the network's social media channel. A great variety of contents are available on this page. The contents include highlights from recent CoP events, PFM news in the region, and member testimonials. Member testimonials on video, a new attempt to capture the impact of the network's activities, especially, generated positive engagements with the users. As a result, the network saw an increase in the number of followers. More than 550 users follow PEMNA on Facebook as of December 2019.

Plans for PEMNA 2020

The year 2019 marked the beginning of the network's enhancement phase. The network operationalized its medium-term strategy and organized its activities to attain the desired PFM outcome suggested in this plan. Having a more structured focus in the discussions and activities, PEMNA was able to contribute to enhancing individual members' knowledge of PFM in ways that they can apply in their countries.

Building on the successful performance in 2019, PEMNA plans to further engage with other international organizations and take advantage of their rich technical expertise in 2020. Additionally, the network will continue its efforts in knowledge creation, producing more PFM knowledge products through research. The preliminary ideas on how to strengthen such collaboration and create PFM knowledge products are proposed in this report. The network will also continue exploring better ways to assess PFM progress in the member countries, one of the key elements of the MTSP, and capture the impact of the network.

The outbreak of COVID-19 in early 2020 has brought unforeseen impacts on the network's activities planned for the year. As the pandemic continues to evolve, it is expected to affect how PEMNA provides support to its members and member countries. The proposed work plans for 2020 have been adjusted in response to this pandemic, and PEMNA is currently seeking ways to help members and member countries build resilient and responsive public financial systems in times of crisis.

The Annual Report for 2019 summarizes the network's progress made in the given year. Chapter 1 provides an overview of the network in general and elaborates on the MTSP. Chapter 2 examines the networks' impact on the PFM practices in the member countries through member testimonials. Chapters 3 to 5 give the results of the network's activities. Chapter 3 reviews the results of peer-to-peer learning activities. Chapter 4 presents the results of the network's communication activities, and the following chapter assesses the recent development in the PEMNA leadership and the quality of the Secretariat's services. Chapter 6 is a report of the CY 2019 expenditures. In Chapter 7, the importance of strengthening the PEMNA community through technical collaborations with other organizations and putting the accumulated knowledge into tangible outputs are reiterated as well as the work plans for 2020.





BACKGROUND AND DEVELOPMENT OF PEMNA

1. Background and Development of PEMNA

1.1. Background

1.2. Medium-term Strategic Plan (2019-2022)

1. Background and Development of PEMNA

1.1. Background

PEMNA, the Public Expenditure Management Network in Asia, is a peer-learning network of public financial management (PFM) officials and experts in the Asia-Pacific region. The network aims to strengthen efficiency, effectiveness, and transparency of PFM systems in the region by helping individual officials to better understand the attributes of a sound PFM system.

Established in 2012, PEMNA offers learning environments in which officials from *fourteen* member countries discuss the challenges they face in their PFM reform implementation efforts via face-to-face meetings and online seminars. 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.

Who We Are: Membership and Governance

The PEMNA membership largely consists of *fourteen* 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 member countries of PEMNA (in alphabetical order). PFM officials from these 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 as defined in the Rules of Operations for PEMNA. The DPs may engage in the network through the provision of financial contributions as well as technical expertise.

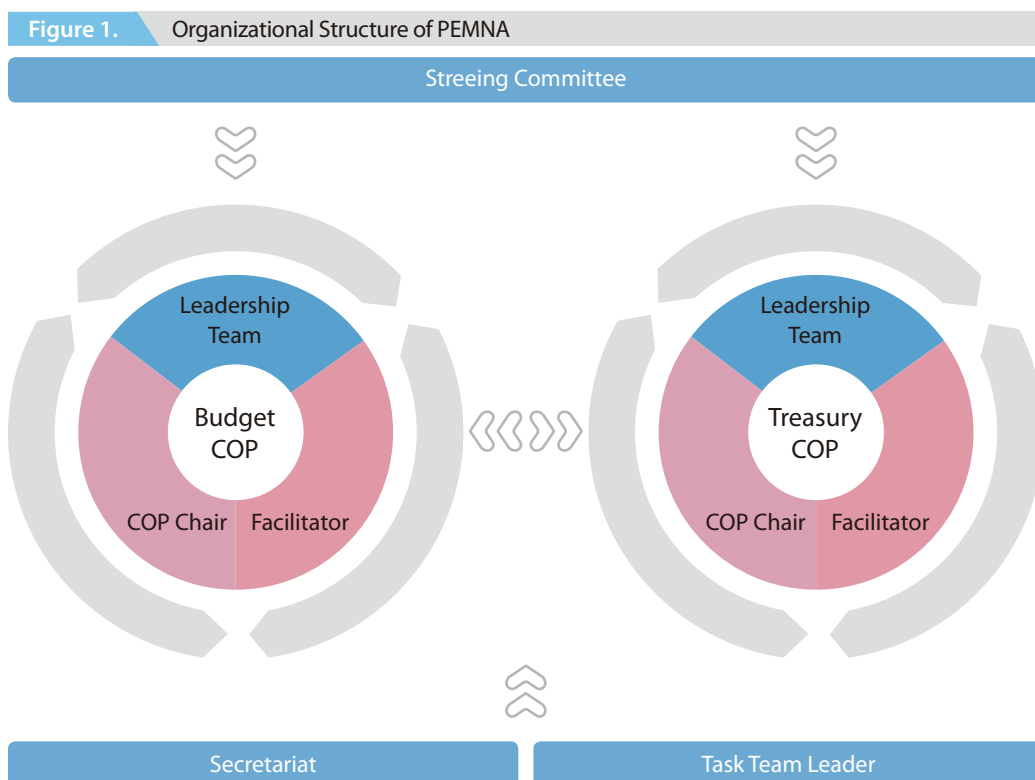
The PEMNA DPs include the Ministry of Economy and Finance of Korea, the Department of Budget and Management (DBM) of the Philippines, the Ministry of Finance of Timor-Leste—donors of the multi-donor trust fund for PEMNA—as well as the Korea Institute of Public Finance (KIPF) and the World Bank Group which are core partners of the network. The International

1. Background and Development of PEMNA

Monetary Fund (IMF) and the Organization for Economic Cooperation and Development (OECD) also participate in the network as the DPs.

The Federal Treasury of Russia, the U.S. Treasury Office of Technical Assistance, and the European Union also actively participate in the PEMNA learning events.

Placing the *fourteen* 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 gives the organizational structure of PEMNA.



Overseeing the entire network sits the Steering Committee (SC). The SC is the principal decision-making body of the network. The Committee is composed of representatives from member countries, CoP Chairs from member countries, CoP Facilitators from the World Bank, the Secretariat, and DPs. The SC provides overall guidance on the network's policies, plans, and budgets of PEMNA.

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

Each CoP is governed by a CoP Leadership Team (LT) comprised of a small group of members who volunteer to represent the community. The members of the CoP LTs meet regularly both face-to-face and online to discuss the overall work programs. The members of the LT elect a chairperson for each CoP. The representatives from the Philippines and Indonesia, who have actively participated in PEMNA from its inception, served as the first CoP Chairs of the network and contributed to building this collective governance structure of the network. Following these two CoP Chairs, representatives from Indonesia and Vietnam were confirmed as new chairpersons for budget and treasury CoPs, respectively, in 2019, and are continuing to strengthen the members' participation in the network's governance.

The chairpersons represent the CoP membership at the SC; lead the development of the work programs and budget; organize CoP activities together with the CoP facilitators, and promote accountability and participation among members. The CoP Chairs are elected for a two-year term. They may serve an additional one year after the term if agreed by the respective LT and the SC.

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

The Task Team Leader (TTL) is a representative of the World Bank who is responsible for overseeing the Bank administered funds in accordance with the PEMNA program objectives. The TTL works closely with the PEMNA Secretariat to ensure sound management of the network's resources and achievement of broader program goals. The TTL is supported by an Operations Officer for facilitating adherence to the World Bank policy guidance on procurement and financial management.

Supporting the overall operation of the network is the PEMNA Secretariat. 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).

1. Background and Development of PEMNA

How We Work: 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 recipient executed trust fund for PEMNA, uses the disbursed funds to plan and execute the annual budget for the network.

The MDTF for PEMNA is currently funded by the following donors: The Republic of Korea, The Republic of the Philippines, and The Democratic Republic of Timor-Leste.

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

Member countries provide significant contributions to the network by hosting events. During this reporting period, the Ministry of Finance of Vietnam provided in-kind contributions to the network by hosting the 2019 PEMNA Plenary Conference in May 2019. As the host of this event, Vietnam financed meeting venues, meeting packages, ground transportation, etc. Besides these contributions, Vietnam shared the country's reform experiences in the areas of budget restructuring and public debt management. Around 180 PFM practitioners in the region benefited from this specific event.

The Federal Treasury of Russia, an observer of PEMNA, invited the PEMNA T-CoP to Moscow in October 2019. This was the first event to be held outside the PEMNA region, attended by more than 80 officials. The Russian Treasury likewise provided meeting venues, meeting packages, ground transportation, etc., for this event. The officials from the Russian Treasury also introduced the country's experiences with the implementations of modern accounting and financial reporting standards, cash management, and optimization.

Also, member countries finance some of their own travel expenses. Some member countries send additional participants to PEMNA events at their own expense. The percentage of self-funded participants¹⁾ from the member countries, in fact, showed an increase in 2019 (17%) compared to the previous year (8%). This increase is notable as it could be interpreted that more member countries are recognizing the value of learning experiences PEMNA offers. Table 1 shows the number of self-funded participants in 2019.

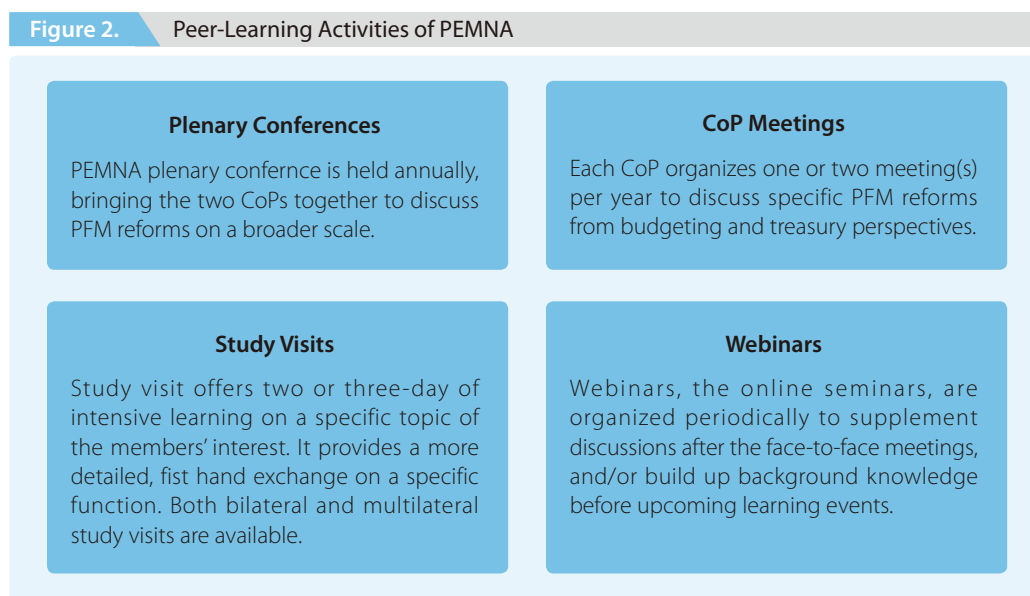
1) For each CoP event, PEMNA typically sponsors up to three officials from each member country. For Brunei and Singapore, PEMNA sponsors one official each to attend the event.

	B-COP Seoul	T-CoP Seoul	Plenary Conference	T-CoP Moscow	B-CoP Jakarta
Self-funded participants	16	8	9	8	4
Total Participants*	58	43	87	48	40

* Note: The number includes participants from the member countries only. Participants from international organizations and local governments are not included.

What We Do: Peer-Learning Activities

PEMNA hosts a variety of peer-learning events for its members, both face-to-face and online. The network offers learning events in several different formats to respond effectively to the diverse needs of its members. Figure 2 shows the different types of learning activities offered by the network: plenary conference, CoP meetings, study visits, and webinars. Each CoP organizes these events throughout the year to address topics and issues most relevant to the PFM reform priorities in the member countries. The results of different learning events held during 2019 are summarized in the following chapters.



With the introduction of the medium-term strategic plan, the network aims to offer an even greater variety of learning opportunities and expand the breadth of coverage. The details of the plan are further elaborated in the following section, 1.2. Medium-Term Strategic Plan (2019-2022).

1. Background and Development of PEMNA

1.2. Medium-Term Strategic Plan (2019-2022)

The Medium-Term Strategic Plan (MTSP) serves as a strategic direction and roadmap for the PEMNA network in deepening the work programs and budget over the four-year period, from 2019 to 2022. The PEMNA Steering Committee endorsed the proposed medium-term strategic plan at its annual meeting in May 2019. The primary purpose of the MTSP is to further support the member countries in achieving their desired PFM outcomes. Hence, the MTSP places a greater emphasis on providing PFM contents that are relevant to members' work and strengthening the impact that the network creates. It identifies the priority PFM outcomes for each CoP and proposes sets of objectives to be achieved. Table 2 shows the priority PFM outcomes for each CoP during 2019-2022. Each CoP LT reviews the strategy annually and may update it, if deemed necessary, adapting to new developments and evolving needs and priorities of the member countries.


	Budget CoP	Treasury CoP
2019	Greater budget transparency	Stronger implementation of national accounting standards and financial reporting
2020	Enhancing the timeliness and effectiveness of capital expenditure	Strengthening planning and execution of capital expenditure plans and public investment
2021	Stronger linkages between policy outcomes and annual budgets	Enhancing effectiveness of financial management information systems (FMIS)
2022	Strengthening macro-fiscal discipline and sustainability of expenditure	Increased efficiency in treasury and public debt management

The strategy is operationalized through multiple activities and resources. Learning events are one of the principal modalities to help members realize the proposed high-level PFM outcomes. Each CoP will organize meetings, study visits, and webinars, focusing on one specific high-level PFM outcome each year. The PEMNA Treasury CoP Moscow Meeting in October 2019 was the first event to be held under the MTSP. The T-CoP exchanged knowledge and experiences to achieve stronger implementation of national accounting standards and financial reporting. The B-CoP, in its meeting in November 2019, focused on addressing challenges and efforts to achieve greater budget transparency. Having more consistency in the selection of themes, the network facilitated more structured discussions and activities.

In addition, the MTSP includes the networks' plans to expand its work on creating PFM contents to strengthen its support for members to better understand the key attributes of a sound PFM

system. A series of knowledge products such as reports and research papers that will drill down on a special topic of interest to members, was introduced during this reporting period. Following the meeting in November 2019, the B-CoP agreed to conduct a research on the topic of fiscal transparency. A consultant was hired to produce a policy paper. The paper examines the current practices of fiscal transparency in the PEMNA member countries and draws lessons from these country experiences. The knowledge products are designed to inform the PFM policy-making processes that are most relevant to the members' work, thereby contributing to enhancing the institutional capacity building in the member countries.

The impact of the network is more systematically captured and assessed, using different instruments such as surveys and interviews. These impact assessments measure the members' increased capacity achieved against the desired PFM outcome that the network has pursued throughout the year. The Secretariat conducted several surveys and interviews to gauge the members' increased capacity as well as the incremental impact made to strengthen the member countries' PFM systems in the areas addressed through PEMNA in 2019. These narratives were shared with the members through the Secretariat's community reporting (e.g., newsletters, Facebook, and other communication products).



CONTRIBUTION TO IMPROVING PFM PRACTICES IN THE MEMBER COUNTRIES

2. Contribution to Improving PFM Practices in the Member Countries

2.1. Sharing the PFM knowledge back home

2.2. Value realization: member testimonials

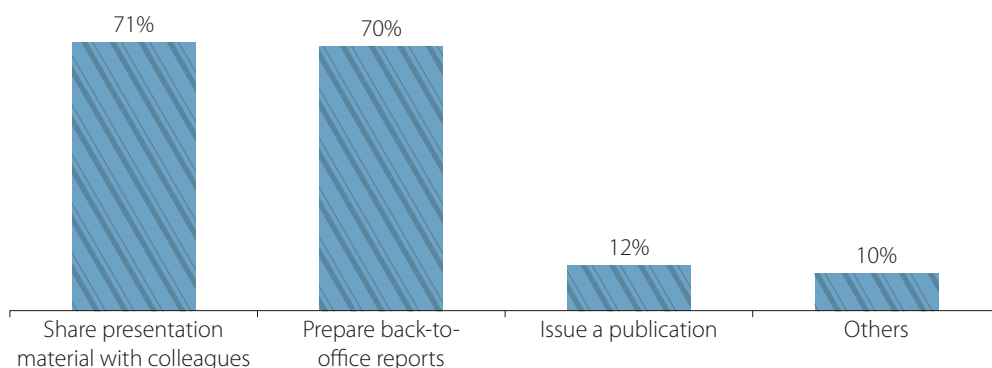
2. Contribution to Improving PFM Practices in the Member Countries

2.1. Sharing the PFM Knowledge Back Home

Members continued to actively capture and share the knowledge and experiences acquired through PEMNA events. There is strong evidence that these knowledge and experiences reach an increasing number of officials in the member countries. According to the post-event evaluation survey results, 92% of the participants responded that they plan to share the knowledge gained from the PEMNA events with the colleagues in their ministries.

Many share the presentation materials delivered at events with their colleagues and prepare back-to-office reports summarizing the lessons learned. A few members issued separate publications (e.g., articles in budget journals) to share the knowledge and experiences with their colleagues who did not participate in the CoP events. Chart 1 shows how the members share the knowledge and experiences gained at PEMNA events with the other PFM officials in the ministries.

Chart 1. Methods of Knowledge Sharing Back Home

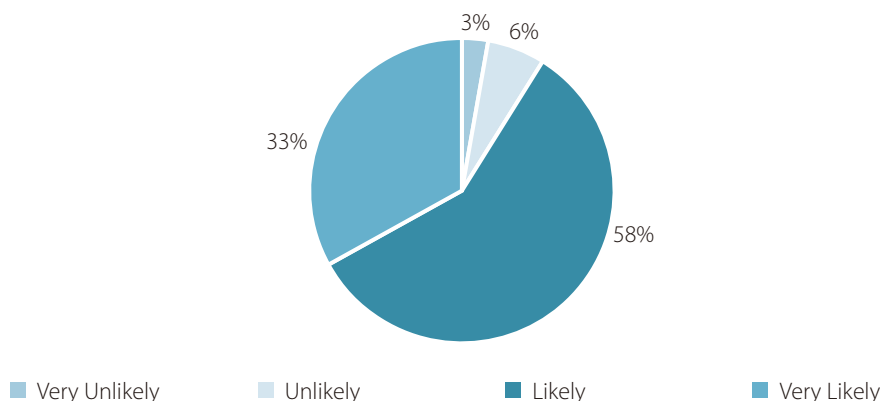


PEMNA also continued to contribute to enhancing the members' knowledge of PFM in ways that they can apply in their countries.

A vast majority of the members, among those who attended a PEMNA event in the last two years, had the opportunities to apply the learnings from PEMNA to their daily work (Chart 2).

2. Contribution to Improving PFM Practices in the Member Countries

Chart 2. Opportunities to Apply Knowledge Acquired



2.2. Value Realization: Members Testimonials

The member interviews further affirm the values of PEMNA and provide some examples of how PEMNA has helped improve efficiency, effectiveness, and transparency of budget and treasury systems of the member countries. These member interviews were conducted as part of the MDTF completion report for PEMNA.²⁾ Representatives from Vietnam, Mongolia, Thailand, Indonesia, Cambodia, and Malaysia shared country-specific experiences, which are summarized below.

A representative of **Vietnam** to the B-CoP identified that knowledge and experiences shared at the B-CoP events were particularly helpful when adopting the concepts such as a) the medium-term expenditure framework; b) performance-based budgeting; c) fiscal transparency, and d) fiscal risk management in Vietnam. For example, Vietnam has formally adopted the five-year financial plan and the three-year rolling financial-budgetary plan since 2017. Vietnam also expanded the budget disclosure coverage and methods by disclosing the Executive's Budget Proposal to the National Assembly, providing in-year budget execution reports and explanatory notes to budget data, and introducing the citizens' budget.

The State Treasury of Vietnam also achieved meaningful results in its reform implementations and acknowledged PEMNA's partial contributions to success. Vietnam found the knowledge and experiences gained through T-CoP events useful in a) improving electronic data sharing with relevant agencies; b) implementing a risk-based spending control; c) enhancing cash flow forecasting; d) building an accrual-based unified state accounting system, and e) upgrading the

2) The MDTF completion report assesses the results and the impact of the network's activities throughout the project cycle. Hence, the results and impact identified in these interviews may not necessarily be the improvements made in the year 2019 only, but may include those achieved in preceding years.

Treasury and Budget Management Information System (TABMIS).

Mongolia recognized that the PEMNA as an effective network of the regional coalition of ministries of finance in Asia, and identified the key benefits of the network—being able to learn the best practices, comparing them with their own country’s situations, and attempting to implement or continuing to implement such practices with motivation.

Thailand mentioned that member countries that are in the initial stage of fiscal development are able to build a more cost-effective budget system by learning about the advantages, tradeoffs and the basics—that are required to prepare for and to adopt the practices—from other PEMNA countries that have reached a more mature stage of development. In addition, countries with relatively developed budget systems are also able to benefit from the network by participating in peer-learning activities, and interacting with external PFM practitioners in the field.

A former delegate of **Indonesia** stated that PEMNA meetings provided the opportunity for participants to identify both similarities and differences of each country’s Treasury Single Account (TSA) system. Furthermore, participants can form one-on-one country relationships between member countries through PEMNA events, during which Indonesia, for example, was able to acquire more knowledge on government bonds, and senior officers met with government officials in the Philippines to gain insight into and consult the development of their investment portfolio.

Vietnam’s TABMIS, Korea’s dBrain³⁾, and Indonesia’s SPAN were all good examples that helped to prepare **Cambodia** for the implementation of their FMIS. Understanding Vietnam’s TABMIS, in particular, was useful, since their treasury system is similar to Cambodia’s. Next, with the implementation of the Public Financial Management Reform Program (PFMRP), Cambodia has shifted to a unified Chart of Accounts (COA) based on the International Public Sector Accounting Standards (IPSAS). Cambodia’s goal is to move toward full accrual accounting in the future, and whereas the recent T-CoP meeting in Russia proved that moving from cash to accrual accounting is an effortful process, Cambodia aims to apply the best practices learned from PEMNA meetings in order to reach this target. Likewise, these gatherings have provided Cambodia with information on cash forecasting methods, Indonesia’s 80/20 rule, methods to strengthen TSA and the usage of commercial banks for government transactions.

Malaysia has benefited from discussions related to the implementation of the TSA of various countries, specifically the topics on ‘centralization concept’ and the ‘information technology system’. Since Malaysia is in the transitional phase in achieving accrual accounting in the near future, delegates have had the opportunity to gain knowledge from member countries and learn about particular challenges that may lie ahead.

3) dBrain refers to the digital budget accounting system in Korea.



STRENGTHENING BUDGET AND TREASURY SYSTEMS IN THE REGION

3. Strengthening Budget and Treasury Systems in the Region

3.1. Addressing PFM challenges in the member countries
through peer-to-peer learning activities

3.2. Increasing focus on developing PFM knowledge
products

3. Strengthening Budget and Treasury Systems in the Region

3.1. Addressing PFM Challenges in the Member Countries through Peer-to-Peer Learning Activities

PEMNA continued its work in 2019 by addressing issues and challenges that are most relevant to the PFM reforms in the member countries through its peer-to-peer learning activities.

During this reporting period, PEMNA provided a total of *five* learning events to more than 470 PFM officials and experts in the region. Each CoP had two face-to-face meetings and one joint CoP session, i.e., plenary conference, during the year 2019. Chart 3 shows the number and type of events held during the year in comparison to the previous calendar years. In 2019, PEMNA held four CoP meetings in addition to the annual plenary conference where both budget and treasury CoP members gather together as a whole network. As shown, both CoPs invested a significant number of hours in face-to-face interactions among members this year.

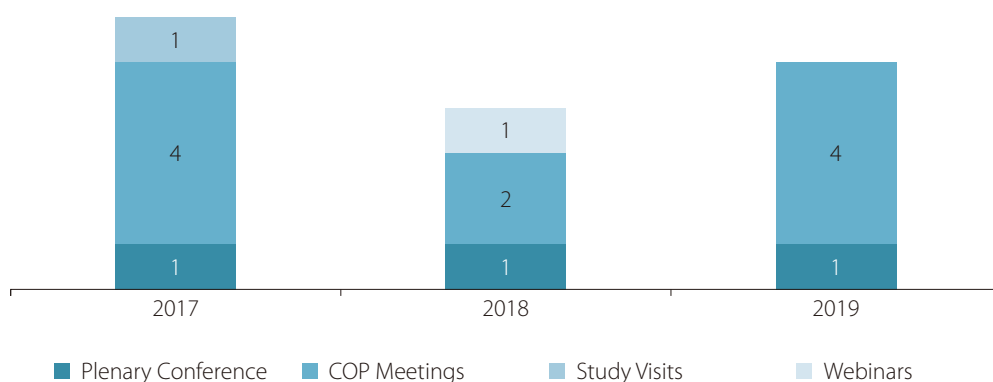
Box 1. 2019 PEMNA Learning Events

- PEMNA Treasury CoP Meeting (Seoul, March 6-7, 2019)
- PEMNA Budget CoP Meeting (Seoul, March 19-20, 2019)
- 2019 PEMNA Plenary Conference* (Vietnam, May 22-24, 2019)
- PEMNA Treasury CoP Meeting* (Moscow, October 1-3, 2019)
- PEMNA Budget CoP Meeting (Jakarta, October 16-17, 2019)

* meetings with host country

3. Strengthening Budget and Treasury Systems in the Region

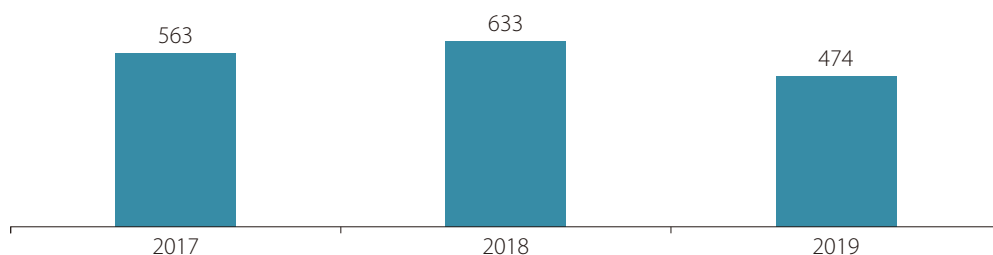
Chart 3. PEMNA Events by Type (2017-2019)



Among these five learning events held in 2019, two were hosted by the member countries, and the remaining three were no-host meetings. Vietnam hosted a plenary conference in May 2019, inviting a large number of PFM practitioners in the region. The Federal Treasury of Russia, an observer of the PEMNA network, also hosted a meeting for the Treasury CoP. The meeting hosted by the Russian Treasury was the first meeting to be held outside the PEMNA region and further enriched the members' learning experiences through interactions with PEMPAL.

PEMNA saw high turnouts over the previous three years (Chart 4).

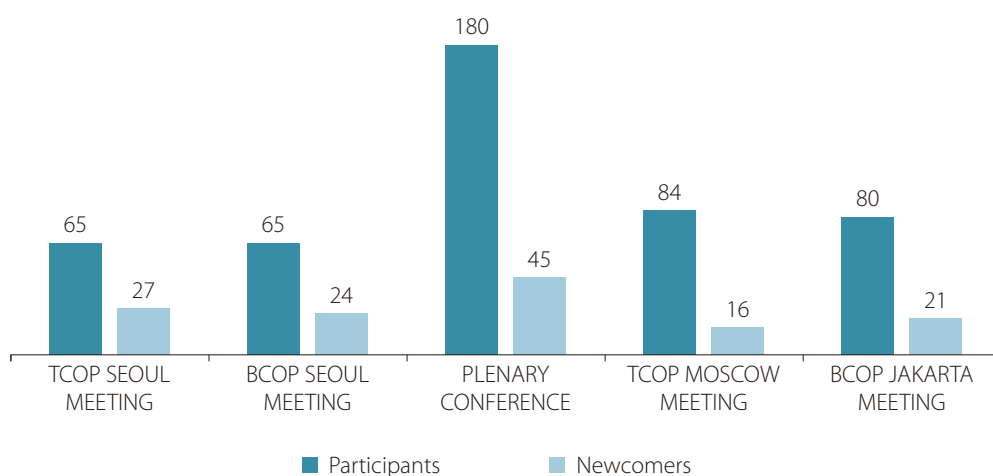
Chart 4. Number of Participants by Year



More than 1,600 PFM practitioners participated in the PEMNA learning events from 2017 to 2019. During this reporting period, around 470 PFM practitioners benefited from the learning events organized by the network. Each CoP meeting brought about 60 to 80 PFM officials and experts together to discuss topics directly related to PFM reform initiatives of the member countries. For the 2019 PEMNA Plenary Conference, PEMNA provided learning opportunities to 180 PFM practitioners. However, the total number of participants decreased by 25% in 2019 compared to those of the previous year. The difference is attributable to a couple factors: one was the number

of events held and the second was the attendance level of the plenary conference. In 2017, the network held *six* learning events, which is more than the level of events typically held in a year, and the 2018 PEMNA Plenary Conference attracted an exceptionally large number of local participants, which in turn increased the number of participants in the year 2018.

Chart 5. Number of Participants by Events



As evidenced by the high number of participants, PEMNA has gained increasing recognition in the region as an interactive peer-learning network in the area of PFM. The network continued to attract new members to its learning events in 2019. PEMNA had a good balance of regular and new members as illustrated in Chart 5. Around 28% of the participants were the newcomers to the PEMNA learning events. These new members attended the PEMNA learning events for the first time in 2019.

Participants of the 2019 PEMNA learning events discussed the following topics (Table 3), mainly in line with the desired PFM outcomes set forth in the MTSP 2019-2022 for the network. The Budget CoP (B-CoP) drilled down on the topics of enhancing fiscal transparency in the member countries whereas the Treasury CoP (T-CoP) explored a number of topics, including the one suggested in the MTSP, stronger implementation of national accounting standards and financial reporting.

3. Strengthening Budget and Treasury Systems in the Region

Table 3. Topics Addressed by PEMNA CoPs in 2019

Budget CoP	
Seoul Meeting	Fiscal Transparency and Performance Management
Plenary Conference	Budget Restructuring and Public Debt Management for National Financial Prudence and Sustainability with focus on: <ul style="list-style-type: none"> • Restructuring budget for prudent expenditure anagement • Enhancing Revenue for fiscal sustainability; and • Prudent and sustainable debt management
Jakarta Meeting	Fiscal Transparency and Public Participation
Treasury CoP	
Seoul Meeting	Digital Transformation in Government Treasuries in East Asia – Trends and Opportunities
Plenary Conference	Budget Restructuring and Public Debt Management for National Financial Prudence and Sustainability with focus on: <ul style="list-style-type: none"> • Government treasury models and functions in the context of modern PFM • Financial sustainability and public debt management-aspects of issuance and management of government bonds • Preparation and consolidation of accrual-based government financial statements as applicable to budget spending units
Moscow Meeting	Russian Treasury-PEMNA Knowledge Exchange in Public Finance Management through sharing experiences in: <ul style="list-style-type: none"> • Public sector accounting and whole of government financial reporting • Cash management and optimization • Public procurement; and • Commitment controls

Knowledge Sharing Champions

More than 100 case studies⁴⁾ were shared at these meetings. The three top knowledge sharing countries of 2019 were Vietnam, Korea and The Philippines.⁵⁾ These three countries actively shared their knowledge and experiences with their peers in all the five learning events held during this reporting period. Besides these three-member countries, a great majority of the member countries contributed their country cases to the learning events, as Table 4 demonstrates.

4) The number includes both the presentations delivered by the member countries and also the brief progress updates shared by the members.

5) These three countries were the knowledge sharing champions of the network during the previous reporting period, July 2017- December 2018 as well.

Table 4. Country Case Studies Shared

	BN	KH	CN	ID	KR	LA	MY	MN	MM	PH	SG	TH	TL	VN
1		○		○	○		○			○	○			○
2				○	○		○			○		○		○
3				○	○		○			○		○		○
4				○	○			○		○	○	○		○
5		○		○	○	○	○	○	○	○		○		○

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 (TL), and Vietnam (VN)

1: T-COP SEOUL MEETING; 2: B-COP SEOUL MEETING; 3: 2019 PEMNA PLENARY CONFERENCE;
4: T-COP MOSCOW MEETING; and 5: B-COP JAKARTA MEETING

Taking the lead in the network's peer-to-peer learning activities, **Vietnam** delivered 12 presentations during this reporting period. Vietnam, as the host of the 2019 PEMNA Plenary Conference, openly shared the country's PFM challenges with other member countries at the plenary conference, i.e., significant public debt due primarily to shrinking revenue collections countered by growing public expenditures. The country actively shared its case and sought to draw lessons from their peers' experiences, especially in the areas of a) how to develop transparent budget/revenue system to optimize tax ratio to GDP with tax incentive policies; b) how to strengthen fiscal discipline and efficiency in spending using medium-term schemes and performance-based budgeting; and c) how to improve public debt management by setting optimal debt ceilings.

Korea actively shared its country experiences with other members through 10 presentations. Korea's presentations mainly focused on introducing different ways of engaging citizens in the budgetary process. Participants had opportunities to learn about Korea's innovative mechanisms introduced to ensure citizens' participation at the budget formulation and execution stages such as focus group interviews, Budget Waste Reporting Centers, budgetary incentive systems, etc. Furthermore, Korea shared the progress of the country's recent implementation of the national participatory budgeting, My Budget, a mechanism that encourages citizen's participation in the project proposal, discussion, and prioritization.

The Philippines also gave a total of 10 presentations during this reporting period. Active in both budget and treasury CoPs, the Philippine cases provided practical lessons to the participants of the 2019 PEMNA learning events. In particular, many B-CoP participants appreciated the

3. Strengthening Budget and Treasury Systems in the Region

Philippines' presentations on the country's fiscal transparency performance.⁶⁾ The Philippines' budget documents such as People's Budget and Technical Note on the Proposed Budget offered concrete examples of how governments can present key public finance information to the general audience, thereby strengthening the transparency of budget. On the T-CoP side, the digital transformation of the Philippines' treasury system (e.g., Budget and Treasury Management System (BTMS)) was studied as well as the country's efforts toward effective cash management.

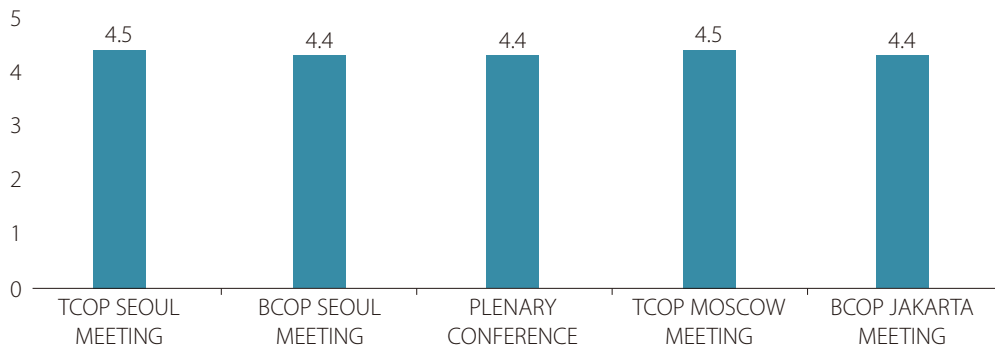
Indonesia, Malaysia, and Thailand also contributed significantly to the network's learning activities. Having delivered nine presentations each, Indonesia and Malaysia enriched the quality of discussions. Thailand gave six presentations during this reporting period, sharing their progress made and challenges in implementing reform initiatives.

Quality of PEMNA Learning Events

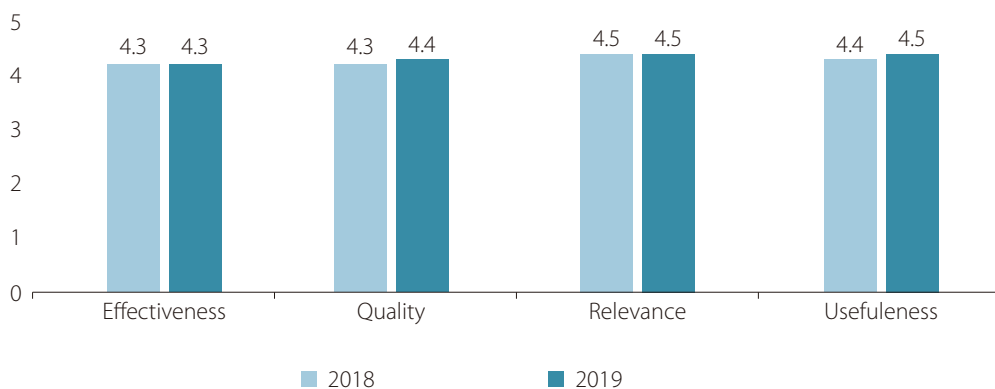
PEMNA established high-quality standards for its learning events and has fostered a culture of excellence since. As part of service quality monitoring, the PEMNA Secretariat conducts post-event evaluations at the end of each event, which ask the participants to provide feedback on their learning experiences. Participants rate their level of satisfaction on the scale of 1 ('very dissatisfied') to 5 ('very satisfied') and to share how they intend to use the acquired knowledge back home. In 2019, the Secretariat conducted *five* post-event evaluations, and the results are summarized in the following paragraphs.

According to the results, the events organized in 2019 successfully fulfilled the expectations of the participants. The overall performance remained strong across events in 2019 (Chart 6). The results provided solid evidence of high levels of member satisfaction with the quality of resources and services delivered at the network's learning events.

6) Ranking first in Asia in terms of budget transparency, the Philippines scored 67 out of 100 in the 2017 Open Budget Survey.

Chart 6. Strong Overall Performance

The following chart compares the 2019 post-event evaluation survey results with the previous year's findings. Chart 7 shows the results of key performance indicators: effectiveness of presentations, quality of discussions, relevance to members' daily work, and usefulness of knowledge. A majority of the participants showed high levels of satisfaction ('satisfied or very satisfied') with the effectiveness of the presentations delivered at the events and the quality of discussions exchanged. They also felt that the learnings provided by PEMNA were very much relevant to their daily work, as evidenced by the high level of score. Likewise, participants found PFM knowledge and experiences shared at PEMNA events very useful, giving 4.5 out of 5 points.

Chart 7. Key Performance Indicator Results (2018-2019)

3. Strengthening Budget and Treasury Systems in the Region

The post-event evaluation surveys also solicit a set of written comments from the participants on the quality of PEMNA events, including suggestions for further improvements. Boxes 2 and 3 give some of the feedback provided by the members.

Box 2. Selected Comments from the Post-Event Evaluation Surveys

"The sharing experience from all member countries is significant to enhance system. PEMNA is the best platform to get networking and best practices in public sector financial management."

From 2019 PEMNA T-CoP Seoul Meeting

"The exercise was so great, which help me understand more about the budget transparency."

From 2019 PEMNA B-CoP Seoul Meeting

"It was an opportunity for people who works in finance (budget) and treasury sector contact to enrich knowledge and have further communication in future."

From 2019 PEMNA Plenary Conference in Vietnam

"This conference was very important to us, sharing experience regarding the budget restructuring and public debt management for national financial prudence and sustainability."

From 2019 PEMNA Plenary Conference in Vietnam

"The Q&A was really engaging and additional knowledge was imported to each of us."

From the 2019 PEMNA Plenary Conference in Vietnam

"The member sharing on medium-term expenditure has given us better view to prepare our MTBF and other PFM reform act."

From the 2019 PEMNA B-CoP Jakarta Meeting

Box 3. Suggestions from the Participants for Future Improvements

“We could have a session for countries to poll other countries, so that we could understand what other countries are doing for specific areas.”

From 2019 PEMNA T-CoP Seoul Meeting

“I think PEMNA meeting is very useful for my job and in the future, I would like to attend to new topics such as: cash management and how to integrate FMIS and accounting system. How government treasuries are embracing digital transformation to improve service delivery.”

From 2019 PEMNA T-CoP Seoul Meeting

“It would be useful to have comparative information on specific issues in the PEMNA countries.”

From the 2019 PEMNA B-CoP Seoul Meeting

“It was a great experience to attend PEMNA. I gained enormous knowledge of my work. Also, it was well organized. In the future, I would like to see more case work in our next meeting.”

From 2019 PEMNA B-CoP Seoul Meeting

“Each country should present the meeting results back home, and report back on what changes have been made since the last meeting and share the progress with other countries in the following PEMNA meeting.”

From 2019 PEMNA Plenary Conference in Vietnam

“The working groups should be better set up by putting participants from various countries into groups. Each participant can join other groups and bring back the ideas from different groups.”

From 2019 PEMNA T-CoP Moscow Meeting

The following sections provide more details of learning events for both the budget and treasury CoPs.

Budget CoP in 2019

The B-CoP aimed to support member countries in achieving greater budget transparency, in line with the high-level PFM outcome set in the MTSP. The details of the desired PFM outcome set for the year 2019 are provided in Box 4. During this reporting period, the B-CoP organized *three* learning events —two CoP meetings and one plenary conference— to explore ways to enhance the transparency of budget in the member countries.

3. Strengthening Budget and Treasury Systems in the Region

Box 4. Desired PFM Outcome of Budget CoP in 2019

Greater Budget Transparency

- Greater access to open budget data
- Enhancing budget understanding by the public
- More clear and timely reporting on budget execution
- Transparency of medium-term budgetary implications
- Effective communication with parliament and/or other oversight bodies

The B-CoP facilitated more structured and in-depth discussions throughout 2019. The B-CoP meeting in March provided an overview of transparency assessment tools (e.g., Open Budget Survey and Fiscal Transparency Code) and underscored the importance of public participation in achieving meaningful transparency in fiscal planning. Participants, at the following meeting in October, shared the activities they had been undertaking for fiscal transparency and the challenges confronted since the last meeting in March. Such progress reporting sessions ensured continuity in discussions.

Cooperation with international partners expanded in the year 2019. Experts from the International Monetary Fund (IMF), Global Initiative for Fiscal Transparency (GIFT), the International Budget Partnership (IBP), and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) contributed presentations to the B-CoP learning events held in 2019. These presentations provided overviews of the issues discussed at the events and introduced some of the international best practices in the field. Furthermore, these international experts participated in the facilitation of small group discussions, group exercises, and Q&A sessions.

The B-CoP also invited civil society organizations (CSOs) such as FITRA and Hivos to participate in the learning events. These two organizations likewise contributed presentations to the B-CoP meetings. The presentations focused on identifying how governments can engage CSOs to enhance fiscal transparency as well as to facilitate monitoring of public service delivery. As a result, the B-CoP was able to broaden the spectrum of knowledge and experiences exchanged at the learning events.

The results of the peer-to-peer learning activities of the B-CoP are summarized below. The full summary of discussions is included in the Annex.

2019 PEMNA B-CoP Seoul Meeting

Fiscal Transparency and Performance Management

March 19-20, 2019

Seoul, Korea



Participants from twelve-member countries—Brunei, Cambodia, Indonesia, Korea, Lao PDR, Malaysia, Mongolia, Myanmar, the Philippines, Thailand, Timor-Leste and Vietnam—and experts from international organizations attended the meeting. The main topics of this meeting were fiscal transparency and performance management. The meeting focused on ways to enhance fiscal transparency and its importance based on the measurement of fiscal transparency, technologies that are useful in increasing citizen engagement, strategies for managing online portals, and communication among the public in the media. Moreover, members addressed issues regarding the financial management information system for budget management, technologies in assessing performance, citizens' engagement for monitoring and evaluation, and ways to emphasize M&E for service delivery.

3. Strengthening Budget and Treasury Systems in the Region

2019 PEMNA Plenary Conference

Budget Restructuring and Public Debt Management for National Financial Prudence and Sustainability

May 22-24, 2019

Quang Ninh Province, Vietnam



Hosted by the Ministry of Finance of Vietnam, the 2019 PEMNA Plenary Conference was held in May 2019. More than 180 participants, including PFM officials and experts in the region, joined the event. Budget Restructuring and Public Debt Management for National Financial Prudence and Sustainability was the main theme of the conference. The B-CoP sessions focused on (i) restructuring budget for prudent expenditure management, (ii) enhancing revenue for fiscal sustainability, and (iii) prudent and sustainable debt management.

2019 PEMNA B-CoP Jakarta Meeting

Fiscal Transparency and Public Participation

October 16-17, 2019
Jakarta, Indonesia



The second meeting of the year was held in Jakarta, Indonesia from October 16-17. The main topics of this meeting were fiscal transparency and public participation as guided by the medium-term strategic plan. The meeting included six sessions: (i) review of lessons from 2019 B-CoP Seoul meeting, (ii) good practices in fiscal transparency, (iii) fiscal risk disclosure and application of the IMF's fiscal transparency code, (iv) capacity building for fiscal transparency, (v) effective communication with parliament and (vi) improving public participation and public awareness. Around 80 participants from twelve PEMNA member countries and international experts attended this meeting.

3. Strengthening Budget and Treasury Systems in the Region

Treasury CoP in 2019

The peer-to-peer learning activities organized by the T-CoP aimed to support member countries in strengthening the implementation of national accounting standards and financial reporting as guided by the MTSP. The T-CoP's desired PFM outcome for the year 2019 is further elaborated in Box 5. The T-CoP organized *three* learning events—two CoP meetings and one plenary conference—during this reporting period.

Box 5. Desired PFM Outcome of Treasury CoP in 2019

Strengthening Implementation of National Accounting Standards and Financial Reporting

- Upgrade public accounting standards as appropriate to the country context
- Strive towards attaining IPSAS cash standards as the first step towards accrual accounting
- Transparency of public accounts and accessibility to public
- Revision of Chart of Accounts in keeping with international standards
- Effective collaboration between ministry of finance (treasury), auditor general, and parliament on financial statements and audit reports

The T-CoP organized a session addressing digital transformation and its impact on accounting systems in March 2019. The T-CoP meeting in Moscow also provided a session wherein the participants had a chance to learn about Russia's experience with the implementation of modern accounting and reporting standards, focusing especially on the consolidation of financial reporting at the level of the federation. Building on Russia's experience, the following session introduced international experience in the adoption of the IPSAS and the International Financial Reporting Standards (IFRS) accounting standards, the benefits and challenges of the whole of government reporting.

As demonstrated above, the T-CoP fostered stronger cooperation with its international partners, most notably, with the Federal Treasury of Russia—an observer of the PEMNA network. In October 2019, the T-CoP organized a meeting in Moscow, Russia, at the invitation from the Russian Treasury. The Russian Treasury provided a meeting venue, meeting packages, community-building activity, etc., for the participants and contributed six presentations. Representatives from the Public Expenditure Management Peer-Assisted Learning (PEMPAL)⁷⁾, a sister network operating in European and Central Asian countries, were also invited to this meeting and contributed two presentations. This was the very first PEMNA event to be held outside the region. Cooperation

7) PEMPAL is a peer-assisted learning network for the public financial management officials in Central Asia, and Central and Eastern Europe. The network consists of three communities of practice—for budgeting, treasury, and internal audit—with 23-member countries. The Federal Treasury of Russia is a member of the PEMPAL network.

with the PEMPAL countries provided a valuable opportunity for the PEMNA countries to draw lessons from a larger pool of knowledge and experiences and benchmark their progress.

The collaboration with the PEMPAL countries received positive feedback from the T-CoP membership. The possibility of further PEMNA-PEMPAL exchange was discussed at the LT meeting that took place following the meeting in Moscow. The T-CoP LT agreed to continue the PFM knowledge exchange with the PEMPAL. At this meeting, some of the potential areas for future cooperation were identified: inviting an official of PEMPAL member countries as an observer to future PEMNA T-CoP events and producing a joint knowledge product.

The results of the peer-to-peer learning activities of the T-CoP are summarized below. The full summary of discussions is included in the Annex.

3. Strengthening Budget and Treasury Systems in the Region

2019 PEMNA T-CoP Seoul Meeting

Digital Transformation in Government Treasuries in East Asia: Trends and Opportunities

March 6-7, 2019
Seoul, Korea



The T-CoP held its first CoP meeting of the year in Seoul, Korea from March 6–7, 2019. Five sessions were organized around the main theme, digital transformation in government treasuries in East Asia. The five sessions were: (i) overview of treasury digital transformation and supporting reforms, (ii) treasury digital transformation and its impact on procurement, (iii) collections, (iv) treasury systems, and (v) payments. All member countries participated in this event as well as experts from the World Bank and the U.S. Treasury Office of Technical Assistance (USOTA).

2019 PEMNA Plenary Conference

Budget Restructuring and Public Debt Management for National Financial Prudence and Sustainability

May 22-24, 2019

Quang Ninh Province, Vietnam



The 2019 PEMNA Plenary Conference was held in May 2019. More than 180 PFM practitioners participated in the event. The main theme of the conference was Budget Restructuring and Public Debt Management for National Financial Prudence and Sustainability. Members of the T-CoP had a chance to discuss the following topics in details: (i) government treasury models and functions in the context of modern public finance management, (ii) issuance and management of government bonds in the financial sustainability and public debt management, and (iii) preparation and consolidation of accrual-based government financial statement as applicable to budget spending units.

3. Strengthening Budget and Treasury Systems in the Region

2019 PEMNA T-CoP Moscow Meeting

Russian Treasury-PEMNA Knowledge Exchange in Public Finance Management

October 1-3, 2019

Moscow, Russia



The second PEMNA T-CoP meeting of the year was held in Moscow, Russia. The Federal Treasury of Russia generously hosted this event, inviting around 80 participants from thirteen PEMNA member countries. This meeting was the first T-CoP event to be held outside of Asia. The meeting focused on knowledge exchange between the PEMNA member countries and the Russian Treasury. Each session was organized into two parts: the first part focused on the sharing of the Russian experiences, and the second half focused on the sharing of the PEMNA member countries' experiences. The four sessions addressed the following topics: (i) public sector accounting and whole of government financial reporting, (ii) cash management and optimization, (iii) public procurement, and (iv) commitment controls. The meeting also facilitated an exchange with PEMPAL on the functioning and the evolution of their network. Participants appreciated this opportunity to learn from the PEMPAL experiences and welcomed further collaborations between the two networks.

3.2. Increasing Focus on Developing PFM Knowledge Products

Putting knowledge to tangible outputs is one of the key objectives that PEMNA aims to pursue in the second phase of its development. Such objective is clearly stated in the MTSP and the multiple forms of possible outputs are also suggested in the plan.

In pursuit of such objective, the network introduced a knowledge product during this reporting period, which aimed to drill down on a specific PFM topic of interest to members. As a starter, PEMNA agreed to produce a policy paper on the topic of fiscal transparency, one of the desired PFM outcomes identified in the MTSP. At its meeting in Jakarta, members of the B-CoP LT endorsed the Secretariat's plan to hire a consultant to produce a policy paper. Following the decision, the Secretariat hired a consultant for this project in November 2019.

The policy paper addresses the following issues: a) the current status of fiscal transparency in PEMNA countries; b) plans for improvement in fiscal transparency; c) summary of lessons learned and best practices, and d) challenges to overcome for the member countries.

For the assessment of the current status of the member countries, a short survey was conducted prior to the B-CoP meeting in Jakarta. The survey provided data on the member countries' motivations and challenges for enhancing fiscal transparency as well as the tools used to measure their level of transparency in these countries. In addition, the results of the Open Budget Survey 2017 are used as base materials for this research.

This policy paper will support members enhancing their knowledge of PFM, fiscal transparency in particular. The product will be available on the PEMNA website in early 2020.



DISSEMINATING PEMNA RESULTS

4. Disseminating PEMNA Results

4.1. Strengthening online communication

4.2. Reporting progress to community members

4. Disseminating PEMNA Results

4.1. Strengthening Online Communication

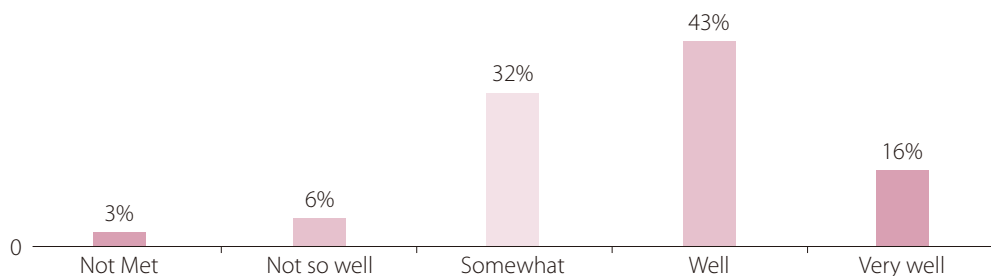
New Website Launched

PEMNA launched a new website in November 2019. The Secretariat kicked off the website development project in June 2019 based on the decision reached by the PEMNA SC. Through this project, the network aimed to a) enhance its online archive to better capture the knowledge shared at the PEMNA activities; b) create a user-friendly website with improved accessibility, and c) effectively promote the network's achievements to the targeted audience.

Prior to the launching of a new website, a website user experience survey was conducted from March 12 to March 20, 2019. Around 70 members participated in the survey. The survey first assessed the user experience of the old website and solicited suggestions for the new one. These user feedbacks were reflected when developing the new site for PEMNA. The following are some of the key findings⁸⁾ from the survey.

The PEMNA website successfully met the needs of the users. Around 43% of the respondents said that the current site met their expectations as illustrated in Chart 8.

Chart 8. Level of Users' Satisfaction with the Old Website



Most users visited the PEMNA website to download meeting materials (54%) and learn general information about the network (41%). When asked how often they visit the PEMNA website, 70% of the respondents said that they visited the website one to three times per month (Charts 9 and 10).

8) These findings were also shared with the members at CoP events held in the second half of 2019.

4. Disseminating PEMNA Results

Chart 9. Purpose of Visits to the PEMNA Website

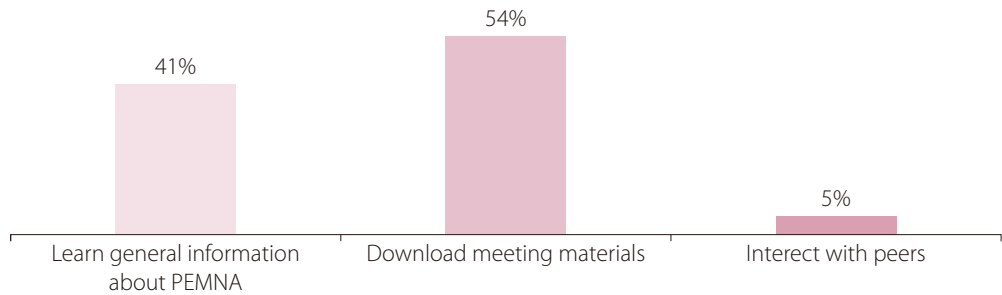
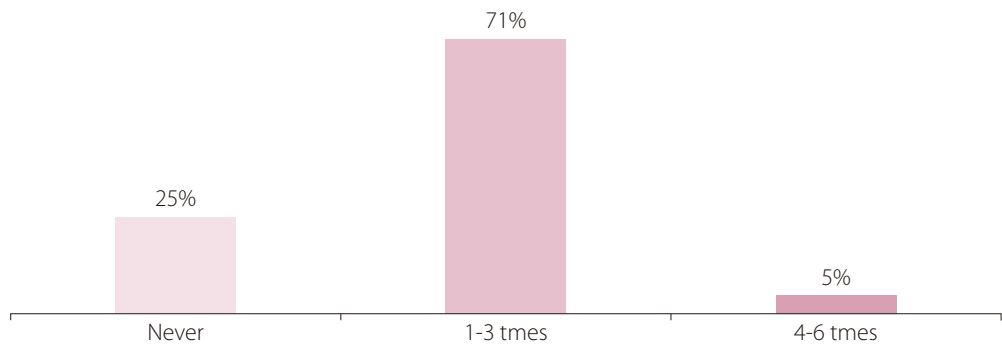
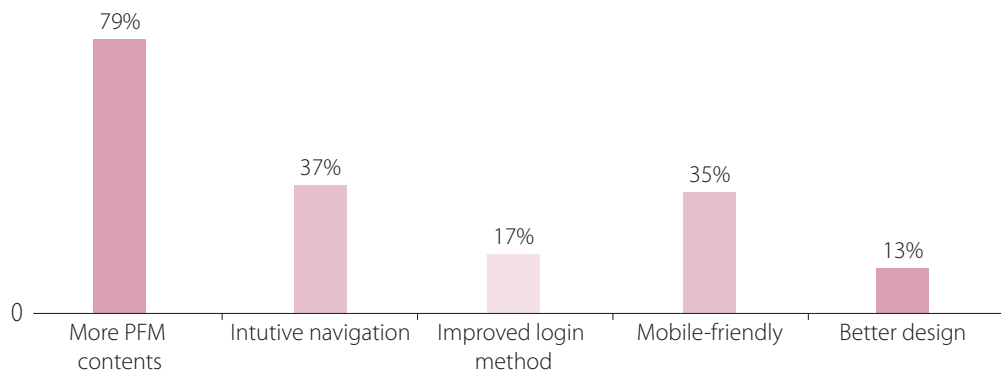


Chart 10. Frequency of Visits (per month)



While more than half of the respondents considered the old website had met their expectations, there remained room for improvement. Some of the top suggestions received were: having more PFM related content on the new site (79%), creating a more accessible (37%), and mobile-friendly (35%) website as depicted in Chart 11 below.

Chart 11. Suggestions for New Website



Taking these suggestions into account, the new website provides even richer PFM contents to its users. All presentation materials, communication products, other relevant documents produced as results of PEMNA activities (e.g., summaries of discussions), etc., are available on the new website. These documents are all organized by category, for instance, by CoP. Users can now easily find and download these documents. They may also locate the information by using the search function equipped on the website.

Furthermore, the new website is more accessible. It is an open site in which users can access all information and data on the website, whereas before, users had to sign in to retrieve the materials.⁹⁾ The new website is also accessible from mobile devices, making it easier for users to engage with the PEMNA website regardless of the device. Having improved accessibility, a greater number of users are expected to visit the website.

A set of analytical tools is available to monitor the performance of the new website. The number of visitors, views, downloads, etc. will be measured. A follow-up website user experience survey is planned in 2020 to gauge the level of improvements in the user experience since the launch of the new website.

Social Media

PEMNA further encourages interaction among community members through its social media channel. The Secretariat manages a Facebook¹⁰⁾ page to update the members with the most recent PEMNA news. The PEMNA Facebook page offers a variety of contents, including members testimonials on video. These testimonials on video demonstrate value proposition of the network through the voice of the members. The Secretariat produced three testimonial videos¹¹⁾ in 2019.

9) Before migrating the data from the old to the new website, the Secretariat reached out to the points of contact in each member country as well as international experts to acquire their permissions to upload these materials. The presentations were uploaded to the new website only when they agreed. Almost all presenters agreed to share their presentations on the new website.

10) www.facebook.com/pemnasec

11) www.facebook.com/pemnasec/videos

4. Disseminating PEMNA Results

Box 6. Featured Members in Testimonial Videos (in order of appearance)

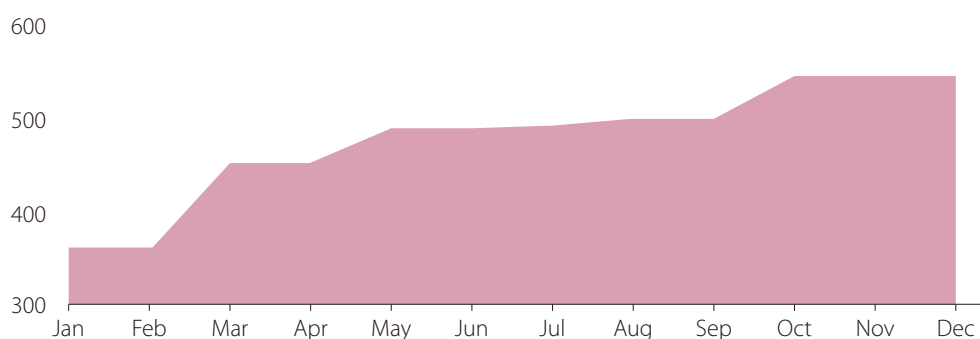
- Yolanda Reyes, OIC Director IV, Department of Budget and Management (DBM), The Philippines
- Mutita Somana, Budget Analyst, Budget Bureau, Thailand
- Ta Anh Tuan, PEMNA Treasury CoP Chair/Director General, State Treasury of Vietnam
- Roman Artyukhin, Head of the Federal Treasury of Russia
- Sifong Oumavong, Deputy Director General, Ministry of Finance, Lao PDR
- Jethro Anaen, Senior Budget and Management Specialist, DBM, The Philippines
- San Thida, Director, Ministry of Planning and Finance, Republic of the Union of Myanmar
- Kunta Nugraha, PEMNA Budget CoP Chair/ Director of State Budget Preparation, Ministry of Finance, Republic of Indonesia

These videos featured interviews with the selected members as well as some of the highlights from the events. The members were asked to identify the PFM challenges they face and share how PEMNA has helped or can help them tackle these issues. Box 6 shows a list of featured members in order of appearance.

The posts generated in 2019 reached around 33,800 Facebook users and drew active reactions, i.e., likes, comments, and shares, from the users. In fact, the overall engagement rate in 2019 has significantly improved, five times greater than the level of engagement in 2018.

With the greater variety of contents, the number of followers also showed a steady increase during this reporting period. As of December 2019, the PEMNA Facebook page has 551 followers (Chart 12). The number grew by 52% in 2019.

Chart 12. Number of Followers on Facebook



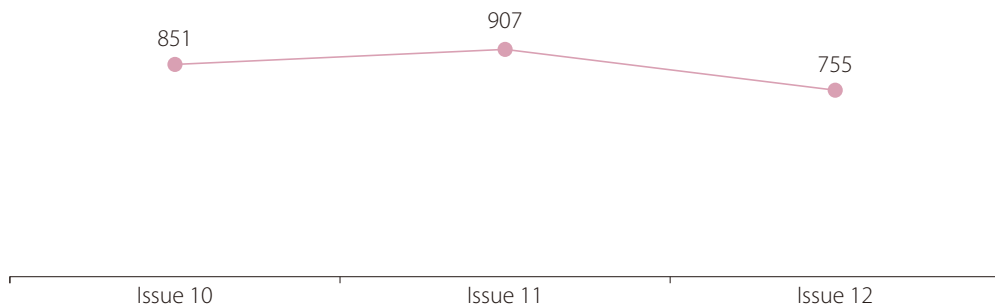
4.2. Reporting Progress to Community Members

Community Reporting

Fostering a sense of community among members is crucial to keep the momentum of the network. PEMNA, recognizing such importance, keeps its members engaged with the network through a number of communication products, including an annual report on PEMNA activities to the members. The PEMNA annual reports provide a comprehensive assessment of the network's activities throughout the preceding year. Earlier in the year 2019, the Secretariat published an annual report summarizing the results of the PEMNA activities held between the period of July 2017 to December 2018. The report was distributed at the PEMNA events held in early 2019 and is available on the website.

Also, PEMNA continued to produce *three* newsletters per year with news and highlights from PEMNA activities. Issues 10 to 12 were published during this reporting period, each reaching around 900 subscribers (Chart 13). The newsletters were distributed electronically and are accessible through the website. Invalid email addresses were removed from the distribution list before sending out the last issue of the year, hence the slight decline in the number of subscribers. The recent PFM news in the member countries were featured in the newsletters as well. Members contributed short pieces to the newsletters to introduce recent developments in their countries. The Philippines' fiscal transparency performance (Issue 10) and the establishment of the PFM Academy in Myanmar (Issue 12) were introduced in 2019.

Chart 13. Number of Subscribers



4. Disseminating PEMNA Results

Other Communication Products

Issue and Talk¹²⁾ : Vietnam was issued following the 2019 PEMNA Plenary Conference. Said issue examined Vietnam's 2017 Law on Public Debt Management in-depth and featured an interview with a Deputy Director General of Debt Management and External Finance Department of the Ministry of Finance of Vietnam. This product was distributed at the CoP events held in the second half of the year 2019 and is also available on the PEMNA website.



The Secretariat also updated the promotional brochure for PEMNA. The brochure includes general information about the network: structure, activities, and key achievements. The copies were distributed at CoP events held in 2019.

12) Issue and Talk studies a specific PFM issue in a member country and features an interview with a member who works on the issue examined in the product. The purpose of this product is to provide background information to the members prior to their participation at CoP events.



FOSTERING A VIBRANT PEER- LEARNING NETWORK IN THE REGION

5. Fostering a Vibrant Peer-Learning Network in the Region

5.1. Ensuring sound operation with committed leadership

5.2. Supporting the network operation with high quality
service

5. Fostering a Vibrant Peer-Learning Network in the Region

5.1. Ensuring Sound Operation with Committed Leadership

PEMNA continued to benefit from the strong commitment of its leadership to maintain the sound operation of the network. The PEMNA SC continued to demonstrate strong leadership. During this reporting period, the SC welcomed new chairpersons. Kyoung-Ho Han¹³⁾ and Alma Kanani¹⁴⁾ were confirmed as the co-chairs of the PEMNA SC.

Under the new leadership, SC continued to provide strategic guidance to the network in ways that best serve the interest of the relevant stakeholders. The SC, as a principal decision-making body of the network, officially endorsed the medium-term strategy of the network at its annual meeting in May 2019. The MTSP¹⁵⁾ was unanimously adopted by SC members. This strategic framework, with the strong support of the members, will ensure that PEMNA continues its impressive performance through to the next phase of its development. Table 5 shows a list of meetings held by the SC.

Table 5. Previous Steering Committee Meetings

Date	Location	Main Agenda
December 2012	Korea	Launch of the PEMNA SC
May 2013	China	Rules of Operations (ROO)
September 2013	Videoconference	Arrangements for Multi-Donor Trust Fund
June 2014	Mongolia	Future work plans and budget
May 2015	Myanmar	Future work plans and budget
June 2016	The Philippines	Revision of the ROO; Establishment of CoP chairmanship
May 2017	Indonesia	Reconfirmation of the CoP chairmanship

13) Kyoung-Ho Han is the Director General for Fiscal Performance Management of the Ministry of Economy and Finance of Korea.

14) Alma Kanani is the Practice Manager for Governance Global Practice of the World Bank.

15) The details of the MTSP are explained in 1.2. Medium-Term Strategic Plan (2019-2022) of this report.

5. Fostering a Vibrant Peer-Learning Network in the Region

Date	Location	Main Agenda
May 2018	Cambodia	Introduction of the Proposed Medium-Term Framework for PEMNA Operations
May 2019	Vietnam	Endorsement for the Medium-Term Strategic Plan Amendment of the ROO

Also, members of the CoP LTs continued to support the decision-making process of the network. The LTs met 13 times during this period—six face-to-face meetings, and seven videoconferences—to discuss the work programs of each CoP. The members of the LT actively participated in agenda-setting for CoP events and volunteered to share their country cases.

Both LTs welcomed new chairpersons in 2019. Following the 2019 PEMNA Plenary Conference, the B-CoP welcomed Kunta Nugraha¹⁶⁾ as the new chairperson. For the T-CoP, Ta Anh Tuan¹⁷⁾ was confirmed as the new chair in February 2019. A new facilitator, Fabian Seiderer¹⁸⁾, was appointed for the T-CoP in the second half of 2019 to support the facilitation of the T-CoP activities.

The Secretariat, together with the CoP Facilitators, provided its full support to the new CoP Chairs to ensure successful leadership transitions. The former CoP Chairs also contributed to the transition process by passing on their experiences as the leaders to the new Chairs. With the solid support of its leadership, PEMNA aims to continue fostering a vibrant peer-learning network for the PFM practitioners in the region.

16) Kunta Nugraha is currently the Assistance to the Minister for Government Expenditure Affair and was the Director of State Budget Preparation of the Ministry of Finance of Indonesia when his nomination was confirmed.

17) Ta Anh Tuan is the Director General of the State Treasury of Vietnam.

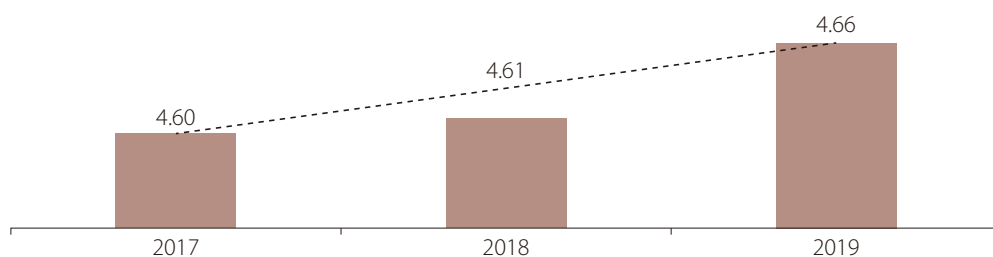
18) Fabian Seiderer is Lead Public Sector Specialist at the World Bank.

5.2. Supporting the Network Operation with High Quality Service

The PEMNA Secretariat continued to play key roles in achieving the desired results of the network. It provided the necessary administrative and logistical support involved in implementing the PEMNA activities. In particular, the Secretariat successfully launched a new website for the network and organized five CoP events during this reporting period.

The Secretariat also experienced a change in leadership. Kyoungsun Heo¹⁹⁾ was appointed as the new Head of the PEMNA Secretariat in April 2019. Under the guidance of the new Head, the Secretariat maintained effective and efficient network operation, and the high level of member satisfaction with the Secretariat's service quality is evident in the post-event survey results (Chart 14). The Secretariat, on average, earned 4.66 out of 5 points in 2019 for its services provided for the participants of CoP events, continuing to show strong performance.

Chart 14. Quality of the Secretariat's Support



19) Kyoungsun Heo is the Head of the Center for Asia Pacific Fiscal Affairs at the Korea Institute of Public Finance.

EXPENDITURE REPORT FOR 2019

6. Expenditure Report for 2019

6.1. Overview

6.2. Expenditures in 2019

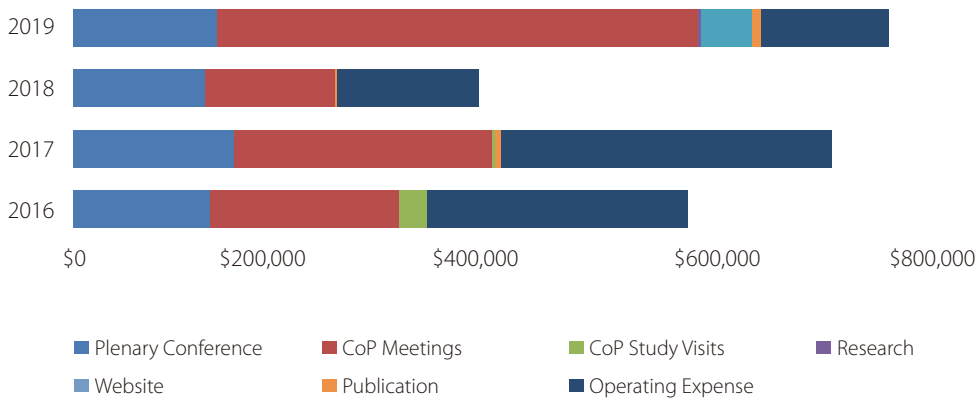


6. Expenditure Report for 2019

6.1. Overview

Chapter 6 is a report on the expenditures for the CY 2019. The total expenditures for PEMNA in 2019 recorded \$733,128. PEMNA provided *five* peer-learning activities to its members—one plenary conference and four CoP meetings—and launched a series of new activities, i.e., development of a new website and a knowledge product.

Chart 15. Structure of Expenditure from 2016-2019



The following paragraph reports expenditures made in 2019 in detail.

6.2. Expenditures in 2019

The expenditures for CY 2019 showed a significant increase, almost doubled, compared to those recorded for the previous year. The total expenditures for CY 2019 were \$733,128, whereas, in 2018 the total expenditures were \$365,448. Table 6 presents a breakdown of the expenditures by category.

Expense Category	Expenses (USD)	
	2018	2019
A. Total Direct Expenses (incl. logistical expenses related to event organization)	238,994	619,366
a. Plenary Conference	119,088	130,015
b. CoP Meetings	117,945	431,977
c. Research	-	2,500
d. Website	-	45,749
e. Publication	1,961	9,125
B. Operation Expenses (incl. service costs of the secretariat and other administrative expenses not attributable to individual events)	126,453	113,762
Total Expenditures (A+B)	365,448	733,128

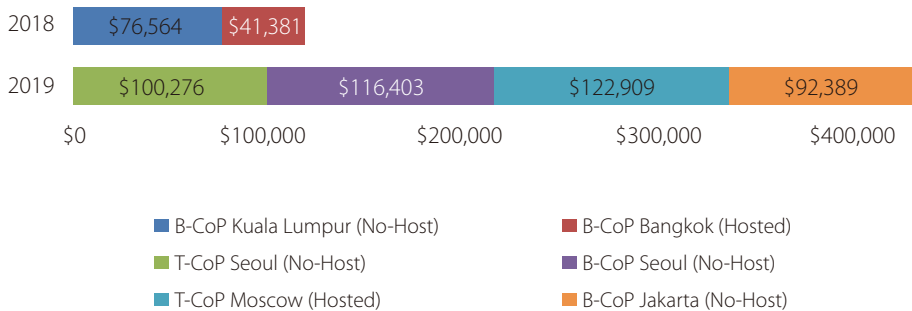
As shown above, total expenditures increased significantly in 2019. The increase is attributable to multiple factors: the number of events held in a year, type of events held (i.e., host or no-host meeting), the locations of events, and the launch of a new website. The following paragraphs further elaborate on the factors that affected the expenditures in 2019.

PEMNA usually organizes *four* face-to-face meetings a year; however, in 2018, the network had only *two* meetings. In 2019, the network recovered its normal level of activities implemented in a year and organized *four* face-to-face CoP meetings, hence the increase in the expenditures for CoP meetings.

Among CoP meetings held in 2019, *three* were no-host events. This accounts for one of the cost drivers: the expenditures for the no-host meetings are higher than those with hosts. The only hosted meeting in 2019 was the second T-CoP meeting held in Moscow, Russia. The meeting was hosted by the Federal Treasury of Russia, the first non-member to host an event. Chart 16 demonstrates the expenditures for each CoP meeting held in 2018 and 2019. As described in

the chart, both the number of meetings held and the expenditure for each meeting increased in 2019.

Chart 16. 2018-2019 CoP Meetings and Expenditures



Also, these meetings were held in relatively costly locations, further driving the cost up: Moscow, Seoul, and Jakarta. The logistics costs for the events held in these locations were higher than those held in other cities in the region, as illustrated in Chart 16 above. In particular, the T-CoP meeting held in Moscow, Russia was the first event to be organized outside the Asia-Pacific (AP) region. The logistics costs (i.e., airfare and accommodation) for this event were much higher than the events held in the AP region, driving the total costs up; however, the in-kind contribution made by the Russian Treasury (e.g., meeting venue, meeting packages, ground transportation, etc.) helped the network significantly save its resources.

In addition, PEMNA launched a new website in 2019. The allocated budget for the new website was \$50,000, and the executed expense for this project was \$45,749. PEMNA aims to provide relevant and timely information about the network's activities and its achievements through this new website.



LOOKING AHEAD

7. Looking Ahead

7.1. Strengthening our community through partnerships

7.2. Putting knowledge into work

7.3. Contributors to PEMNA

7.4. Work plans for 2020

7. Looking Ahead

7.1. Strengthening Our Community Through Partnerships

Expanding the scope of activities, PEMNA has fostered an even more dynamic peer-to-peer learning network during this reporting period. PEMNA's recent exchanges with PEMPAL and other international organizations have made the network's learning experience more vibrant. For instance, in October 2019, PEMNA organized a meeting in Moscow, Russia—a first meeting held outside the region. The Federal Treasury of Russia, one of the PEMNA's longtime observers, has generously invited the PEMNA T-CoP members to Moscow to exchange PFM knowledge.

Such exchange was a great opportunity for PEMNA to hear from the Russian Treasury's experience and learn about their treasury systems. It was also meaningful as this exchange established a bridge between PEMNA and PEMPAL, a similar network operating in Europe and Central Asia. The interaction with the PEMPAL network generated a great response from the members. Following the meeting in Moscow, members expressed a strong interest in learning more about PFM reform efforts in other regions. Vice versa, PEMPAL also showed interest in further engagement with PEMNA. PEMPAL invited PEMNA T-CoP to their thematic webinar²⁰⁾ in December 2019 on Turkey's experience in cash management and forecasting.

In addition to its partnership with PEMPAL, PEMNA continued to invite experts from several other international organizations such as the OECD, IMF, IBP, UNESCAP, and GIFT to learn about the current PFM trends and policy implications in the global context. Through post-meeting evaluations, surveys, and in person, members requested for more sessions led by international experts and further knowledge exchanges with countries in non-PEMNA region.

To meet these demands, PEMNA is exploring ways to leverage technical collaboration with other organizations through diverse learning events such as multilateral study visits, advisory services, thematic sessions led by external experts, and webinar series.

20) PEMPAL T-CoP Thematic Group on Cash Management and Forecasting led by Mr. Ilyas Tufan, Head of the Debt Management Department of the Ministry of Treasury and Finance of Turkey, was held on December 3, 2019.

7.2. Putting Knowledge into Work

In the coming year, PEMNA aims to focus on generating more knowledge products such as policy briefs, in-depth research papers on PFM topics, and series of short papers introducing global trends in relations to the overarching themes of each CoP meeting.

These products would be a good tool for the PFM practitioners in building their personal capacity in the workplace and in strengthening the budget and treasury systems in their countries. Aforementioned products aim to cover not only the current PFM reform trends and policy implications, but also various case studies tailored to PEMNA member countries' demands. By refining the research focus, these knowledge outputs would be a useful reference for members, especially in policymaking. Furthermore, these products may also serve as materials to promote broader awareness of PEMNA. Members may present these products to their ministries or their upper management when explaining the key results of the PEMNA activities.

To make the contents more relevant to the member countries, the selection of topics of these products will be based on the member countries' preferred PFM interest. Each CoP will conduct a survey to identify specific PFM priorities of interest under the PEMNA MTSP set for 2020.²¹⁾ The result from this survey will be used as a reference when choosing the topics of the PEMNA knowledge products.

These products will be disseminated through the newly renovated website so that it could provide an easier and more efficient access to PEMNA's knowledge exchange for the members who were unable to attend PEMNA activities and also raise the awareness of PEMNA to a wider audience.

21) The desired outcomes for 2020 for each CoP are: Enhancing the timeliness and effectiveness of capital expenditure (B-CoP), and Strengthening planning and execution of capital expenditure plans and public investment (T-CoP).

7.3. Contributors to PEMNA

Since 2013, PEMNA has operated mainly through the PEMNA MDTF, and this grant will be closed on February 29, 2020. The financial contributions from the Korea Ministry of Economy and Finance, Philippine Department of Budget and Management, and Timor-Leste Ministry of Finance to the current MDTF were vital in achieving goals outlined in the initial phase of the network's development. Once the current grant is closed, a new MDTF grant will be set up from the financial contributions from the Korea Ministry of Economy and Finance and the European Union.

Moreover, PEMNA will continue to benefit from the in-kind contribution of its member countries and partners. Member countries generally provide in-kind contributions when hosting CoP events. These contributions include financing the costs associated with meeting venues, meeting packages, ground transportation, etc. In 2020, PEMNA expects to see a growing share of in-kind contributions of the member countries as several countries, including Timor-Leste and Mongolia, have committed to hosting CoP events. In addition, the continued support from partner organizations such as the KIPF will help ensure the sound operation of the network. The KIPF, a long-standing partner of PEMNA, will continue to provide operating expenses in running the Secretariat, including the service costs of the Secretariat staff.

7.4. Work Plans for 2020

PEMNA expects another eventful year in 2020 with a distinct set of activities. This coming year, on top of its regular knowledge sharing events, PEMNA will expand its set of research activities and aims to produce various types of knowledge products such as policy briefs, short papers covering overview topics of each CoP meeting, and in-depth research papers. Also, the network will begin the advisory service starting next year. The detailed guidelines for the implementation of these activities will follow. Strengthening the monitoring and reporting of the impact of PEMNA on PFM outcomes in the member countries is another priority task of the network. It may not be easy to quantify the direct impact of PEMNA to the PFM reforms in the region, yet as proposed in the MTSP, the network will continue to innovate new ways (e.g., surveys and interviews) to monitor the progress that the member countries are making to enhance their PFM systems.

Table 7 presents PEMNA's work plan for 2020. Due to the outbreak of COVID-19, PEMNA is faced with unexpected challenges in implementing the work plans for 2020 as planned. All events scheduled for the first half of the year are cancelled or postponed to later dates. However, such change of plans also provides the network with an opportunity to reflect on the impact of the COVID-19 pandemic on PFM systems. As the efficacy of governments' response in times of crisis is critical, strengthening the responsiveness and resilience of the PFM or public investment management systems will be prioritized in many of the PEMNA member countries. Therefore, the topics for 2020 may be adjusted to better accommodate the priority learning needs of the members.

Table 7. Work Plan for 2020		
	Budget CoP	Treasury CoP
Learning Activities (CoP Meetings, Plenary, and Study Visits)		
1 st half of 2020	B-CoP Meeting in Timor-Leste*	T-CoP Meeting in Mongolia*
	B-CoP Study Visit(s)	T-CoP Study Visit(s)
2 nd half of 2020	2020 Plenary Conference in Lao PDR	
	B-CoP Study Visit(s)	T-CoP Study Visit(s)
Others		
2020	Advisory Service(s), Research Activities	

Note: The above plan is subject to change.

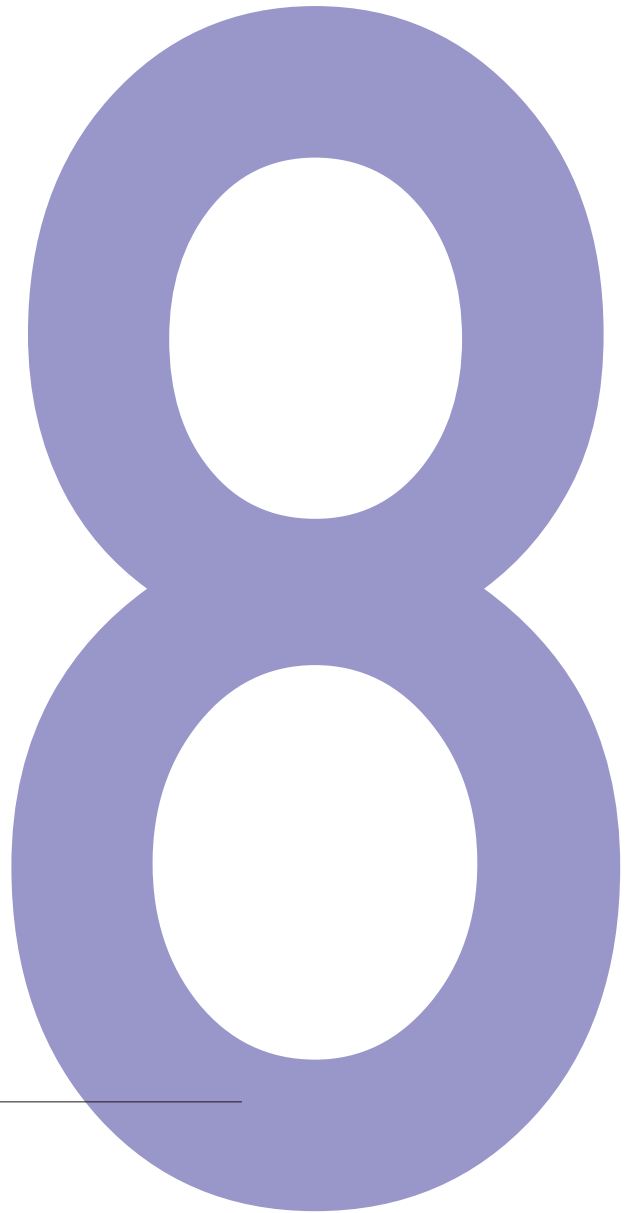
* These meetings were postponed/canceled due to the outbreak of COVID-19 in early 2020.



ANNEX

8. Annex

Summary of Discussions



8. Annex

Summary of Discussions

PEMNA TREASURY COP SEOUL MEETING

March 6-7 | Seoul, Korea



INTRODUCTION

1. The PEMNA T- CoP meeting was held as a no-host meeting in Seoul, Korea, during March 6-7, 2019. The theme of the meeting was **“Digital Transformation in Government Treasuries in East Asia – Trends and Opportunities.”** The two-day no-host event was organized by the T-CoP Chair, Facilitator, and the PEMNA Secretariat.
2. Fourteen PEMNA T-COP countries, Brunei, Cambodia, China, Indonesia, Korea, Lao PDR, Malaysia, Mongolia, Myanmar, the Philippines, Singapore, Thailand, Timor-Leste, and Vietnam participated in the T-CoP meeting. It was the first time that all 14 member countries were participating in a T-CoP meeting. The key themes were centered on sharing of country experiences of Digital Transformation and Reforms in East Asia and the challenges faced. The presentations encouraged cross-country dialogue and members shared their experiences, achievements, and challenges. The presentations also generated discussion and questions about how to enhance the implementation of digital transformation initiatives. While most of the countries were undertaking such initiatives, the progress across each country varied and so it was necessary to identify a set of common challenges and opportunities.
3. Separate sessions and country presentations focused on Treasury Systems and Cash Flow Forecasting (Impact of digital transformation on cash flow forecasting and liquidity management), Procurement (experiences of member countries in public procurement and e-procurement), Collections (how digital transformation is impacting revenue collections, monitoring and remittance of non- tax collections and enhancing public accountability) and Payments (various aspects of digital transformation related to payment, analysis of country experiences of on-line payments for government services, e-commerce and digital payments, and information sharing between treasury and commercial banks). The Chair of the Digital Governance Community of Practice of the World Bank made a presentation on the cross-country examples of Digital Transformation in Treasury Systems from different Bank Regions. Singapore also made a return to the T- CoP after a gap of few years and made a presentation on the Procure to Pay Processes of their Government. Each session was followed by a rich discussion of the experiences, challenges and opportunities in Digital Transformation in Government treasuries. The closing session was especially useful in knowing about the key takeaways of the participating countries and their suggestions for future engagements. Member countries appreciated the initiative of the World Bank and PEMNA to organize a meeting focused on Digital Transformation in Treasuries and agreed that the sharing of country experiences would be very useful for them as they embark or continue their respective journeys on this pathway.



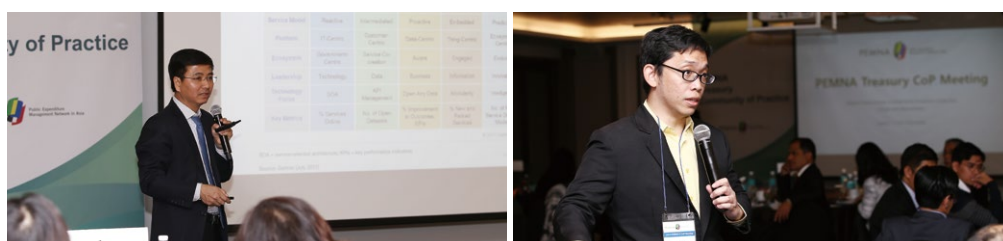
4. At the opening address, **Mr. George Larbi**, PEMNA Steering Committee Co-chair and Practice Manager, **World Bank**, spoke about the emergence of Big Data and Disruptive Technology, and the challenges that governments face in managing and administering the digital economy. He said that technology has a role to play in enhancing the efficiency of treasuries, and reforms in Treasury impact budget execution which is a critical determinant of administrative efficiency and service delivery. The digital revolution holds tremendous potential for Treasury to collect, process, and act on information. Digitalization permits the storage of vast amounts of information while it allows for faster and better tracking of electronic records, linking of data records among different parts of the organization and leads to enhanced capabilities to handle and analyze large data sets. It also helps in improving service delivery. Each country charts its own path of treasury reforms and determines how the data and information should be shared within the Government. The options can be one center/ one data warehouse with access to ministries/ departments or multiple centers; the latter can lead to data fragmentation and increased costs. Another challenge was related to taxing the digital economy and what are the policy and regulatory issues associated with this? He also urged the meeting to deliberate on the service delivery function of the treasury, government to government, government to citizens and how technology can help in the process.



The following paragraphs capture, in brief, the salient features of the presentations and the following discussions in each session, and the key challenges identified. It is suggested that these notes be read along with the individual presentations made in each session.

SESSION 1: OVERVIEW OF TREASURY DIGITAL TRANSFORMATION AND SUPPORTING REFORMS (EAST ASIA COUNTRY EXPERIENCES)

5. This session discussed the experiences of countries that are on the path towards digital transformation in their treasuries - the presenters in this session were Vietnam and Philippines. Mr. Phuong Bui from **Vietnam** made a presentation on the structure and functions of the Vietnam State Treasury (VST), Treasury and Budget Management Information system (TABMIS), and the high-level model of the Vietnam Digital Budget and Accounting system (vDBAS), which is referred to Gartner's digital government maturity model, World Bank FMIS model and Korea's dBrain system. Mr. Eduardo Mariño from **the Philippines** made a presentation on the implementation of their Budget and Treasury Management system (BTMS), and the Modified Disbursement System (MDS), the key features of both and the improvements they have led to. Some issues faced like reduction in budget, due to double charging of transaction amounts, and possible bottlenecks in workflow, due to lack of training and unavailability of approvers for transactions, were also discussed.
6. The TABMIS is a centralized system that captures transactions at the level of 63 provinces as well as at the level of 666 districts and over 100,000 country wide spending units that do online transactions via Treasury's portal. There is one main system, TABMIS, and five sub-systems covering Cash Forecasting, Revenue, Payments, Financial reporting and Online payments. Customs and Tax have separate systems. TABMIS is an Electronic Fund Transfer (EFT) platform, however the spending units are not connected with the Treasury but have their own accounting system that generates and sends financial reports and performs consolidation. Also, the Spending Units at remote locations are not on-line connected; rather they bring papers to the Treasury Officers at the local level and the latter keys the information into the system. The TABMIS software also interfaces with the Bank software. There was some discussion about the matching of TABMIS and the accounting systems of spending agencies and about transitioning the spending agencies to the main system. The Vietnam MOF clarified that all the 100,000+ Spending Units are expected to go on-line via Treasury portal by the end of 2020. There was also a question on commitment controls and whether the procurement systems are connected. It was clarified that the budget allocation information is on TABMIS while the bidding and procurement processes are outside of it, so these are not connected. There was also a lot of interest in assessing cash requirements and on the cash forecasting process.



SESSION 2: TREASURY DIGITAL TRANSFORMATION AND ITS IMPACT ON PROCUREMENT

7. The presenters in this session were Korea and Malaysia and the discussion centered around the impact of digital transformation on government procurement. Mr. Juyeob Kim from **the Korean Public Procurement Service** made a presentation on their experience of the single window e-procurement system (KONEPS) that is operated by the Public Procurement Service (PPS), while Ms. Noorlida Binti Mohd Khalid from **Malaysia** presented their “Single Platform” Integrated Government Financial Management Accounting System (iGFMAS), and their planned adoption of accrual accounting. The adoption of the single window KONEPS has led to an increase in decentralized procurement and saving of transaction costs. KONEPS is operated under a legal framework (National Contract Law and Manual) with a separate regulation for the vendors. The system is now being reformed to include 26 other agencies that are currently using their own procurement system.
8. The iGFMAS is a centralized system in Malaysia, with a single database but stand-alone e-payment and e-collection system. It is a SAP system that went live in January 2018 and is expected to integrate all systems on the single platform but faces a challenge of change management and stakeholder buy-in. SAP is helping with customizing the system to enhance accrual and cash reporting. The Malaysia team made the point that the conversion from cash to accrual accounting takes time and faces challenges and that they were updating their systems and technology regularly. There was discussion on how the iGFMAS will integrate with other government systems and achieve successful data migration. There was a question about the availability of a web portal or interface for the large number of system users (about 80,000) to connect directly to the iGFMAS. The Malaysia team responded that intensive training is being provided to the users and given the number of agencies to integrate and the legacy systems that were unique and business focused, the integration with iGFMAS was a challenge.



SESSION 3: COLLECTIONS

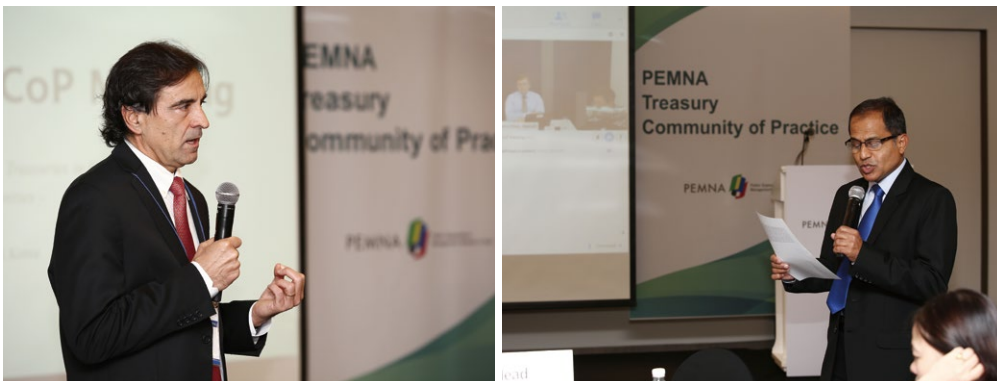
9. This session discussed how digital transformation is impacting revenue collections, monitoring and remittance of non- tax collections, and enhancing public accountability. Presentations were made by Korea (dBrain – Korea’s digital budget and accounting system), Malaysia (Non- Tax Online Collection System), and Vietnam (Government Revenue Management Systems). According to Mr. Seongjin Park from **the Korea Public Finance Information Service**, the Korean dBrain system has over 67,000 users, links 48 institutions with 82 systems and provides a variety of services through interfaced systems, including real time treasury fund management, electronic fund transfers, and electronic bill payments. It manages the entire process of National Financial Management that includes national fiscal management plan, budget formulation, revenue, expenditure, and fund management. It also includes the National Property Ledger, National Settlement Report, National Statement of Accounts, and the Performance based fiscal management information system. The accounting and settlement system also confirms budget execution performance at the end of the year, in accordance with the National Accounting Act. Tax revenues are collected by tax agencies while the non-tax revenues are the responsibility of the respective departments, and it takes about 3 days for revenues/funds to be consolidated to the Treasury Single Account (TSA). The banks are not paid any fees for their services, but the payment is through “compensating balances” (i.e., they do get to keep the money for a couple of days). There is real time information flow from collection agency to dBrain to the collection bank. The dBrain manages the full life cycle for the assets, from acquisition to managing depreciation to anticipating replacement.
10. The **Malaysia** presentation by Ms. Ruzinah Binti Rukun, explained the transition from the manual to the online revenue collection process and the new initiatives by the government like the JomPay that allows customers to pay their bills/invoices using bank accounts or credit cards at 42 banks. The Central Bank of Malaysia has also issued the Interoperable Credit Transfer Framework (ICTF), an initiative to promote use of mobile payment methods. Going forward, the Government of Malaysia is planning to develop a centralized revenue collection system that can be used by the public to pay for the various goods and services provided by the government, and this system will integrate with the iGFMAS. The advantage of nationwide invoices is that SAP sends directly into the Oracle system, which can access other systems. This format is used by overseas countries, so this also allows overseas businesses to access the system.
11. Mr. Huy Do Quang from **the Vietnam State Treasury** focused on the current revenue management systems and the revenue collections at State Treasury and via banks, and the interface with TABMIS. They also presented their “vision 2025” that includes an interface of the Tax and Customs Portal, Revenue Portal, and the Bank Portal with the banks, and thereon to the Vietnam Digital Budget and Accounting System (vDBAS) of the Vietnam State Treasury,

using Blockchain technology. The post-presentation discussion brought up issues related to the identification requirements (agencies and bank accounts having their own IDs), challenges of using petty cash and bank validations and certifications.



SESSION 4: TREASURY SYSTEMS AND CASH FLOW FORECASTING

12. This session discussed the impact of digital transformation in cash flow forecasting and liquidity management and the leveraging treasury systems to increase the accuracy of cash flow forecasting. Mr. Guillermo Tello, the Advisor from the Office of Technical Assistance, **U.S. Treasury (USOTA)**, spoke about the importance and challenges of cash flow forecasting, best practices for improved cash flow forecasting, automation in cash flow forecasting, and using enhanced information, and the next generation of forecasting systems and techniques like Machine Learning and Artificial Intelligence. He emphasized the importance of coordination between the Debt Management Office (DMO) and the Central Bank, and the relation between business and cash flows. Finally, he made the point that for forecasting to be effective, the cash manager should consider strengthening the current operating model, process, and technology, with adequate error safeguards.



13. The next presentation was made by Mr. Cem Dener, the Chair of the Digital Governance Community of Practice, **World Bank**, through videoconferencing. Mr. Dener presented an overview of the evolving technologies in digital government, the Bank model of the Integrated Financial Management Information Systems (IFMIS), and the trends in the transition from the manual to the IFMIS system. He also explained some examples of Digital Transformation in treasury systems across countries that included Albania, Zimbabwe, Poland, Vietnam, Indonesia, Korea, and China. The speaker emphasized the importance of connecting foundations and frontiers and combining the Traditional and the Agile, as also the transition to Web Services and Application Program Interface (API).
14. Mr. Dener explained the concept of Government Cloud and Hybrid Cloud; the latter being a shared public and private investment in the data center where burden of maintaining IT infrastructure is transferred to private companies. This however raises issues of cloud data storage and security. Governments are addressing this with creating their own data clouds. Another approach is private/public cloud in the same infrastructure sharing database. Hybrid approach is increasingly being used and is the best option to minimize cost of the public sector. Public sector needs can be in public cloud and other data could be stored on private clouds. Clouds can be expanded to accommodate the size of database. Global clouds are a collection of physical data centers and are maintained by big corporates like Amazon, Google, and IBM. However, data sharing requires key audit trails and protocols. Investments made in IT required clear budget lines to capture such investments, and also have recurring costs.
15. The key question is which solution is the best option – system to system communication or Big Data and Machine Learning? The IT departments must accordingly diversify and not lock in to something for too long. The speaker also emphasized that it was critical to have effective “Data Protection and Security” laws in the country to protect all data flows, as well as “Digi Sign” infrastructure and “Accreditation” protocols for effectively managing the risks involved. There will be costs, ownership issues and policy changes required. Another important factor is the reluctance of departments and ministries to share data, and the possibility of using API for data sharing, with defined protocols, can be explored.
16. There was some discussion about having a baseline or benchmarking data protection across countries for establishing minimal levels of comfort to share client level solutions. Internationally there is no law for data protection. Lawyers experienced in data protection are working with the UN to address this issue. EU has made data protection mandatory. It was felt that there should be a central system to compare data protection laws among countries.

SESSION 5: PAYMENTS

17. This session discussed various aspects of digital transformation related to payments and an

analysis of country experiences of on-line payments for government services. The session also discussed e-Commerce and digital payments and information sharing between treasury and commercial banks.



18. Ms. Huizhen Lee from Singapore made a presentation on their Digital Procure-to-Pay Processes which are managed by the Accountant-General's department. The presentation explained the operating model of the "centralized liquidity management," and covered the areas of Procurement, Goods Receipt, nationwide E- Invoicing framework, Vendor Record, Payment Processing, Block Billing arrangement, and Financial Analytics. Indonesia explained the Account Restructuring and Digital Payment Marketplace, and the various associated aspects like typology of payments, spending unit treasurer accounts, goals of account restructuring, consolidating and digital payment development, and the concept of principal account and virtual account. The ecosystem of Digital Payment and Marketplace including methods of payment and digital platform were also discussed. Mr. Didyk Choireol from **Indonesia** shared their experience on account restructuring and digital payment while Mr. Sam Ath Mey from **Cambodia** shared their experiences and challenges related to the on-going Electronic Fund Transfer (EFT) system in the country.



WRAP-UP SESSION

19. At this session, each of the 14 participating member country teams were asked to share their thoughts and provide one takeaway from the T-CoP meeting that would be beneficial to their country. A brief summary of some of the takeaways is as follows.
20. Malaysia felt that they had learned about cash forecasting and tools for the same, EFTs with digital signatures and, from the Singapore presentation, about issues related to how payments were made in bank accounts. China stated that they learned a lot from the presentations related to procurement while Lao PDR spoke about the functionality of systems. Brunei mentioned accrual accounting, cash flow forecasting and e-invoicing and how to enhance capacity in these areas. Singapore indicated that they learned from the World Bank presentation on comparative treasury systems, Korea's treasury systems and centralizing collections, as in Malaysia. Timor-Leste suggested a visit to Malaysia to learn about transitioning from cash to accrual accounting and found the sessions on e- procurement and e- invoicing, useful. Mongolia felt that they learned a lot from the Malaysian presentation on cash management, cash forecasting and building data warehouse. Thailand and Myanmar found the sessions on cash forecasting and accrual accounting useful while Vietnam felt they learned from the Korean dBrain and procurement system and Singapore's e-procurement process. They also liked the sessions on Malaysia's experience with accrual accounting and the single FMIS platform.



21. The T-CoP meeting ended very successfully and the selection of topics and the presentations by member countries were very well commended. It was agreed that individual countries will be in touch and will contact their counterparts in case they require anything specific from other countries. The participants look forward to the PEMNA Plenary meeting in May 2019 and to continuing to engage with each other and with the PEMNA Secretariat for future support and knowledge sharing.

SUMMARY OF DISCUSSIONS

PEMNA BUDGET COP SEOUL MEETING

March 19-20, 2019 | Seoul, Korea



INTRODUCTION

1. The first PEMNA Budget CoP (B-CoP) meeting of 2019 was held in Seoul, Korea from the 19th to the 20th of March. The event was attended by B-CoP members from twelve countries¹⁾ as well as experts from international organizations and civil society organization (CSO) representatives.

1) Countries represented were: Brunei, Cambodia, Indonesia, Korea, Lao PDR, Malaysia, Mongolia, Myanmar, Philippines, Thailand, Timor-Leste, and Vietnam.

Participants shared their experiences and discussed lessons surrounding the theme “**Fiscal Transparency and Performance Management**”.

2. To begin, **Ms. Amelita Castillo**, B-CoP Chair and Assistant Secretary of the Department of Budget and Management in the Philippines, welcomed participants to the meeting and expressed hope that the discussions will yield fresh perspectives on why open government matters, as well as tools and techniques to improve governance. She also announced that this is the first B-CoP meeting joined by CSO representatives, who will share their experience and perspectives on working with governments on public participation, fiscal transparency, and performance management.
3. **Mr. Bernard Myers**, B-CoP Facilitator and Senior Public Sector Specialist at the World Bank, led an introduction of the country delegates and introduced **Mr. Juan Pablo Guerrero**, Network Director of the Global Initiative for Fiscal Transparency (GIFT), whose team was to facilitate several of the discussions over the two days. Mr. Guerrero expressed his excitement to meet and discuss with participants on ways to improve fiscal transparency and to communicate better information to the public. Both Mr. Myers and Mr. Guerrero emphasized that the success of the meeting’s discussions, as always, rides on the open sharing of experiences and lessons between participants.



DAY 1: ENHANCING FISCAL TRANSPARENCY FOR BETTER GOVERNANCE

4. The first session of the day focused on “**Measuring Fiscal Transparency**”, providing an overview of transparency assessment tools and discussing the efforts that member countries have undertaken to improve their rankings in fiscal transparency surveys.
 - Ms. Lorena Rivero del Paso from **GIFT** began the session by introducing the three main evaluation tools to evaluate the state of fiscal transparency in countries:
 - i. The Fiscal Transparency Evaluation (FTE) by the IMF measures comprehensiveness, universality, specificity, and unity of budgets through publication reviews and interviews by public finance management experts. The FTE does not only review what is published but

also looks into the quality of information published and gaps in the information. Thus far, only one PEMNA country (Philippines) had an FTE undertaken in 2014.

- ii. The Open Budget Survey by the International Budget Partnership (IBP) evaluates public access to key national budget information, opportunities for public participation, and the role of formal oversight institutions in countries' budget processes. This is done via a survey of 142 questions answered by civil society and reviewed by government officials and peer reviewers.

In 2017, the survey found that while more than 80% of the 115 countries surveyed have some form of public participatory mechanism in place, these are rarely well-documented, with little feedback provided to the public on how their inputs were considered. In addition, most countries only target particular segments of society in their participatory practices or only observe them for certain parts of the budget cycle.

- iii. The Public Expenditure and Financial Accountability (PEFA) evaluation tool is used to assess the status of public financial management in a country and tracks its changes over time. The assessment is exhaustive, covering 31 performance indicators over seven pillars, one of which measures the transparency of public finances through indicators such as budget classification, documentation, performance information for service delivery, and public access to fiscal information.

While most member countries have undertaken a PEFA assessment, many have not updated their status in recent years. Lao PDR, Myanmar and Timor-Leste, however, have planned PEFA evaluations in 2019.

During the discussion, a point was raised on how the methodology of these evaluations can be challenged, and do not always fully reflect countries' efforts to improve their fiscal transparency. Acknowledging the limitations of these assessments, Ms. del Paso stressed the importance of extracting value out of their results, instead of merely looking at rankings. The information behind the rankings can be helpful in guiding countries on where improvements can be made in budget transparency.



- Mr. Holger van Eden, South East Asia Public Financial Management Advisor for the IMF shared two tools developed by the **IMF** for evaluating fiscal transparency.

i. The first, IMF's Fiscal Transparency Code is a rating system for countries on various dimensions of fiscal transparency. The code covers indicators under four pillars: (i) fiscal reporting, (ii) fiscal forecasting and budgeting, (iii) fiscal risk analysis and management, and (iv) resource revenue management. The code was revised following the Global Financial Crisis to cover a more comprehensive set range of indicators, from previously being mainly focused on fiscal reporting. It also emphasizes the transparency of the whole of government, including local governments and public corporations, on top of the central government.

ii. Next, Mr. Eden expanded on FTEs and provided some insights into their results. 22 FTEs have been conducted so far, 12 of which were for emerging market countries, 5 for advanced economies, and 5 for low-income countries. In terms of fiscal reporting, many countries do not do well on historical revisions and tax expenditure coverage but perform well on the frequency and timeliness of in-year reporting. Many countries are also found to not reconcile their forecasts well, publishing macro forecasts but without indication of whether they align with other forecasts, such as those by international or external local organizations. This reflects more aspirational, rather than realistic fiscal forecasting practices.

Non-transparent practices, he explained, include not only limiting access to budget information, but also publishing only partial information, publishing information that is difficult to understand, without explanatory text, or that is hard to access, and publishing information that exploits weaknesses in accounting rules such as the use of tricks to hide real budget liabilities or deficits.

FTEs can help countries better understand the sources and scale of their fiscal vulnerabilities, identify weaknesses in fiscal risk analysis, reporting and management, as well as develop reform priorities to address these. Indeed, 15 of the 22 countries which have undertaken the FTEs have published the results and developed action plans with their governments to improve in areas they did not perform well in.

- Ms. Yenti Nurhidayat, Knowledge Management Manager of SEKNAS FITRA, the National Secretariat of the Indonesian Forum for Budget Transparency, shared some of the challenges and opportunities for fiscal transparency in **Indonesia**. In 2017, a budget study at the district level by FITRA revealed that almost half of the 70 districts surveyed did not publish their budget documents or had limited public access to the documents. Challenges to transparency in Indonesia include issues on data quality, integration of publications, contrasting views on budget openness between ministries and government agencies, as well as low community awareness and budget literacy.

The recent enactment of laws and regulations that promote transparency, such as the Law on Public Information Disclosure and the Law on State Finance, however, presents opportunities for Indonesia to improve its fiscal transparency. Other opportunities include the presence of budget openness champions in many ministries, including the MOF and in local government, and frequent networking with international organizations and forums that promote it, such as the IBP, GIFT, and PEMNA. FITRA's strategies to improve budget transparency in Indonesia are two-pronged — to develop a critical and active community, and to develop a responsive government, with the main goal of building trust between civil society and government. Mr. Arun Arya, the Senior Public Sector Management Specialist at the World Bank, added that a mobile app had recently been developed in Indonesia, allowing people to access budget documents and provide feedback on their phones.

- Mr. Jethro E. Anaen from the Department of Budget and Management in the **Philippines** also shared his country's efforts to improve its performance in the Open Budget Index (OBI). Targets for the OBI are outlined in the Philippine Development Plan 2017-2022, and in 2017, the Philippines had achieved a score of 67. This score surpassed its target of 64 and is above the global average of 42, putting the Philippines in the lead of its Asian peers. Among the improvements that were made was the increase in the comprehensiveness of key budget documents, and the publishing of the People's Budget that contains additional information, such as the macroeconomic assumptions supporting the budget.

Responding to a question on how the People's Budget is prepared, Mr. Anaen explained that it is prepared by the Department itself at both the budget formulation and enactment stages, using information obtained via survey forms distributed to civil society and to the media, seeking inputs on how to improve the content and usability of the publication.

Moving forward, the Philippines is working on ensuring timely publications and continuous improvement of the comprehensiveness of its essential budget documents. The Department is also pushing for the passing of the Budget Modernization Bill, which aims to institutionalize the disclosure of budget data and civil society participation in the budgeting process, amongst other fiscal transparency reforms.



5. Session 2 of Day 1 discussed “**Public Participation and Meaningful Transparency in Fiscal Policy Planning**”, covering the importance of citizen engagement for MOFs and how countries are practicing this. The session also examined the value of addressing the information needs of users when disclosing data.

- Mr. Guerrero of **GIFT** stressed that the disclosure of information alone is not sufficient for accountability and that it must also respond to user needs and engage the public in a meaningful way on public services. The challenges in many countries now include the mismatch between government efforts to publish data and actual CSO needs, the unavailability of agency-level, performance and off-budget data, little linkage of budget data with service delivery outcomes, and low quality of data, in terms of comprehensiveness, accessibility, timeliness, and usability.

Across the budget cycle, a range of public participation mechanisms can be used to engage civil society. For example, at the budget preparation stage, pre-budget hearings, public councils, and tax policy reviews could be utilized. At the implementation stage, complaint and feedback mechanisms, as well as online monitoring frameworks, can be established. At the audit and oversight stage, social audits of revenues and expenditures could be conducted.

The use of digital tools also provides the opportunity to reach a much broader audience, potentially facilitating more trust between civil society and the government, and supporting better outcomes. A variety of digital tools could be used for different audiences and to achieve different objectives. For example, e-mails and live-stream events could be used to inform, social media discussion platforms, polls, and surveys could be used to consult and involve, and document co-creation, mapping, video meetings, and online voting could be used to collaborate and empower citizens.

The policy objectives of public participation, Mr. Guerrero explained, include better resource allocation, improvement in the provision of public services, and better response to the preferences of public service beneficiaries. Public participation also provides the opportunity for marginalized groups to exert some influence in the decisions that affect them, increases the impact of social policies in development sectors, strengthens the trust between civil society and government, as well as improves citizen compliance. In addition, he listed ten principles of public participation in fiscal policy, which are to ensure (i) accessibility, (ii) openness, (iii) inclusiveness, (iv) respect for self-expression, (v) timeliness, (vi) depth or relevance, (vii) proportionality, (viii) sustainability, (ix) complementarity, and (x) reciprocity.

- A discussion followed the first two sessions of the day, where groups deliberated over the challenges their MOFs face in promoting transparency reforms and public participation, and the innovative solutions they **have** undertaken to overcome them. Several countries quoted



the fragmentation of information and the lack of coordination across ministries and agencies as significant obstacles to transparency reforms. Other common challenges faced in engaging the public is to reach rural and marginalized groups, such as the disabled or those without internet access, and low fiscal literacy amongst citizens. The need to ensure current reforms are not reversed between political transitions was also raised as a **concern** for some countries.

The Philippines shared some successful experiences it has had in encouraging its congress to carry on with budget transparency reforms. This includes strengthening the case for information disclosure by illuminating the stories from citizen engagement behind the budget numbers, and showing how the data relates to citizen needs. This has helped politicians understand the needs of citizens and validate if their priorities are aligned with those on the ground. In engaging the public, the Philippines has also translated its People's Budget Series into four different local languages and published them in bite-sized versions with infographics. Their "3M" strategy in presenting budget data, which is to make sure it is meaningful, memorize-able, and memorable, has allowed wider reach and understanding of the budget data amongst citizens.

6. The third session of the day discussed "**How Fiscal Transparency Portals Can Be Used More Strategically?**", showcasing examples of how fiscal portals have evolved into their current form and how they align with external demand.

- To start off, Ms. del Paso from **GIFT** defined fiscal transparency portals as online platforms that expect to satisfy the demand for information and transparency in public finance management. Some examples of portals are those by the governments of Indonesia, South Africa, and Mexico.

Mr. Krisna Rai Susandi, from the Directorate of Budget Preparation in **Indonesia**, demonstrated Indonesia's fiscal transparency portal, which was launched in 2016 to enable the public to download budget data. The portal has a data visualization tool, that allows the visualization and mapping of budget data and transfers across themes (e.g., health, education,

infrastructure) and regions. The portal also contains documents for download, analyses, and bite-sized infographics of budget data.

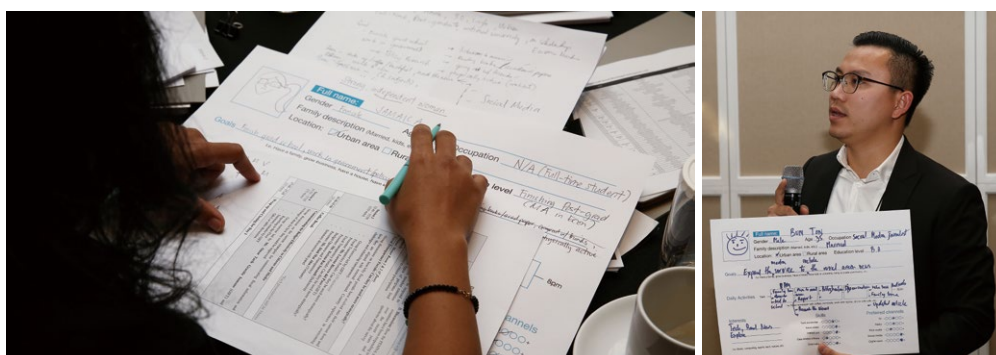
- **Vietnam**, in its efforts to improve fiscal transparency and public participation, has also established a fiscal transparency portal on its MoF's website. Ms. Dinh Mai Ahn from the MoF explained the portal enables downloads of budget information and reports, posts announcements of public consultations by the MoF, and allows for the public to pose questions and provide comments to draft legislation and circulars.



- Ms. del Paso stressed that governments need to be clear of their objectives when establishing a fiscal transparency portal. A way in which portals have evolved over time, is from only publishing reports online, to providing additional and open data, to prioritizing a user-centered approach. A user-centered design centers around focalization and tailoring information for the type of user that visits the portal.
- The user may be an "Expert", a "Not So Expert" or a "Tourist". An "Expert" may comprise groups such as academia or budget specialized organizations, who need comprehensive and open data, detailed visualizations or statistics. The "Not So Expert", may comprise journalists, CSOs, students of related topics or data scientists that are not budget experts, who need visualizations, analysis, and explanations or interpretations of the data. Lastly, the "Tourist" comprises the general population, who should not be confused or scared away by too much detail but should be instead provided with quick guides, simple visualizations, and explanations on what is being displayed. In this regard, Ms. del Paso emphasized the importance of knowing who the target audience is, and thinking of what type of data or topics, and user experience that would appeal to them. To ensure the portal will be used by non-governmental actors, information must be disaggregated to become digestible, and designed to generate citizen understanding.

7. Day 1 ended with a group exercise on **“Communicating the Budget Effectively to Citizens and the Media”**, helping participants develop strategies for communicating fiscal information by understanding who their target user is.

- Each group was assigned a user type, such as a CSO representative, parliamentarian, journalist, or a post-graduate student in social science. Groups were encouraged to develop a persona around their user, which would enable them to better envisage the right user experience for him/her, how budget data may be relevant in the persona’s daily lives, and the topics that may interest their persona. Groups created their personas by developing their personal details (e.g., name, gender, age, occupation, location, and family description), personal and career goals, daily activities, interests, skills, and preferred communication channels.



- The groups then took turns to present their personas, and the types of interests they may utilize budget data to pursue. For example, a journalist, CSO representative or social science post-graduate student may be interested in natural resources management data, natural disaster relief fund allocations, or spending in the health and education sectors. A persona who aspires to further his/her studies, or is a parent, may be interested in the type of education programs that receive grants from the government, and a parliamentarian may be interested in infrastructure investments or performance information. The exercise allowed participants to consider their target audience and needs, which can enable governments to better develop fiscal transparency portals that are useful, provide meaningful information, and are sustainable in the long-run.

DAY 2: STRENGTHENING PERFORMANCE MANAGEMENT FOR BETTER GOVERNANCE

8. The first session of Day 2, “Leveraging Financial Management Information Systems (FMIS) for More Effective M&E” explored how non-financial information can be integrated with financial data from the FMIS to enhance M&E.

- Mr. Cem Dener from the **World Bank** provided an overview of FMIS, defining it as a set of automation solutions that enable governments to plan, execute and monitor the budget. There are essentially two types of FMIS: core FMIS and integrated FMIS, which combines core FMIS modules with powerful data warehouse capabilities, and multi-dimensional data analysis tools for more effective planning, decision support, service delivery, and performance monitoring.

Interest in transitioning from the core to integrated FMIS has been on the rise, as MOFs globally are undertaking new roles, including to provide access to IFMIS, publish open budget data, and improve service delivery. In many economies, initial PFM reforms focused on establishing well-functioning Treasury/FMIS, tax/customs, HRM/payroll, and other e-Government platforms for core PFM functions, mainly through fragmented ICT solutions. The next generation IFMIS are being designed to combine those, coordinating MOFs, line ministries, spending units, NGOs, businesses and citizens, and enabling better forecasting, planning, and performance monitoring.

A question was raised on whether it was necessary to integrate financial and performance information under the MOF, since performance information is line ministry-centric and in some cases, not particularly useful in informing the budget process. Mr. Dener explained that the integration does not necessarily entail the MOF's control over information, but rather facilitates inter-connectivity and shared access through an integrated core system. The MOF, therefore, acts as a service provider of the platform, rather than a controller of information. This integration is more transparent and sustainable than developing different systems amongst line ministries to track and report performance information.

- In her presentation, Ms. Sheila Beckett of the **U.S. Department of the Treasury Office of Technical Assistance** gave an overview of the strengths and weaknesses of FMIS to help countries consider if they should leverage FMIS to manage performance information. An FMIS is useful to collect financial data, manage accounts, and report budget execution. Its limitations, however, lies in handling non-financial information of the budgeting process, such as in the preparation of the budget, accommodating program budget detail, and managing performance information. There is also a potential disconnect or disparity of interests between the Treasury Departments, who usually own and control the country's FMIS, and the Budget Departments, who own the budget preparation and performance information.

International experience in the use of FMIS differs, with some countries' systems being more advanced than others. In the United States, the budget and performance information system interfaces with the FMIS in Virginia, but not yet in Texas. In Austria, the performance management system has no interface with its FMIS, while in Uganda, the interface exists, although underdeveloped.

- In light of the experience shared, Ms. Beckett advised that while technology is improving, countries should choose appropriate solutions to their problems, and undertake the most efficient and effective way to get there. If not yet ready, countries should not count on using FMIS to collect and report performance information. Instead, countries can consider separate budget preparation systems while they plan for future integration.



- During the Q&A session, a question was asked on how performance information in an integrated system can be validated. Ms. Beckett suggested that countries clearly define their performance indicators and the parties responsible to update them, so that checks can be done to verify if data is being collected and reported properly. In the US, independent auditors are appointed to verify and provide quality assurance, but this only happened after years of developing their performance indicators. A focus on quantifiable indicators can also ease the verification process.
- One of the components of the monitoring framework in **Korea's** performance budgeting system is the writing and submission of an annual performance plan, explained by Ms. Hyunjoo Lee from the Ministry of Economy and Finance (MOEF). The performance plan allows ministries to establish the objectives, performance indicators and targets of their projects at the project inception stage. At the end of the year, ministries report their actual performance, measured by the targets and indicators in set in their plan. The performance planning and reporting are done through Korea's FMIS, called dBrain, which comprises a performance management system that shifted monitoring from an input-focused system to a performance-centered one, improving budget execution and performance monitoring capacity.

Using this as an example, Ms. Lee demonstrated how the requirements and guidelines from the MOEF on the performance plan is inputted to the system for ministries to access. At the ministry level, the Chief Financial Officer then submits the mission and strategic objectives

for the ministry through the system, which the Program Manager then uses to write up the ministry's program goals. Using this, the Project Manager then writes in the performance plan for each project, which is submitted for review by the Program Manager and Chief Financial Officer. Upon review, the plan is submitted back to MOEF for review and lastly, for confirmation by the Assembly.

This tracked, multi-way communication via the system allows for transparent and easy access to information across MOEF and the other line ministries. The system shows the targets, objectives, and rationale for each program yearly, with details on how monitoring data is compiled. All other program aspects, such as policy directions, measures and focal points are also visible at this stage.



- A group discussion followed, during which member countries shared their FMIS experiences, as well as the challenges they face in linking performance indicators with traditional financial reporting from the FMIS. Many countries, such as Thailand and Timor-Leste reported that they have yet to link their FMIS to the performance information, due mainly to the challenges that arise from the separation of ownership and control of both systems. In Malaysia, performance information reported by line ministries is integrated with financial data through its MyResults system. While integration is almost complete, the system has yet to incorporate all aspects of performance information, such as results of program evaluations.

9. The following session, “**Regional Trends in Using Technology to Assess Performance**” discussed the innovative ways in which governments in Asia are using technology and data analytics to strengthen M&E and enhance service delivery.

- Mr. Kai Kaiser from the **World Bank** described the recent global and regional public sector trends, which includes growing government digitization, the emergence of big data and disruptive technologies, and rising expectations for governments. While data is critical to

developing a successful digital economy, it is, however, a lot more complex in terms of volume, variety, and velocity, in this era. Public digital data can come not only from national and provincial government agencies, but also from SOEs, the private sector and citizens, and can be sourced through systems, smartphones (e.g., citizen feedback), satellites (e.g., data on natural disasters) and sensors (e.g., sensors on bridges that detect maintenance needs). The value of the data increasingly comes from integration, timeliness, and integrity. For example, there is little value in yesterday's traffic or weather data, and a driver's license must be able to link or identify an individual through other identity documents. Two examples of GovTech leaders in East Asia are Singapore, with its Smart Nation blueprint, and South Korea, which utilizes a Government-wide Enterprise Architecture.

The GovTech landscape focuses on putting people first by providing citizen or enterprise-centric services, making better decisions through the use of data platforms and applications, as well as developing the digital economy and jobs through public-private sector linkages. The building blocks of good GovTech, Mr. Kaiser explained, are the 4Ps: digital-first Policy, data-driven People, performance-oriented Processes, and credible and secure Platforms. The most important data for government, however, is often not open data but shared data within government. The main issues in digital asset management include the sharing or re-use of data, where data should be charged for, and how, balancing privacy and surveillance needs, and security. In this regard, secure digital platforms are useful tools to enable sharing, promote transparency and accountability in data use, and at the same time trace and audit data sharing.

A few examples of data sharing were demonstrated, such as Estonia's use of an open source, secure data sharing platform that created a large centralized system, which allows ministries to maintain and share their data in a versatile and cost-effective way. Due to its usefulness, the initiative was extended for cross-border use between Estonia and Finland. In developing GovTech roadmaps, Mr. Kaiser recommended that governments focus on three things: the undertaking of core systems data-driven analytics, setting "digital First KPIs" in service delivery, and building skills and digital literacy in-house and also within the private sector.



Following his presentation, Mr. Kaiser conducted a poll through an audience participation website called Poll Everywhere. Participants logged onto the website through their phones and answered several questions. The platform gathered the responses of participants and summarized them into simple presentations. For example, the platform had summarized into a chart to show that most participants had responded to the question “What do you see as the biggest challenge to leverage big data for better budgets and execution in your country?” with the answers “skill”, “capacity” and “political will”. The exercise demonstrated the use of technology in enabling the sharing of information across tables and transforming them into useful analytics.

10. In the session “**Engaging Citizens to Monitor Performance in Service Delivery**”, the meeting explored examples of how governments engage civil society organizations to facilitate M&E, and how a citizen-centric focus can improve the selection of performance indicators.

- Ms. del Paso shared a few examples of the use of open data in engaging citizens in monitoring performance. One such example is the “Data on the Streets” initiative in **Columbia, Chile, and Mexico**, that has encouraged citizen participation using public investment data. The initiative urges the public to access investment projects and contracting data published by the government, and then to go out to the streets to see how the projects are performing. As a result, citizens had reported on project performance by developing their own content, such as videos and infographics. This led to internal and external changes to budget programs, such as changes to the design of a program that incentivized sustainable urban mobility and the redesign of the Subnational Government Investment Project Reporting System. The initiative showed that open data is not only for IT specialized users and is useful for both an internal and external audience.

In **South Africa, Argentina, Mexico, Indonesia, Uruguay and Columbia**, the “Better Budget Dataquest” project was launched, where storytellers, influencers and number crunchers were encouraged to team up to explore the budget data and contextualize it with other data to come up with findings on gender, inequality or the environment. The teams then present their results through a multimedia piece, research project or a human story. Through the initiative, citizens who participated used and analyzed budget data, and made recommendations to the government on issues such as data collection and resource allocations for certain programs.

In **Mexico**, public consultations were undertaken to find ways to improve performance indicators and to make them more relevant and accurate. The government developed an Open Performance Evaluation System, where anyone could give inputs on performance indicators. The feedback and proposals were then filtered by the MOF’s Performance Evaluation Unit and reviewed with line ministries. The government then reported back to the public on the proposals that were considered. These examples, Ms. del Paso explained, helped shift the discussion from spending allocations to performance.



- In **Korea**, citizen participation mechanisms are in place at the budget formulation and execution stages. Dr. Sung-Joo Yoon from the Korea Institute of Public Finance explained that there are four channels of citizen engagement:

- i. Surveys at the budget formulation stage, where public opinion is gathered on their public spending needs, forming the basic direction of operation and financial support. The survey outcomes are used to prepare a budgeting guideline for the central administrative agency, which in turn will draw up budget requests for the following year. The survey targets the general public and also public finance experts, researchers, and academics.
- ii. Focus Group Interviews at the budget formulation stage, where feedback from beneficiaries, non-beneficiaries, and policy implementers are obtained regarding the effectiveness of budgetary programs and where improvements can be made.
- iii. Budget Waste Reporting Centers, where the public can submit ideas to avoid wasteful budget spending or report cases during the budget execution stage. Currently, there are centers established in 318 locations. Reports and proposals are reviewed and verified, and the reporter is notified with the results in less than 30 days after receipt. For every valid argument, the relevant ministry pays KRW200,000 to the reporter, while large enough budget-saving proposals will be submitted through a Budgetary Incentive Review for a higher payout. Citizen monitoring through this platform is outlined in Korea's National and Local Finance Acts.
- iv. The Budgetary Incentive System at the budget execution stage, which provides incentives for individuals to recommend budget-saving or revenue-increasing measures for the government, and is stipulated in Korea's National Finance Act. An individual that applies for a budgetary incentive would need to submit evidence that proves creativity and effort in their measures, and potential budget saving outcomes. The application is reviewed by an internal review committee, comprising officials from the relevant ministries and

private sector experts that assess the potential outcomes of the measure and determines the incentive payout amount (<KRW60million per person). In cases where the recipient's recommendation can be applied to other agencies and its outcome can be multiplied, the incentive can be increased by up to 30%. In 2017, the government received 209 applications, 70 of which received payouts.

- In the **Philippines**, citizen engagement mechanisms are in place across the PFM cycle — at the planning, budgeting, execution, and accountability stages. Ms. Vivien Suerte-Cortez of Hivos explained that the opportunity for social accountability and empowerment is presented through tools such as the citizen report card, community scorecard, social audits, and the citizen participatory audits (CPAs) at the accountability stage, where constructive engagement between citizens and the government, combined with the monitoring of public spending can contribute to better service delivery.

Ms. Cortez described the CPA as a mechanism for strategic partnership and goal-sharing between the Commissioner of Audit (COA) and civil society, bringing together CSOs, citizens, and COA auditors to work as a team in designing CPA programs. The team works together to craft operational guidelines, organize and participate in capacity workshops, identify audit areas, objectives, methodology, and scope, gather data, assess results, draft the audit report, and advocate for the implementation of audit recommendations. An example of a CPA is the KAMANAVA Flood Control Project, conducted by the Department of Public Works and Highways, which aimed at verifying if the project had successfully mitigated floods in the area. The audit found that it did not completely achieve its objectives due to deficiencies in the project structures and design, the presence of informal settlers and large garbage volumes at project sites, and inadequate personnel and communication facilities, such as two-way radios.

While these mechanisms are in place, challenges still remain as trust-building takes time before a meaningful engagement can be achieved. To mitigate this, Ms. Cortez explained that the government and CSOs must mutually respect and understand each other's processes. In addition, functions, roles, and responsibilities must be clear at the onset, expectations should be surfaced, discussed and managed, and avenues for communication, feedback and resolution must always be open.



- During the Q&A session, a question was raised on the unforeseen risks of citizen engagement in these countries. In the examples that Ms. del Paso shared, she brought up risks in gathering support from line ministries and in getting them to take ownership, as well as in garnering sufficient citizen participation and to reach a broad enough community. In Korea, Dr. Yoon pointed out that one risk is the need to filter feedback to separate vested interests from the general interests of citizens. Ms. Cortez shared that this risk also arose in the Philippines and in response, guidelines have been issued for the selection of appropriate CSOs for engagement. CSOs are also required to sign forms to declare any conflict of interest.

A question was also raised on how to evaluate the effectiveness of citizen engagement initiatives. In the Philippines, Ms. Cortez explained that CSOs, as the main link between government and normal citizens, provide feedback to the government on the value of these initiatives based on inputs from citizens.

11. The last session of the conference discussed efforts that MOFs are taking in “**Strengthening Effectiveness of M&E for Enhanced Service Delivery**”. Member countries shared ways in which they are enhancing their M&E capacity and deepening their understanding of sectoral issues to enhance performance accountability, better inform budget allocation decisions, and incentivize line ministry performance.

- To enhance M&E, **Thailand** has undertaken measures to incentivize performance at line ministries. To begin with, Ms. Kornwalai Rassamee and Ms. Suwaree Panichnava from the Budget Bureau explained that there are laws and regulations mandating M&E processes. These are outlined in the constitution, the Fiscal Responsibility Act and the Budget Procedure Act. Formal requirements are also in place for the planning, conduct and reporting of M&E, and standard guidelines and templates are issued to line ministries to facilitate performance reporting. Second, financial rewards and sanctions are in place across the budget process to improve performance and spending efficiency. For example, the Budget Transfer Act stipulates the transfer of funding from line ministries or agencies that fail to perform, to better-performing agencies. Thirdly, financial and managerial flexibility and accountability have increased through the setting of challenging performance targets that each ministry is required to meet. Local administrative organizations are also increasingly becoming direct budget recipients, decentralizing power, and increasing accountability at the implementation levels. Lastly, publicly available reports provide open and public recognition for ministries that perform well. In the case where targets are not met, the Budget Bureau provides recommendations for the ministry or agency involved to improve within a given time. This is also reported to the cabinet.

- While these measures have facilitated increased M&E effectiveness, challenges in M&E remain. At the policy level, this includes the need to further strengthen M&E capacity and

institutional arrangements, enhance public involvement, and improve linkages between national strategies, outcomes set for programs and projects, and realistic indicators that can be measured. At the implementation level, difficulties remain in building an understanding of the outcome assessments amongst the officers in the ministries and agencies, the increasing burden of too many required assessments, and in improving IT systems for M&E.

- In undertaking budget reforms, **Malaysia** has implemented the Outcome-based Budgeting (OBB) approach since 2013, which led to a shift in focus from outputs to outcomes, the set-up of an integrated strategic results framework, improved vertical and horizontal alignments, and the undertaking of results-based M&E and performance reporting. Mr. Nik Husni Bin Nik Soh from the National Budget Office explained that the M&E stage is an integral part of the OBB strategic cycle that leverages on a continuous process of collecting and analyzing information to compare how a program is performing against its expected results.

At the implementation monitoring stage, inputs (e.g., financial, human and material resources), activity, and outputs are tracked, while at the results monitoring stage, outcomes, such as the intermediate effects of outputs on beneficiaries, as well as goals (long-term, widespread improvements in society) are assessed. At the evaluation stage, an assessment of the intervention is undertaken, determining the program's relevance, efficiency, effectiveness, economic impact, and sustainability. At this stage, information is gathered on the program's strategy (whether the right thing was done), operation (whether the program was implemented in the right way), and learning (whether there are better ways of doing it). Performance monitoring and reporting in Malaysia is conducted using a bottom-up approach, with performance management committees established at each level (sub-program, program, ministry, and national levels) to evaluate performance and implement improvements where needed.

- Despite persisting challenges, Malaysia continues to pursue efforts in developing the demand for performance information, building M&E capacity, and developing a comprehensive monitoring framework. Mr. Soh stressed that this is vital in ensuring a focus on outcomes, as well as in improving the relationship of shared outcomes between ministries, integration between operating and development budgets, and the accountability over resources. In this regard, M&E will be given a higher priority moving forward, as outlined in the recent mid-term review of the 11th Malaysia Plan.



- In the **United States**, Ms. Beckett explained that while performance indicators are developed jointly by the Budget Office and the line ministries, the Budget Offices exercise significant power and authority in managing performance information. Formal and informal training is also developed by the Budget Office and conducted by its staff for agency officers. External training programs are also in place, such as those by budget associations like the National Association for State Budget Offices (NASBO) and the Government Finance Officers Association (GFOA), state-run PFM academies, and university schools of public administration. The Budget Office staff also conducts desk reviews of agency documents, including legislation and regulations, budget and performance reports, agency strategic plans, audit reports and news media articles. In addition, the responsibilities of the Budget Office also include developing close working relationships with agency executives and managers, visiting agencies periodically to become familiar with their programs and functions, and to meet with agency stakeholders.
- Responding to a question on what incentivizes Budget Officers to manage performance information, as well as develop training for agencies, Ms. Beckett explained that these responsibilities are requirements for employment as a Budget Officer, comprise part of the checks and balances process that is built into the Budget Offices' systems, and are ingrained in the work culture. While this takes time to develop, she advised that this is important in strengthening the accountability of the budget officers in owning and driving performance information reform.



SUMMARY OF DISCUSSIONS

2019 PEMNA PLENARY CONFERENCE

May 22-24, 2019 | Quang Ninh Province, Vietnam



INTRODUCTION

The 2019 PEMNA Plenary Conference meeting was held in Quang Ninh Province, Vietnam, from May 22nd to May 24th, 2019. The theme of the conference was Budget Restructuring and Public Debt Management for National Financial Prudence and Sustainability. The three-day event was hosted by the Ministry of Finance of Viet Nam.

OPENING SESSION: WELCOMING REMARKS

1. **H.E. Mr. Do Hoang Anh Tuan**, Vice Minister of the Ministry of Finance of **Viet Nam**, delivered the first welcoming remarks that opened with a warm welcome to all the participants. Mr. Do underscored that despite an overall recovery from the 2007-08 global financial crisis, Viet Nam, along with other countries, remains challenged by significant public debt due primarily to shrinking revenue collections countered by growing public expenditures. Among PEMNA member countries, public debt increased by 11-13 percent points to 43.2 percent of GDP in 2017, 44.1 in 2018, and 48.7 percent in 2019. Therefore, effective budget restructuring and prudent public debt management are crucial in providing fiscal space to address emergent development needs such as infrastructure development, climate change adaptation, and mitigating social issues related to an aging population. Mr. Do specifically outlined three areas of focus for the conference: (i) how to develop transparent budget/revenue system to optimize tax ratio to GDP with tax incentive policies; (ii) how to strengthen fiscal discipline and efficiency in spending using medium-term schemes and performance-based budgeting; and (iii) how to improve public debt management by setting optimal debt ceilings.
2. In his welcoming remarks, **Mr. Kyoung-Ho Han**, Co-Chair of the PEMNA Steering Committee, and Director-General for Fiscal Performance Management at the Ministry of Economy and Finance of **Korea**, took the opportunity to congratulate the Vietnamese government for the successful launch of the plenary conference, and to thank the EU for joining PEMNA with additional financial resources and new knowledge base. With PEMNA entering its eighth year of partnership through nine plenary conferences and 19 CoP meetings, Mr. Han observed trust built and openness gained by members crystalized in a sense of community within PEMNA. Mr. Han encouraged members to further this peer-to-peer learning network through three channels: (i) expand the scope of cooperation and collaboration with active participation by PEMNA member countries such as through study visits, and multilateral or bilateral cooperation; (ii) strengthen communication platform with the launch of a new PEMNA website to facilitate prompt communications amongst member countries; and (iii) reach beyond the PEMNA network to access additional countries, experts, and international organizations to enhance learning opportunities for PEMNA's 14 member countries.





3. **Mr. Ousmane Dione, the World Bank** Country Director for Viet Nam, underscored that sound economic governance is one of the three pillars of success for East Asia's development model, and it has contributed to Viet Nam's rapid progress as well. East Asia's policymakers have recognized that sustained development requires credible and capable economic governance based on macroeconomic stability and long-term fiscal discipline, which are reflected in the region's steady improvement in its governance effectiveness scores. However, he noted that new challenges are emerging on multiple fronts, and countries will need to refine and adjust the approaches that have worked for them in the past if they hope to navigate effectively in the new global environment. Mr. Dione affirmed that the PEMNA conference was timely because it would help ministries address key challenges related to enhancing state revenue for fiscal sustainability, budget restructuring, implementation of accrual accounting, and prudent debt management.

JOINT SESSION: KEYNOTE SPEECH AND PRESENTATIONS BY PEMNA MEMBER COUNTRIES AND AN INTERNATIONAL EXPERT

Speakers:

- Mr. Vo Thanh Hung, Director-General of State Budget, Ministry of Finance, **Viet Nam**
- Mr. Hyeon-Seok Park, Deputy Director, Fiscal Management Bureau, Ministry of Economy and Finance, **Korea**
- Ms. Tessie Candelario Gregorio, Director IV, Department of Budget and Management, **The Philippines**
- Mr. Lewis Hawke, Lead Governance Specialist, **The World Bank**

Moderators:

- Mr. George Larbi, Practice Manager, **The World Bank**



4. In his keynote address, **Mr. Vo Thanh Hung**, Director-General of State Budget of the Ministry of Finance of **Viet Nam**, outlined Viet Nam’s recent stimulus package designed to combat economic slow-down and to maintain macroeconomic stability in response to the 2007-2008 global financial crisis. The stimulus package aimed to cutback revenue through tax exemption, reduction, and deferment with expenditure expansion through investment and social protection. After 4 years of implementation, total state revenue was maintained at 24.9 percent of GDP and total state expenditure at 28.9 percent of GDP, with deficits kept at around 3.7 percent of GDP. There remained, however, major challenges ahead to mitigate issues such as an aging population that leads to declining labor force, climate change that reduces areas of residential and agricultural lands, and limited fiscal space to allow for revenue increase. PFM reforms for Viet Nam would therefore focus on three areas—state revenue, state expenditure, and public debt—aimed to (i) contribute to macroeconomic stability to enhance competitiveness; (ii) promote economic growth, and social and environmental protection; (iii) open up fiscal space to cope with underlying risks; and (iv) maintain national financial prudence and security.
5. **Mr. Hyeon-Seok Park**, Deputy Director of the Fiscal Management Bureau in **Korea** Ministry of Economy and Finance, provided members with an overview of performance-based budgeting (PBB) in Korea and lessons learned. Korea’s PBB journey started in 2000 with a pilot to develop strategic objectives, performance goals, and indicators. The program was expanded to all ministries and agencies in 2003 with the roll-out of the Performance Goal Management System (PGMS) with annual performance plans and reports. There are currently three layers to Korea’s PBB system rolled out since 2003: (i) PGMS that comprises annual performance plans and reports with indicators and targets; (ii) Core Program Evaluation based on quarterly on-site visits that lead to performance improvement; and (iii) In-depth Evaluation focusing on cross-cutting programs with data-driven program evaluation. Since 2018, Korea has conducted a three-year on-site performance evaluation on core budgetary programs. Ministries and agencies mostly embrace a performance mindset and conduct performance-oriented budget management. Over the period of 2005 and 2018, about US\$5 billion was accounted for as a result of expenditure restructuring based on budget project evaluations, and there were 166 cases of improvements logged from 2007 to 2018 through in-depth evaluation. Despite the PBB implementation success, Korea still faces (i) lack of comprehensive tool to provide a macroscopic view of current evaluation framework; (ii) lack of incentives for the spending agencies; and (iii) limited use of performance results.





6. **Ms. Tessie Candelario Gregorio**, Director IV of Department of Budget and Management in **the Philippines**, shared the Philippines' experiences in performance-based budgeting implementation. The Philippines's PBB is based on the organizational performance indicator framework (OPIF) with major final outputs flowing directly from the Philippines' development plan. The OPIF, however, is a fragmented system that is separate from the budget with limited coverage of the major final outputs and indicators. The shift of focus from inputs to outputs and outcomes through performance-informed budgeting approach points to a new set of implementation challenges—(i) lack of a legal framework that promotes performance budgeting system; (ii) lack of a clear delineation of roles of oversight; (iii) lack of credibility and accuracy of the performance indicators; (iv) difficulty in measuring performance; (v) unrealistic target-setting for output and outcome indicators; (vi) data analysis needs improvement; and (vii) need to establish better link between performance targets and budgets—that suggest the need to have first, a comprehensive, whole-of-government performance framework; second, improved quality of performance information; and third, improved M&E across agencies. In response, an inter-agency task force (IATF) on PBB is set up.
7. **Mr. Lewis Hawke**, Lead Governance Specialist of **the World Bank**, shared some general trends, challenges, and lessons learned from the international adoption of performance-based budgeting using examples from OECD and PEMPAL as well as the three decades of Australian experience in PBB implementation. Overall, the key challenges include: (i) measurement and attribution are difficult; (ii) compliance can dominate relevance; (iii) external indicators such as regulatory/legal can be inflexible; and (iv) compliance can be burdensome. Countries when adopting PBB should take note that (i) it is essential to have a performance culture and reinforcing incentives; (ii) there needs to be adequate skills, data, and systems; (iii) systems need to be manageable and cost-effective; and (iv) the PBB system requires continual review, refinement, and change.

SUMMARY OF BUDGET COP MEETING

BUDGET RESTRUCTURING AND PUBLIC DEBT MANAGEMENT FOR NATIONAL FINANCIAL PRUDENCE AND SUSTAINABILITY

May 22-23, 2019 | Quang Ninh Province, Vietnam

After the opening and the joint session, members began discussions on the meeting's theme—Budget Restructuring and Public Debt Management for National Financial Prudence and Sustainability—with their respective CoPs. Budget-CoP covered three subthemes: (i) Restructuring Budget for Prudent Expenditure Management; (ii) Enhancing Revenue for Fiscal Sustainability; and (iii) Prudent and Sustainable Debt Management.

SESSION 1: RESTRUCTURING BUDGET FOR PRUDENT EXPENDITURE MANAGEMENT

This session focused on sharing strategies member countries have adopted to reduce the ratio of personnel expenditure in the State budget and how the MTEF has been used as an instrument to create additional fiscal space for long-term investments.

Speakers:

- Mr. Holger van Eden, Regional Public Financial Management Advisor for Southeast Asia, **IMF**
- Ms. Yolanda R. Reyes, OIC Director IV, Department of Budget and Management, **The Philippines**
- Mr. Gerald Janda, Director IV, Department of Budget and Management, **The Philippines**
- Ms. Mutita Somana, Senior Professional Budget Analyst, Budget Bureau, **Thailand**
- Dr. Jong-Suk Han, Fellow, Korea Institute of Public Finance, **Korea**
- Mr. Lewis Hawke, Lead Governance Specialist, **The World Bank**

Moderators:

- Mr. Bernard Myers, B-CoP Facilitator/Sr. Public Sector Specialist, **The World Bank**

8. **Mr. Holger van Eden**, Regional Public Financial Management Advisor for Southeast Asia of **IMF**, laid the foundation of medium-term approach to budget restructuring and stated that MTEF addresses weaknesses in traditional annual budgets, which are by nature incremental, rigid, and short-term with inadequate prioritization of policies targeted for benefits at longer

term. He highlighted the two key elements of MTEF—reconciling top-down macro-fiscal estimates with bottom-up costing of expenditure and revenue—and the four steps to prepare an MTEF: (i) forecast key macro and fiscal variables such as growth, prices, and revenues; (ii) set fiscal objectives for deficit and spending; (iii) review baselines for project revenue and expenditure; and (iv) determine the use of fiscal space to allow for new priorities. He also warned not to rely too heavily on efficiency savings, recommended to limit to 1-2 percentage point, when developing an MTEF, but to take note that policy discontinuation should be based on low impact programs and not simply on arbitrary savings through cut-backs. Mr. van Eden reasoned that wage bill plays an integral part in the review process given it is one of the larger shares of GDP and varies greatly across countries with a 10 percent spread ranging from 4 to 14 percent. Mr. van Eden concluded that there is no one-size-fits-all approach to MTEF adoption. However, governments should consider that (i) budget restructuring is a medium-term effort; (ii) baseline analysis helps determine spending pressures and needed savings/reallocations; (iii) wage expenditure grows in many countries and should be a major component in budget restructuring; (iv) short-term wage containment measures only provide temporary relief; (v) structural reforms are key to sustained wage bill adjustment to safeguard service delivery; and (vi) strong institutions are needed to roll out MTEF.



9. **Ms. Yolanda R. Reyes** and **Mr. Gerald Janda** of the **Philippine** Department of Budget and Management, presented the MTEF implementation experiences in the Philippines. The Philippines' MTEF is a three-year performance-based rolling budget planning that comprises the medium-term fiscal plan, forward estimates, and budget priorities framework. The Philippines started the MTEF adoption in 1992 to streamline redundant/overlapping units/positions to focus on the government's priority development goals. The streamlining effort was followed by the rationalization program in 2004-2013 to further minimize overlaps and redundancies through the transformation of the executive branch of government to be more effective and efficient. One significant result was the abolition of around 36,000 positions with a savings of about 4 billion Philippine Peso. A number of legal instruments were enacted and,

most significantly, the adoption of staffing policies/guidelines to institutionalize the entire civil service with standardization of salary.

10. **Ms. Mutita Soman**, Senior Professional Budget Analyst of the **Thailand** Budget Bureau, shared with the participants the Thailand experience in MTEF implementation. Thailand also adopted a two-level MTEF with a national-level top-down and agency-level bottom-up estimation process. Key lessons pointed to the need to have a common understanding of the MTEF concepts across different actors, better quality of MTEF data, and better IT infrastructure to allow for data adjustments throughout the budget implementation process.
11. **Dr. Jong-Suk Han** of the **Korea** Institute of Public Finance (KIPF) compared the government's National Fiscal Management Plan Framework, Korea's medium-term plans and fiscal framework, across the different ministries and agencies. He noted spending increased in 12 key policy areas, and that the administration overall showed fiscal soundness.
12. **Mr. Lewis Hawke**, Lead Governance Specialist of the **World Bank**, introduced corporatization as a tool for PFM efficiency gains. He underscored the importance for governments to keep at arm's length the operations of corporation entities to avoid conflict of interest. Mr. Hawke outlined examples of corporatization that could include public service delivery units, infrastructure ventures, commercial activities, and public private partnerships. He further provided four lessons: (i) ensure corporatization is necessary; (ii) ensure a sound corporate governance framework is in place; (iii) ensure sound financial foundation and practices; and (iv) clearly address risks, externalities, and community service obligation at the outset.



SESSION 2: ENHANCING REVENUE FOR FISCAL SUSTAINABILITY

This session on revenue policy focused on (i) enhancing the control and use of tax incentives for attracting investment; and (ii) optimizing the level of tax/GDP to facilitate the transition to an upper middle income or developed country.

Speakers:

- Mr. Nguyen Quy Trung, Deputy Director General of Policy Department, General Department of Taxation, Ministry of Finance, **Viet Nam**
- Mr. Noor Iskandar, Deputy Director, Center for State Budget Policy, Fiscal Policy Agency, Ministry of Finance, **Indonesia**
- Mr. Salsuriya Bin Selamat, Head of Section, Tax Division, Ministry of Finance, **Malaysia**
- Mr. Sebastian James, Senior Economist (Tax Policy), Governance Global Practice, **The World Bank**

Moderators:

- Mr. George Larbi, Practice Manager, **The World Bank**

13. **Mr. Nguyen Quy Trung**, Deputy Director General of Policy Department of **Viet Nam** Ministry of Finance, opened this B-CoP session with a review of Viet Nam's tax incentives and reforms for investment attraction and fiscal sustainability. Tax incentives in Viet Nam were generous, but fragmented coverage resulted in uneven mobilization with suboptimal outcomes in some sectors. Viet Nam's tax reforms aimed to expand tax base and combat tax base erosion through five pillars: (i) strengthen tax administration; (ii) refine policies and mechanisms on invoicing and supporting documents; (iii) combat tax base erosion; (iv) improve tax policies toward budget revenue restructuring; and (v) revise and refine tax administration legislations. Under the fifth pillar, a number of legislations were revised and adopted, notably, the adoption of electronic tax transactions. Incentivizing small and micro enterprises with lower tax rates for a predetermined period may yield better outcomes than other sectors that favor foreign investments.
14. **Mr. Noor Iskandar**, Deputy Director of the Center for State Budget Policy, Fiscal Policy Agency of the Indonesia's Ministry of Finance, provided an overview of **Indonesia's** revenue policy. In general, Indonesia's revenue is tax-based with tax ratio to GDP steadily rising to 11.4 percent in 2018. Non-tax revenue, on the other hand, traditionally fluctuates due primarily to commodity prices and exchange rates. There are disparities in tax burden across sectors with manufacturing the biggest tax revenue contributor. The overall tax policy reform strategy in Indonesia is hinged on five principles: (i) generate revenue to accelerate development; (ii) adopt current international trend such as AeOI and tax cooperation; (iii) Foster redistribution with tariffs, exemption, and enhance progressivity; (iv) promote less distortive taxation scheme; and (v) enhance tax as a tool to reduce negative externalities with excise and simplified tariff. To boost non-tax revenue, Indonesia has issued a new law in 2018.
15. **Mr. Salsuriya Bin Selamat**, Head of Section of the Tax Division of Ministry of Finance Malaysia, presented a two-pronged approach to finance revenue for fiscal sustainability: (i) enhance control and use of tax incentives for attracting investment; and (ii) optimize level of tax to GDP

ratio to facilitate transition to upper middle income and beyond. Malaysia recognized that FDIs are key to its economic development, and in 2010 established an investment committee to monitor and ensure economic growth targets. Malaysia has recorded one of the steepest revenue decline over recent years and has introduced a number of tax adjustments. The Malaysian tax strategy aims to deliver taxes that are lower and simpler and fair.

16. **Mr. Sebastian James of the World Bank** provided a comparative view of the effectiveness of different investment incentives in developing countries across the globe and offered guidance on how countries should evaluate the potential use of tax incentives to attract foreign investment. In particular, he emphasized that investment climate has proven to be a more important determinant of foreign direct investment than tax incentives. He noted that the responsiveness to tax incentives – including whether countries remain after the tax holiday ends – will vary by the type of investment it is. Mr. James acknowledged the pressure that countries may feel from companies to grant incentives but cautioned against a “race to the bottom”. In many countries, he noted that tax incentives are given to companies or industries that do not need them, resulting in significant revenue loss to the country. On policy options, Mr. James provided five recommendations: (i) use investment linked tax incentives rather than tax holidays; (ii) if using tax holidays, use at least partial tax holidays such as 50% tax exemption rather than 100%; (iii) VAT incentives are redundant if the system works well; (iv) redesign customs incentives by product rather than by use; and (v) use minimum taxes to minimize loss of tax due to overly generous tax incentives.



SESSION 3: PRUDENT AND SUSTAINABLE DEBT MANAGEMENT

This session focused on how countries can improve the management of public debt, including (i) setting an appropriate ceiling; (ii) optimizing maturity balance (ratio of short/long term debt instrument) in the debt portfolio; and (iii) assigning appropriate institutional roles and responsibilities for debt policy.

Speakers:

- Mr. Vo Huu Hien, Deputy Director General, Debt Management and External Finance Department, Ministry of Finance, **Viet Nam**
- Mr. Muhamad Syah bin Ab Raub, Senior Assistant Director, Fiscal & Economics Division, Ministry of Finance, **Malaysia**
- Mr. Igor Immanuel Pardomuan Mangunsong, Head of Section, DG of Budget Financing & Risk Management, Ministry of Finance, **Indonesia**
- Mr. Daniel Jeong-Dae Lee, Economic Affairs Officer, **UNESCAP**

Moderators:

- Mr. Holger van Eden, Regional Public Financial Management Advisor for South-East Asia, **IMF**

17. **Mr. Vo Huu Hien**, Deputy Director General, Debt Management and External Finance Department explained **Viet Nam's** 2017 public debt management (PDM) law and the evolution of debt portfolio in Viet Nam. The PDM law calls for a 5-year debt borrowing and repayment plan approved by the national assembly, a 3-year debt management program approved by the Prime Minister, as well as an annual debt borrowing and repayment plan. Current ceilings up to 2020 include the following: Public debt/GDP of 65 percent and government debt/GDP of 54 percent. As of 2018 Viet Nam's government debt/DGP stood at 50 percent. Domestic government bonds made up three-quarters of the borrowing in 2017, with another quarter coming from external debt (mainly ODA and concessional loans). As the domestic bond market has matured, Viet Nam has succeeded in extending the maturity profile of its debt, with the average bond maturity growing from 3.9 years in 2011 to 12.7 years in 2018. Moreover, the cost of borrowing has been declining, with the yield curve having fallen to 4.7 percent in 2018. As they look ahead, Viet Nam will conduct debt sustainability analysis for the period 2021-2025 and will continue to restructure the portfolio with longer maturity bonds.
18. **Mr. Muhamad Syah bin Ab Raub**, Senior Assistant Director, Fiscal & Economics Division, explained debt management policy and debt profiles for **Malaysia**. Malaysia's debt policy is characterized by a few key principles, which include: borrowing merely to finance development projects, focusing on domestic sources to minimize FX exposure, promoting Malaysia as a center for Islamic Finance, and ensuring medium and long-term debt

sustainability. Core debt management functions are generally split among four institutions: federal treasury, central bank, accountant general's office, and economic planning unit. Malaysia has a fiscal rule that debt not exceed 55 percent of GDP and debt services charges are to be less than 15 percent of revenue or operating expenditure. Malaysian's long-term (10-year) bonds enjoyed a yield of 3.8 percent as of April 2019. Another recent development is that Malaysia has returned to the Samurai bonds market after a 30-year absence.



19. **Mr. Igor Immanuel Pardomuan Mangunsong**, Head of Section, in **Indonesia's** Directorate General of Budget, Budget & Risk Management section shared how government debt managed has evolved since 2014 and the fiscal rules currently in place. Indonesia is legally allowed to have a maximum debt/GDP ratio of 60 percent, but in practice the government has kept it around 30 percent to assure sustainability. Less than 18 percent of the portfolio is in the form of foreign currency conventional bonds, limiting the FX exposure. The maturity profile has also been changing, with the average time to maturity now at about 8.5 years. Indonesia issues a medium term debt strategy that covers a 3-5 year rolling horizon and re-evaluates it every 5 months. They also rely on an annual borrowing plan, formalized by DG Decree, that is reviewed every 3 months. Goals of Indonesia's debt strategy include developing the domestic debt market and ensuring transparency of public debt.

20. **Mr. Daniel Jeong-Dae Lee**, Economic Affairs Officer at **UNESCAP** discussed fiscal rules and fiscal space in the context of meeting the Sustainable Development Goals (SDGs). Fiscal rules are used in different forms across Asia Pacific. Mr. Lee began by highlighting some of the potential benefits and challenges for countries employing fiscal rules in economic management, and then discussed the importance of understanding fiscal space and creating space through affordable financing. He then posed the question: fiscal space for what? The UN 2030 Agenda for Sustainable Development calls for "ambitious investments in people, prosperity, and the planet." ESCAP estimates that Asia-Pacific's developing countries would need to invest on average about 5 percent of GDP to achieve the SDGs. With that in mind,

countries should determine the long-term size of general government, keeping in view SDG investment needs. Well-functioning MTEFs can help countries to integrate development priorities within fiscally sustainable resource envelopes.

PEMNA B-COP LEADERSHIP TEAM (LT) MEETING

21. At the conclusion of the technical sessions, the Budget CoP convened a meeting of their leadership team to assess the main take-aways from the Plenary and to discuss the work plans for the latter 2019 and the first half of 2020. The Budget CoP plans to convene two meetings before the next Plenary, although the themes are not yet confirmed. The Budget CoP discussed the implications for PEMNA's direction reflected in the Medium-Term Strategic Plan (MTSP) 2019-2022 and confirmed that an official from Indonesia, Mr. Kunta Wibawa Dasa Nugraha, will take over the role of B-CoP Chair, as the current Chair from the Philippines, Amelita Castillo, will retire from government service.

SUMMARY OF TREASURY COP MEETING

BUDGET RESTRUCTURING AND PUBLIC DEBT MANAGEMENT FOR NATIONAL FINANCIAL PRUDENCE AND SUSTAINABILITY

May 22-23, 2019 | Quang Ninh Province, Vietnam

The afternoon session for T- CoP on Day 1 started with opening remarks by the Chair of the Treasury Community of Practice (T- CoP), **Mr. Ta Anh Tuan**, Director General of the Viet Nam State Treasury (VST) and by the T-CoP facilitator, **Mr. Atul B. Deshpande** of the World Bank, who explained the rationale for selecting the theme of the conference and the sub-topics for the individual sessions under the T- CoP.

SESSION 1: GOVERNMENT TREASURY MODELS AND FUNCTIONS IN THE CONTEXT OF MODERN PUBLIC FINANCE MANAGEMENT

This session focused on how governments have implemented changes in regulations and organizational structures to accommodate a modern government treasury design, both in institutional and functional aspects, to carry out core treasury functions which are critical to an evolving PFM framework.

Speakers:

- Mr. Luu Hoang, Director, Department of Legal Affairs, **Viet Nam** State Treasury
- Ms. Teresa Joy Tayao Gochingco, Treasury Operations Officer II, Bureau of the Treasury, **The Philippines**
- Mr. Michael Ablowich, Associate Director, US Office of Treasury Advisor, **USOTA**

Moderators:

- Mr. Ta Anh Tuan, T-CoP Chair/Director General, **Viet Nam** State Treasury
- Mr. Atul B. Deshpande, T-CoP Facilitator/ Sr. Public Sector Specialist, **The World Bank**

22. **Mr. Luu Hoang of the Viet Nam** State Treasury (VST) briefly introduced the VST's functions, duties and organizational structures. Mr. Hoang also presented VST's reform achievements related to the collection of state budget revenues, the execution of state budget expenditure

controls, cash management, government bond issuance, state accounting, payment and IT application, which brought VST's activities closer to international practices; and proposed VST's reforms for the period of 2021–2030. In more detail, VST plans to develop an efficient two-tier organizational structure; improve the quality of its services as well as establish a digital treasury by 2030. Accordingly, VST will simplify and redesign its business procedures, develop a more efficient IT enterprise architecture and streamline its organizational structure.

23. **Ms. Teresa Joy Tayao Gochingco**, representing the Bureau of the Treasury (BTr), the **Philippines**, explained the realignment processes of the Treasury, functions of the Asset Management Service and the integration and automation of the Government Financial Management Systems. She also discussed the current status of the Treasury Single Account (TSA) and the improvements required, and the TSA Reporting and Monitoring System (TRAMS). Her presentation covered the fund management division and the BTr's key funds (General and Bond Sinking funds) and discussed the functions of the Liability Management Service. Reforms in the domestic capital market and the process of rationalizing borrowing decisions through the capital market development and appropriate debt strategy were also discussed.
24. **Mr. Michael Ablowich** of the **USOTA** began by posing questions about why change is needed and how can change be implemented. He discussed the traditional role of the Treasury as a paymaster (cash and checks) and the evolution of the role to one of process control, with today's treasury function being focused on data management rather than business process management. The roles of the Treasury vis-a-vis the Ministry of Finance (MOF), the spending ministries and the spending units was also discussed. Mr. Ablowich talked about the main outcomes of the modernization and the role of the Treasury in the budget cycle. He emphasized that well-functioning treasuries improve fiscal transparency and fiscal performance through streamlined business operations and processes and enable better monitoring and control of fiscal risks. The presentation also covered the detailed allocation of PFM sub-functions to, and distribution of responsibilities between the MOF, Treasury and the line ministries. The relative strengths and weaknesses of the two main treasury models, centralized and decentralized, were discussed, and it was pointed out that within these broad categories there were variations with differing control frameworks depending on various factors. In practice, the distinction between centralized and decentralized systems is increasingly getting blurred with modern IT/ TSA systems, where controls and payment functions are automated. The USOTA Associate Director also pointed out that change requires realigning the organizational structure and human resources and mapping various processes, and discussed the various issues and challenges associated with implementing the change.
25. The presentations were followed by a **Q&A session** and a rich discussion. The questions to the USOTA Advisor related to the core tasks and functions of the treasury (cash flow management that includes forecasting, planning and sequestration i.e. the impact of budget

cut on cash flow management) and relationship of the Treasury with the Central Bank (CB), and also the role of the CB in a situation of liquidity shortage. Mr. Ablowich advised that it was best to use local markets to issue debt as regular borrowing from the CB could distort monetary policy. The Viet Nam State Treasury (VST) mentioned preparing for changes in data analysis and implementation of accrual accounting, as also performing functional reviews. The VST representative felt that it is important to implement TSA to consolidate liquidity and implement a good cash flow forecast to ensure smooth cash flow. The USOTA advisor was asked about the relative benefits of centralized and decentralized models. He felt that the two processes should be based on each country's specific situation, the business processes, the size of the economy and the level of compliance. Questions were asked about the risk of issuance of long-term bonds at a fixed rate and the move from business management to data management processes. On reporting performance results of expenditure, the consensus was that this was a function of the Treasury. However, some participants felt that the budget department should support the performance reporting process, the line ministries should be responsible for the technical verification and the process check and the Supreme Audit Institution can conduct an ex-post check. The Malaysia team discussed the roles and responsibilities of their performance management unit under the Ministry of Finance. On the way forward, the VST mentioned the need for integration of revenue collection issues across all four budget levels and improving the procurement process. The USOTA Associate Director cautioned that there is a need to move to digitization over the next few years and the Treasuries need to be ready for this.



SESSION 2: FINANCIAL SUSTAINABILITY AND PUBLIC DEBT MANAGEMENT- ASPECTS OF ISSUANCE AND MANAGEMENT OF GOVERNMENT BONDS

This session focused on the procedures and techniques of government bond issuing, portfolio management, restructuring liabilities and risk mitigation. An integrated approach to cash and debt management was also discussed.

Speakers:

- Mr. Nguyen Van Quang, Deputy Director, Department of Cash Management, **Viet Nam** State Treasury
- Mr. Eduardo Anthony III Gispin Mariño, Director, Bureau of the Treasury, **The Philippines**
- Ms. Novi Puspita Wardani, Deputy Director, Directorate of Government Debt Securities, DG of Budget Financing and Risk Management, Ministry of Finance, **Indonesia**

Moderators:

- Guillermo Tello, Resident Advisor, **USOTA**
- Mr. Atul B. Deshpande, T-CoP Facilitator/ Sr. Public Sector Specialist, **The World Bank**

26. **Mr. Nguyen Van Quang** of the **Viet Nam** State Treasury (VST) shared the experience of Viet Nam in the issuance and management of the bond portfolio. He discussed the legal framework for the Government bond issue, and the functions and mandates of the VST and other agencies under the Ministry of Finance with respect to debt management and government bond issue. Mr. Quang clarified that the mandate of the VST extends to planning for the issuance of government bonds in domestic markets and restructuring of the government debt portfolio. The government have also clearly laid out the objectives and indicative guidance regarding the issuance of bonds, including the types of products, issuing method and the issuing calendar. The Hanoi Securities Exchange acts as the government bond issuing agent while the Viet Nam Securities Depository Center acts as the settlement agent. In case of shortfall bonds for trading, primary dealers can borrow benchmark bond from Viet Nam State Treasury. Mr. Quang also explained how the bond issuance helps restructuring the state budget and public debt management. They are aiming for a target of government bonds, local government bonds and government guaranteed bonds being at least 45% of the GDP by 2030, while also increasing the average time to maturity of government bond portfolio to 6-8 years. He concluded by sharing some lessons learned like developing issuance scenarios, auctioning alternate maturities each week to create market norms, regularly consulting with primary dealers and main investors to have knowledge of the market and investment demands, and adopting issuing techniques to manage future debt service flows.



27. **Mr. Eduardo Anthony III Gispin Mariño** of the Bureau of the Treasury (BTr), **the Philippines** began by stating that the objective of the financing program was to meet financial requirements while minimizing forex risk and borrowing costs. Mr. Marino stated that foreign borrowings (project loans and tapping the international bond market) had lesser interest rates than domestic debt (T-bills and T-bonds), and the difference was about 2.5% for a 10-year period. He explained that long term interest rates are higher due to the risk profile and it is important to do a cost - risk trade-off factoring between the forex risk, the interest rate risk and the refinancing /liquidity risk. The Philippines issues foreign bonds through roadshows, through global banks as selling agents or underwriters and through the book building process, while domestic bonds are issued through either the “Dutch Auction” (one yield/ price for all winning bidders) or the “English Auction” (winning bidders pay what they bid). He emphasized that auctions are a cost-effective, transparent, market based and administratively efficient way of issuing bonds. Mr. Marino said that sound fiscal policy and proactive debt management in the Philippines have led to a resilient debt portfolio and improved debt sustainability, while also considering other important issues like managing portfolio maturity and risk considerations. The Philippines medium term debt strategy envisages 75:25 ratio of domestic to foreign debt and a diversification of foreign debt to increase non-USD component of debt. On the domestic side, Mr. Marino said that they were lowering the borrowing cost by favoring intermediate tenors and developing the retail market for bonds by promoting financial literacy and improved access through the on- line ordering platform.
28. **Ms. Novi Puspita Wardani** of the Ministry of Finance (MOF) of **Indonesia**, in her presentation, provided a snapshot of the Government bonds’ issuance process in Indonesia, the restructuring of liabilities and the coordination between debt and cash management. The institutional arrangement of the Indonesia bond market comprises of the MOF (both DGs of Budget financing and risk management and of the Treasury), the Bank of Indonesia as the auction agent, the Financial Services Authority that is responsible for Government bonds secondary market supervision and other related organizations. The issuance strategy considers aspects like the size of the issue, the target duration, the currency mix, local

currency vs Forex bonds and fixed vs variable bonds, the risks of interest and exchange rates as also the refinancing risk. The methods of issuance in the domestic market (Auction, Book Building, Private Placement) and their relative advantages were discussed, and it was pointed out that retail issuance is also a good option given the size of Indonesia's population, and also as it is less sensitive to market volatility. Ms. Wardani said that the issuance of bonds in the international markets has the advantage of bigger size in a one-shot transaction, a natural hedging and a boost to forex reserves. Ms. Wardani also discussed the restructuring of liabilities by smoothing out the maturity profile, effective portfolio management and the coordination between cash and debt management. The institutional framework for debt management and the coordination between the Treasury, the Debt Management Office (Front, Middle and Back) and engagement with the Investor/ Market was also discussed.



29. The **Q&A session** covered areas like the issuance of government bonds to diaspora -Philippines stated that there was no specific effort to get overseas diaspora, but they had plans to target potential global investors through road shows for foreign currency bonds, while Indonesia mentioned that they had an on-line system of retail bonds for domestic investors and global bonds for overseas investors. In Viet Nam commercial banks and insurance companies issue bonds for social security funds. Indonesia emphasized the importance of coordination between debt management and cash management to understand the market and make the bond issue successful. In the Philippines, there is a "Chinese wall" between investment activities and debt management activities, and investment management is divorced from liability management. In Viet Nam, the cash management and debt management functions are combined under the Treasury, and a balance between cash requirements and debt issuance is maintained. There was a question on the institutional framework for sub-national borrowing and the fiscal risk/coordination and oversight function of the central government. The Philippines have an on-line platform where the selling agent directly interfaces with the investors to issue government bonds in the retail market. Most countries mentioned limitations to the ability of sub-national governments to borrow since they need to be issued sovereign guarantees by the federal governments.

SESSION 3: PREPARATION AND CONSOLIDATION OF ACCRUAL-BASED GOVERNMENT FINANCIAL STATEMENTS AS APPLICABLE TO BUDGET SPENDING UNITS

This session focused on the processes and procedures to put together consolidated financial statements at the government and sub-national government level, and the structure put in place to support spending units during this process.

Speakers:

- Ms. Nguyen Thi Hien, Head, Financial Statements Division State Accounting Department, **Viet Nam** State Treasury
- Ms. Namhee Lee, Deputy Director, Government Accounting and Reporting Division, Ministry of Economy and Finance, **Korea**
- Mr. Mohd Redzuan Bin Hasan, Director, Accountant General's Department of **Malaysia**
- Mr. Christopher Robert Fabling, Senior Financial Management Specialist, **The World Bank**
- Mr. Anton Dubovik, Deputy Head, Treasury of **Russia**

Moderators:

- Mr. Fily Sissoko, Practice Manager, **The World Bank**
- Ms. Thuy Dang Thi, Deputy Director General, **Viet Nam** State Treasury



30. Ms. Nguyen Thi Hien of the **Viet Nam** State Treasury, in her presentation, discussed the key features of the state-sector financial statements in Viet Nam including their legal basis and the preparation and information reporting process. These statements, which are consolidated from a bottom-up level, are prepared for each province or city and for the whole of government, and the coverage includes all agencies and organizations in the state sector. She explained that provincial financial statements are completed within 12 months while the whole of government state sector financial statements are completed for reporting to the

national assembly within 18 months. The key challenges mentioned were the broad coverage of agencies and units in the state sector, the multiple accounting regimes applicable to different units, the multiple accounting software programs used that are not compatible with the State Accountant General IT platform and the quality of human resources. Going forward, the reform direction aims to develop a unified state-sector accounting regime and reorganizing the state sector accounting functions, especially in small and medium accounting entities.

31. **Ms. Namhee Lee** of **Korea** made a presentation on the consolidated financial reporting of the Korean Government and the technical support for central government agencies in the financial statements' preparation process. Ms. Lee mentioned that the Central government has introduced accrual accounting in 2009 while the local governments had introduced it in 2007. She discussed the role of the dBrain system in the preparation of these statements, including the automatic elimination of non-wanted transactions and the check-points for accounting staff. Ms. Lee brought up some common issues like the tight schedule of financial reporting and frequent change of accounting staff. The mandate and mission of the Accounting Advisory also includes reviewing the accounting treatment of assets and liabilities and revenues and expenditures, and also supporting agencies in the preparation of financial statements and their analysis. She listed the key challenges for the future as the firm establishment of accrual accounting and the enhanced effectiveness of financial information.
32. **Mr. Mohd Redzuan Bin Hassan** of the Accountant General's Department of **Malaysia** focused on the processes and procedures to put together consolidated financial statements at the national and sub-national government level and the structure put in place to support spending units during this process. He discussed the features and modules of the Integrated Financial and Management Accounting System (iGFMAS) and the transformation from the modified cash basis to the accrual basis of accounting. The iGFMAS is required to interface with more than 150 other systems within the government agencies of Malaysia, and it also incorporates the Dual Ledger to generate government reports to ministries and parliament. Mr. Hassan also explained the financial and public responsibilities of the Accountant General's department and their role in the preparation of budget and of the federal government financial statements.
33. **Mr. Christopher Robert Fabling** of **the World Bank** discussed the key implications of Accrual Accounting and the key considerations of the support for spending units. The former requires coordination and collaboration across a broad range of stakeholders and an approach that is prioritized, sequenced and aligned with the PFM reform process. It is also important that the implications of this change are fully understood by key stakeholders and the implementation is properly planned. The scope and nature of spending unit support arrangements will depend on the approach taken to define the Government Reporting

Entity, the existing technical capacity, whether the individual spending units will prepare their own financial statements and whether the consolidated financial statements are subject to audit. Considerations like materiality are very important and the focus should be on making incremental improvements in the quality of information.

34. **Mr. Anton Dubovik**, the Deputy Head of Treasury of **Russia**, explained the preparation and consolidation of accrual-based government financial statements in Russia, including their main components, the accounting system, the coverage of consolidation (levels, stocks and flows) and the issues related to the consolidation process. The Government structure in Russia comprises one central government, 85 regional governments and 22,000 local governments, comprising a total of 180,000 institutions. He discussed the government sector financial and non-financial assets and liabilities and the related operations. According to Russia's public sector accounting standards and documents, all statements must be consolidated, and this condition covers all entities and the most part of stocks and flows. He also discussed the various levels of consolidation (internal, inter-departmental, inter-sectoral) and the corresponding stocks and flows. His key messages were that while a total consolidation is impossible, the efforts and results must be well balanced, and the consolidation process has to be clear for compilers.



35. The discussion at the **Q&A session** covered areas of consolidation of financial statements, where materiality was identified as the main requirement for successful consolidation, and that the level of materiality needs to be worked out in advance. It was felt that a single institution in Government should be responsible for deciding the level of consolidation, for example, the Accountant General in Malaysia. Viet Nam felt that consolidated financials contributes to national financial prudence. It was also felt that a separate agency should consolidate the financial statements prepared by the spending units. China is beginning to prepare accrual accounting while Indonesia have already adopted the same and have received an unqualified opinion on these by the supreme audit office.

SUMMARY OF DISCUSSIONS

PEMNA TREASURY COP MOSCOW MEETING

October 1-3, 2019 | Moscow, Russia



INTRODUCTION

1. The second PEMNA Treasury CoP (T-CoP) meeting of 2019 was held in Moscow, Russia, from October 1st to 3rd, 2019, focusing on PEMNA-Russian Treasury Knowledge Exchange. The event was attended by around 80 participants from 13 PEMNA member countries, the Treasury of Russia, the PEMNA secretariat and the World Bank. The PEMNA member countries consisted of Cambodia, China, Indonesia, Korea, Lao PDR, Malaysia, Mongolia, Myanmar, the Philippines,

Singapore, Thailand, Timor-Leste, and Vietnam. Representative from PEMNA's sister network operating in European and Central Asia countries—Public Expenditure Management Peer Assisted Learning (PEMPAL)—also participated to exchange their knowledge and experience. The meeting was hosted by the Treasury of Russia, co-chaired by the Head of the Treasury of Russia and the Head of the Vietnam State Treasury (as current T-CoP Chair), and facilitated by the PEMNA Secretariat and the World Bank.

2. As guided by the Medium-Term Strategic Plan, the theme for this final T-CoP in 2019 was “Russian Treasury-PEMNA Knowledge Exchange in Public Finance Management” with the theme of “Stronger implementation of national accounting standards and financial reporting” included in the session. Thus far, the sessions were divided into (i) Public Sector Accounting and Whole of Government Financial reporting, (ii) Cash management and optimization, (iii) Public Procurement, and on (iv) Commitment Controls. Each session was divided in two parts. The first part focused on knowledge exchange with the Treasury of Russia and the second part focused on peer-to-peer learning between high officials from the PEMNA MoFs. It further included an exchange with the PEMPAL Secretariat on the functioning and evolution of this first PFM network, which is particularly relevant as PEMNA is entering its second phase. Each session was followed by questions and answers and each day was concluded by a working group session, during which participants reflected on the key takeaways from the thematic sessions and what it means for their own reform efforts.



OPENING SESSIONS

At the opening Session, both **R. Ye. Artyukhin**, Head of the Treasury of **Russia** and **Ta Anh Tuan**, PEMNA T-CoP Chair, Director General, **Vietnam** State Treasury, gave remarks.

3. In his introduction to the Treasury of Russia, Mr. Artyukhin listed 9 key business lines of Russia's Treasury. They are (i) enforcement of the federal budget, (ii) payments, (iii) revenue collection

and accounting, (iv) maintaining unified budget accounts in a single treasury account, (v) cash management, (vi) accounting and financial reporting, (vii) treasury support and supervision of special government contracts, (viii) financial controls (recent function) and (ix) operation state financial management information systems such as budget.gov.ru, bus.gov.ru. These business lines cover the entire public sector from the municipal level (320 remote stations and 1538 territorial departments), regional level (85 department), interregional to federal level. It is the largest organization in Russia. An important change was introduced in 2019 with the addition of the financial control function, while the accounting and reporting standards remain under the Ministry of Finance. Mr. Artyukhin emphasized the holistic approach to modernize the treasury including through regulatory simplification, systems modernization and most importantly investing in staff.

4. Next, Mr. Tuan recalled when the PEMNA Treasury Community of Practice (T-CoP) was first established in 2012. After 8 years of operations, PEMNA T-CoP has become an important forum for peer learning, sharing and discussion among member countries and international experts for better public financial management in each country and supporting the modernization of the respective treasuries in particular. On behalf of the T-CoP leadership and as the T-CoP Chair, he expressed his profound thanks to the Russian Ministry of Finance and Treasury for their support and cooperation with PEMNA in hosting the T-CoP meeting and participating as an observer in PEMNA events over the past years. It is the first T-CoP event to be held outside of Asia and he welcomed this opportunity to learn from the Treasury of Russia and PEMPAL experiences. Mr. Tuan also thanked both Mr. Fabian Seiderer—WB Lead Public Sector Specialist—the new T-CoP Facilitator and his predecessor Mr. Atul Deshpande, as well as the PEMNA Secretariat for their support to this important community of practice and the organization of this special T-CoP in Russia. Mr. Tuan highlighted the rich agenda of this T-CoP under the theme “Russian Treasury- PEMNA Knowledge Exchange in Public Finance Management” and looked forward to fruitful knowledge exchanges and peer-learning on themes of critical important to PEMNA’s Treasuries and reforms, namely public procurement, commitment and contract management, optimization of cash management, implementation of national accounting standards and government financial reporting in line with IPSAS. He welcomed the opportunity to meet and exchange with the PEMPAL community of practice and to develop cooperation between the two networks in the future.

SESSION 1, PART 1: IMPROVING IMPLEMENTATION EFFICIENCY FOR PUBLIC SECTOR REPORTING STANDARDS AND PREPARATION OF FINANCIAL REPORTING IN RUSSIA

This session exposed the participants to the Russia’s experience with the implementation of modern accounting and financial reporting standards and practices across the public sector and on the consolidation of financial reporting at the level of the federation.

5. In his presentation, **Mr. Dubovik**, Deputy Head of the Treasury of **Russia**, presented 3 key issues of the Russia Accounting and Reporting:

- Conceptual Basis of its accounting and reporting reform
- Milestones of the accounting reform in the general government sector;
- The adaptation of IPSAS standards in the Russian Federation



He said the scope of the Russia accounting system includes both subjects and objects. The subjects are central government entities, social security funds, regional agencies and local agencies. These are called extra-budgetary institutions. The objects are non-financial assets, liabilities, off-balance sheet objects, financial assets and liabilities.

SESSION 1, PART 2: MODERNIZING NATIONAL ACCOUNTING STANDARDS AND WHOLE OF GOVERNMENT REPORTING

This session exposed the participants to the international and Indonesia's experience in the adoption of IPSAS accounting standards, the benefits and challenges of Whole of Government reporting and practical approaches.

6. With his presentation, **Mr. Rahmat Mulyono**, Deputy Director for Accounting mentioned that **Indonesia** is not fully adopting IPSAS but rather adapting its accounting standards to IPSAS. He presented the sequenced and gradual approach of the accounting reform in Indonesia and the challenges and opportunities faced. For example, the



adoption of accrual accounting may negatively impact the Government balance sheet in the short term and thus there is a need for appropriate change management. He emphasized the need for substantial capacity building of accounting staff to be able to implement the accrual accounting reform in view of the important changes. IPSAS did help to increase public awareness in government's accounts but the information needs to be more actively used in macro-fiscal analysis and decision making, which is not yet fully the case. This requires a better linkage between the accounts with the Government Financial Statistics (GFS).

7. **Ms. Bonnie Ann Sirois**, Senior Financial Management Specialist from **the World Bank** shared with participants the global trends of accrual accounting reforms across the world. In 2018, 25% of governments adopted accrual accounting. This number is expected to increase to 65% by 2023, as more governments see the benefits in terms of increased fiscal transparency, risk management and balance sheet optimization. She presented the different approaches to transition to IPSAS standards, including direct adoption, indirect adaptation (like Indonesia and Russia) and the use of IPSAS as reference points. Research shows indeed a strong correlation between modern financial accounting and reporting and increased resilience in times of crises and lower risk perception reflected in lower borrowing costs (spreads). This session also discussed the scope of the reform (central government, local governments and parastatals (IFRS) as well as the need for realistic sequencing and transition plans. Finally, the challenges in valuing assets and liabilities were discussed.



8. The main key takeaways from this session are:

- The need to pay proper attention to the non-technical parts of the reform, such as (i) building the same perceptions especially between the MoF, spending units and the auditors; and (ii) ensuring adequate HR and capacity building as well as user friendly IT systems;
- The need to think and involve the users of this information, such as MoF management, parliament, the wider public so that the information is being used to inform better fiscal policy decision making and oversight. Ensuring the link with GFS.
- The development of a comprehensive but realistic road map for the transition towards IPSAS. While Russia invested much in upstream preparation and consensus building before moving to IPSAS, Indonesia had a 5-year transition period, during which it also adapted the information system and the global experience shows transition periods comprised between 10-15 years.

SESSION 2, PART 1: CASH MANAGEMENT AND OPTIMIZATION: THE RUSSIAN EXPERIENCE

This session discussed Russia's reforms to optimize cash management, including the Setup and performance of the single treasury account and active liquidity management, the challenges encountered, solutions adopted and resulting savings.

9. **Ms. Semyonova**, Head of the Federal Budget Execution Department and **Ms. Pavlyukov** presented **Russia's** experience with cash management. The presentations consisted of two parts: (i) Consolidation of expenditure and cash planning of the single treasury account and (ii) targeting and placement of the surplus balance. She presented the large scope of the Russian Single treasury account, including both central government, local government and parastatal accounts. More recently, it also includes the accounts related to special government contracts/contractors for cash management and oversight purposes. The strong centralization of accounts at the Treasury, which is also operating the centralized financial management information and payment system greatly facilitate a more accurate and active cash management.



10. The Treasury is calculating a daily target for cash balance, based on the aggregated needs to fulfill regular budget obligation and payments, on the consolidated revenues and cash balances available in the numerous treasury accounts and the need for a safety buffer. The presenters explained the formula and parameters used for the calculation of the cash buffer within a regulatory ceiling of 100 billion rubles. The extra cash is being placed with reputed banks by 6 pm every day upon approval of the cash management committee. Given the significance of the Treasury's movements, it de-facto acts as "flash lights" for the country's daily money market. This requires a close coordination with the Central Bank to ensure alignment with the monetary policy objectives and mitigate the risks of unintended market interferences. Russia's active cash management has led to significant revenue gains, from 19 to 166 bn rubles over the last 10 years. It is a very worthwhile investment for treasuries and government.

SESSION 2, PART 2: CASH MANAGEMENT AND OPTIMIZATION—PEMNA EXPERIENCES AND WAY FORWARD

This session discussed the key determinants and challenges for effective cash management, including effective revenue forecasting, spending agencies' expenditure estimates and the link with commitment controls and contract management, consolidation of treasury funds and single treasury accounts, and optimizing treasury placements and revenues. It also discussed the political

economy of these reforms, including the optimism bias in revenue and expenditure estimates and incentives to improve credibility.

11. In this session, **Mr. Eduardo Marino**, Head of Asset management in **the Philippines**, began his presentation with the purpose of effective cash management. Among others are ensuring adequate cash is available to pay for expenditures when they are due; minimizing government borrowing cost and managing risks by investing temporary surpluses. The two objectives are closely correlated and require accurate Revenue Forecasting, in line with the Government's fiscal targets. These are set by the Philippines Development Budget Coordination Committee (DBCC). Focused on Managed Funds and Investment Management, The Philippines have implemented a Treasury Single Account since 2014. It mainly covers the central government and general budget and is managed by 3 disbursing banks. The Philippines Treasury is becoming more specialized and has established a Fund and Investment management division similar to the financial sector, but with more stringent prudential rules. He raised the corresponding trade-off between costs and risks.
12. The modest scope of the TSA with many agencies and local governments maintaining their own accounts in private banks and the institutional fragmentation and corresponding information asymmetry are the main challenges to a greater optimization of cash management and corresponding revenues. The exclusive use of electronic payments (no more checks) by the Government and improved commitment control and payment forecasting by line ministries are also important levers to improve cash management. The challenges are often not technical in nature but much more related to political economy. This needs to be appropriately factored in the reform and corresponding change management plan.
13. Ms. Phang Shin Ee from Singapore began her presentation by introducing the Accountant General's Department (AGD) to the participants. It is under the Ministry of Finance and responsible for cash management. Her key messages are:
 - AGD manages civil service wide systems that covers Government's accounting, cash management, payments to vendors, payrolls and claims to public servant and government pensions as well
 - It serves more than 20,000 vendors and 12,000 public servant and pensioners
 - The cash management in Singapore covers two broad streams: government and statutory boards (SBs)
 - For government, AGD makes payments to vendors using electronic payment on behalf of the ministry

- Singapore also applied Centralized Liquidity Management (CLM) since 2009 aimed to further optimize the cash optimization for the government. Among the benefit of the use of CLM is that 95% of SB's finance staff can now focus on their core functions and enhance the risk management. SBs are not shared a fee for AGD's cash management and can keep the interest earned on their cash balance. This is an important incentive to get the buy in from SBs.

14. **Ms. Seung-Mi Shim** from **Korea** began her presentation with the definition, objective and legal framework for the implementation of cash management in Korea. Cash management aims to provide the financial funds in the right place at the right time while taking into account the receipt of fiscal revenues. Korea's integrated financial management information system (dBrain), helps the government to provide cash flow precisely and provide cash promptly and accurately. In Korea, idle cash is being placed with three financial institutions that are selected competitively. It is actively managed because the signal of idle cash will be made available five days ahead with confirmation of fund availability by 5 p.m. the day before. In managing the cash shortage, the government has two approaches: annual financing (government bond) and temporary financing (short-term borrowing from Bank of Korea and Treasury Bill Issuance). This combination aims to maintain efficient financing. In all country examples, participating banks need to have a good standing and credit rating, assessed by the regulator (Central Bank) and/ or rating agencies.



WORKING GROUP: REFLECTION OF DAY 1

This session aimed at collectively reflecting on the knowledge exchanges and discussions during the four sessions and receiving feedback from participants. PEMNA members were divided into 6 small groups. They worked together to reflect on the main lessons learned from the sessions on Day I and how these can be applied to their respective reforms.

15. Each group assigned one rapporteur to present their feedback to all participants. The key takeaways noted by the groups were that the accrual accounting reform is highly relevant not only for greater fiscal transparency but also for better macro-fiscal decision making, particularly

when linked to GFS. Participants also learnt that transition from cash to accrual basis require better Unified Chart of Account, a sound roadmap, realistic timeline (5-10 years), and political leadership. While there is a need for a regulatory framework that suits the country need, the system must also align with the international standard (IPSAS / GFS).



16. An integrated financial management information system is needed both for better accounting and cash management. While both reforms are quite technical, the biggest challenge for cash management is the political economy and resistance to relinquish their accounts, and sharing of information in a timely and accurate manner. In both cases, reforms need to pay due attention to consensus building, sequencing, human resources and incentives to succeed.
17. With regards to effective and efficient cash management, there are sets of conditions that are needed to be in place. One group agreed that there is a need to have good cash forecasting, facilitated by upstream commitment control mechanism, ideally linked to e-procurement to better estimate the government's financial obligations and upcoming payments. It requires a single treasury account with a broad scope to cover most accounts and cash balances. Good cash management also requires real time and realistic revenue forecast and a close coordination with the debt management department and central bank regarding the debt transactions. Good cooperation with line ministries is critical. Participants also agreed that it is always better to invest excess cash / idle cash through, among others, fixed deposits but in a competitive manner to maximize revenue and minimize risks and market distortions.



18. Most participants considered active cash management as a key reform priority for their country/ Treasury and a worthwhile investment considering the high potential returns as shown by the Russian experience. They expressed interest in further exchanges and cooperation on this core treasury function going forward.

SESSION 3, PART 1: FEDERAL TREASURY'S EXPERIENCE IN PUBLIC PROCUREMENT REFORM: OBJECTIVES, REGULATIONS, PROCESS AUTOMATION, CONTROLS

19. This session exposed the participants to **Russia's** experience in public procurement reform and e-procurement. **Ms. Katamadze**, Deputy Head of Treasury and **Mr. Dmitriev**, Head of contract system development presented their procurement reform, system and lessons learned. In Russia, public procurement is a core function of the Treasury, in cooperation upstream with the MoF on the regulation and down-stream with spending units. The Russian procurement system is centralized and spans across the level of government, including federal and local governments as well as agencies and SOEs (with some flexibility), covering over 400,000 users. The procurement reform was holistic, covering regulatory simplification (from 300+ regulations), e-procurement solutions for the procuring units and the vendors as well as capacity building. A few notable innovations introduced include (i) a single vendor register with integrated vetting of companies and CEOs, (ii) a centralized contract register (past and present contracts) enabling price and competition analytics, (iii) electronic signature of bids, contracts and acceptance receipts, (iv) mobile procurement app for vendors and purchasers. An important feature of the Russian procurement system is its full integration with the Treasury's other core functions and systems, such as commitment and financial controls and cash management. This integration greatly facilitates payment forecast and cash management. Conversely, the advanced commitment and treasury control -presented in Session 4- helps mitigate the risk of large contract advances.



SESSION 3, PART 2: PUBLIC PROCUREMENT REFORMS TO MAXIMIZE TRANSPARENCY, COMPETITION AND VALUE FOR MONEY IN THE USE OF PUBLIC FINANCES

This session discussed modern trends and innovations in the public procurement system (as applied to regulations, automation of procurement processes and procurement controls) in public sectors of PEMNA member countries and globally, including practices of ministries, agencies and public enterprises (as applicable).

20. **Ms. Nitiyaporn Imjai** from Thailand presented the country's procurement reform and e-procurement system, which had two objectives, namely to improve efficiency as well as greater transparency, competition and accountability (which in turn also has an impact on cost reduction). The reform started in 2010 and included a new procurement law, the development of an e-procurement system and an HR dimension to create a motivated, certified and empowered procurement cadre. The reform helped to professionalize this critical government function, reduce transaction costs and generate significant savings, estimated at 8.4%. The reform helped reduce the risk of collusion among suppliers and with purchasers, which was driving up the prices and affecting the quality of services. Purchasing orders and all key bidding documents now need to be generated online limiting opportunities for human interaction and delays. The centralized procurement database enables data analytics for control and decision-making purposes. Going forward, the focus is on increasing the integration/ interoperability with the GFMS and other key PFM/ treasury functions, such as budget allocations, commitment controls, payments and cash management.



21. **Ms. Anna Wielogorska** began her presentation by stating that Public Procurement is not just about policy but also about how it is done. The studies have confirmed that Public Procurement reforms are a worthwhile investment as they can yield important time and cost savings, on average around 30% and 15% respectively based on global experience. She

emphasized the importance of properly planning and sequencing the reform in view of the numerous different elements and the important political economy considerations (resistance to change). She insisted on the need for a holistic and inclusive approach to procurement reform which shouldn't be seen as an IT reform. While e-procurement can be a strong lever for modernization, it is not an end in itself and only one lever. Due attention needs to be given to change management and capacity building – as seen in the experience of Russia and Thailand. She listed three ways to strengthen the procurement function and outcomes: (i) a more strategic and proactive planning of public procurement at the government and at the spending unit level, ideally through agency procurement plans (at least for the large contracts, with realistic timelines). Many steps can start before the budget is approved and released to avoid the typical end of year rush. The planning phase also needs to consider the market and capacity of potential bidders, which is rarely the case. Public administrations are often ill equipped or wary to do market analysis that can inform the optimal procurement approaches. This should be encouraged and supported; (ii) improving the bidding process with clear specifications, clear and realistic costing (also informed by the market analysis), and clear evaluation criteria. Lack of clarity in bidding documents is a major cause of unsuccessful procurement, delays and higher prices (as bidders' factor in their uncertainty and risks in the prices). Due attention also needs to be paid to proactive contract management, which is not always the case. (iii) capacity building both on the government side (through certified procurement cadre) but also on the supplier side, particularly for SMEs to broaden the access to public procurement, to mitigate the risk of delays or disruption due to overstretched companies or poor cashflow management. The presenter emphasized the importance of interoperability of different financial management information systems, which is much easier to achieve than full integration. Finally, she presented the procurement community of practice established in Asia and the opportunity to have more collaboration among these two communities considering the important synergies between these core treasury/ PFM functions/ reforms as evidenced in this T-CoP meeting.

SESSION 4, PART 1: TREASURY SUPERVISION OF THE USE OF FUNDS

This session discussed prerequisites for efficient control over the performance of critical projects financed by the federal budget and corresponding commitments and liabilities. It presented innovative approaches put in place by the Russian Treasury for a more proactive control and performance management.

22. Ms. **Viktorja Karpenko**, head of department, presented this recent reform/ system introduced by the Treasury of **Russia** in 2016 following its new mandate of financial controls. She started her presentation with an introduction of the applicable legal and regulatory framework for financial controls applicable to the federal budget, followed by a presentation of the different types of controls. She highlighted the evolution of the control function from compliance

and financial controls towards more risk based and performance controls and advice to spending units. While the treasury continues to perform core financial controls to ensure the integrity of financial transaction, it is increasingly advising and supporting line ministries to strengthen their internal control frameworks, which may also involve the modernization of regulations and business processes. This resulted in a stronger partnership between the Treasury and spending units and in less qualification by the external auditor. The presenter also introduced a new extended control system for strategically important and or risky projects/contracts financed by the federal budget. With this new system, contractors are required to open an account at the Treasury of Russia, which on one side guarantees the timely availability of resources to the company but in turn operates a much more detailed and proactive performance monitoring of the contract implementation, including by sub-contractors. This system has proven very effective for large projects involving numerous agencies on the government side and multiple contractors/ sub-contractors on the private sector side. Example of projects managed through this new system included the Construction of the Stadiums for the FIFA World Cup 2018, the multiple media contracts and rights linked to it, as well as sensitive projects such as the acquisition of houses for relocation of people from Ramshackle buildings in the Republic of Tuva. While recognizing the efficacy of this system, participants raised the question of the roles of line ministries and local governments in such a centralized system and the impact corporate responsibility and accountability of companies.



SESSION 4, PART 2: REFORMS TO STRENGTHEN COMMITMENT CONTROLS TO ENSURE TIMELY BUDGET EXECUTION AND PREVENT ARREARS

This objective of this session was to learn from PEMNA countries' reforms and experiences in strengthening the budget execution on timely manner by strengthening the commitment controls.

23. **Mr. Tran Manh Ha**, from the State Treasury of **Vietnam** presented the current system and ongoing reform. Vietnam has two different types of commitments: framework contract and in-year commitment. In-year commitments are usually smaller value contracts awarded and implemented within the budget year. The current TABMIS system is capturing these contracts but mainly ex-post and the control happens prior to the payment as part of the financial and compliance controls. While such contracts are usually of lesser value and not as important in terms of arrears or cash management, it is critical to be able to capture in the system the State's legal commitments in real time as part of the accrual accounting and financial reporting reform.



24. The treasury has commissioned a study to propose changes to the treasury processes and systems to be able to do so. Framework contracts are mainly for investments and are recorded as a budget reservation in the respective annual budgets. It will be reported against the budget allocation in the budget execution reports. The project needs to be approved by the Government to be included in the budget. The treasury aims to more systematically and proactively monitor the corresponding multiyear commitments, in close collaboration with the Ministry of Planning and Investment and the spending units both at central and local level. This can be done upstream through the development of a joint Medium-term Expenditure Framework between MPI and MOF (and common baseline for the capital expenditures), through a harmonize classification of the capital budget, through the interoperability and data exchange between MPI's public investment management system and TABMIS.
25. The presenter underlined the importance of an effective commitment control system for effective payment forecasts and cash management. This is also in the interest of spending units as it gives them more predictability. Commitment controls to be effective need to be centralized, at least for the larger commitments. It is a core mandate of the treasury and therefore it is crucial for treasury to facilitate the commitment control. A strong regulatory framework is also needed to support this function. Budget execution is about the implementation of sound Commitment controls, strong coordination and collaboration. On the latter, it is explained that the registration of commitment should always be done before any commitment is made/issued, note just before any payment is being prepared. This important reform will require a high-level political commitment/support, an enabling legal and regulatory framework, and increased integration and cooperation. Its implementation can be gradual, initially focusing on the high value projects/ commitments.
26. **Ms. Altanzul Bayanjargal**, from **Mongolia** presented her country's reform to strengthen commitment controls in the context of the GFMS reform. Commitment control is a key feature of the system, but it is not yet fully operational. She discussed the importance and

challenges faced. First, the political economy and need for a strong and high-level champion for the reform. Frequent political or policy changes will have an impact on the predictability of the budget which cannot be realistically mitigated by a commitment control system. Furthermore, line ministries may not see favorably the imposition of such controls by the treasury if used to greater flexibility in the past. Thus, the need for change management and incentives to win over the line ministries. For example, increased assurances of availability of funds in exchange for ex-ante commitment controls.

27. Second, the challenge of multi-year commitments in a context of annual budget approval has been mentioned. This requires a strong integration and cooperation with the departments dealing with planning and public investments both at the central level and in line ministries. She echoed the previous presenter in the need to move from ex-post commitment controls performed as part of the compliance controls prior to payment release to ex-ante commitment controls prior to the signing of the contract (legal commitment) and the need to capture the proper date of contract effectiveness. Only such ex-ante commitment control can help prevent payment arrears and help proper payment forecasting required for effective cash management.

PEMPAL - PEMNA KNOWLEDGE EXCHANGE

This session started with a presentation of the PEMPAL Network, as the equivalent of PEMNA for Europe and Central Asia.

28. The session began with an introduction by **Yelena Slizhevskaya**, who is facilitating the **PEMPAL T-CoP**. It has 23-member countries including Russia and is supported by 4 main partners (Swiss Economic Cooperation (SECO), the EU, the WB and the Treasury of Russia. PEMPAL operates under a 5-year strategy that defines the overall outcome / goal, impact, the quality and immediate output of the network. In addition to the strategy, PEMPAL also relies on its operational guidelines.



29. The governance structure includes a Steering Committee composed of: chairs (donors) and the members that are the CoP Executive of Committee (chair and deputy chair). It is composed of three thematic CoPs: the BCoP, the T-CoP and the Internal Audit CoP. It is further composed of very specific technical working groups, based on the members priority interests and needs, notably on (i) Cash management, (ii) Use of IT in Treasury Operations, (iii) Public Sector Accounting and Reporting, and (iv) Evaluation of Treasury role and Functions. Like PEMNA, it conducts two core activities, (i) peer to peer learning among members and with international experts, and (ii) knowledge creation, curation and dissemination, including selected research. It is a large, yet agile, network, which utilizes technology for cost effective events, through video conferences and WebEx meetings.
30. In his presentation, Mr. Ilyas Tufan, Deputy Chair of the T-CoP, shared in more detail, the activities and products of the T-CoP and of the cash management working group, which he was leading. He further presented Turkey's experience in cash management reform for which he was in charge—Cash Management Strategic Roadmap adopted in 2016, and its 3 strategic pillars and targets: Cash Planning and Management, Utilization of Public Sector Resources and Institutional Capacity. He expressed full support for more regular exchanges and cooperation between the two networks and invited PEMNA members to access PEMPAL knowledge products on its website.

WORKING GROUP: REFLECTION OF DAY 2

Like on Day I, PEMNA members were again divided into 6 small groups to collectively reflect on the main lessons learned from the sessions of Day II and how these can be applied to their respective reforms. Each group assigned one rapporteur to present their report to all participants.

31. The Key Lesson Learnt from Day II are the close relation between Commitment Control and Procurement. They are inseparable processes although they are not necessarily integrated under institution (Treasury) nor one system. Participants agreed to the need for a more integrated approach, enhancing the cooperation and information exchange (including through system interoperability) at the central government level between the departments in charge of planning and investment, budget, treasury and procurement, but also at the level of line ministries and provincial governments where applicable. Participants also emphasized the need for a more holistic approach to reform, including the legal and regulatory framework (indispensable for both procurement and commitment controls), the systems modernization and most importantly the people (not just training but also incentives and recognition).
32. Participants also mentioned the need to properly plan and sequence the reform and build in necessary change management. The implementation can be gradual with the priority given to the high value and high-risk commitments. This is also the approach of the special control

system developed by the Treasury of Russia.

33. Another group noted that the implementation of effective and efficient procurement processes facilitated by e-procurement IT systems, will require a clear action plan prior to the implementation of transition from paper-based to electronic-based procurement system. It also needs to consider the necessary business process reviews and simplification. A well-prepared change management plan and the reform must be centralized. Therefore, the procurement process should be linked to IFMIS or at least ensure inter-operability among the systems.

34. Regarding commitment controls, the groups mentioned the following take away:

- Deploy a system and a legal framework for it. It must be aligned with the budget process.
- Use commitment data for payment forecast and cash management.
- The transition from cash to accrual accounting requires timely commitment monitoring and controls.



35. Regarding the PEMPAL Network, the participants were interested in learning from the evolution of this long-established network into a leaner and more member driven community with specific thematic sub working groups which helps to cater to different country priorities. Participants also expressed great interest for more regular knowledge exchanges with PEMPAL member countries and working groups, by methods such as inviting resource persons for future PEMNA events and vice versa.

WRAP-UP SESSION: REPORTING ON LESSONS LEARNED FROM THIS MEETING

In this session, each PEMNA member country was asked to share with the community what they have learned from the 2-days workshop, what they think should be improved and or proposals for the future.

36. Overall, the participants appreciated the efforts made to organize this workshop in Moscow and thanked the Treasury of Russia for its great hospitality and substantive contribution. The meeting exposed many to new experiences and systems and motivated participants for more exchanges with European and Central Asian countries. While it was an intense program, the members appreciated the opportunity to learn from the Russian systems and experiences. Members appreciated the selection of topics representing the core functions of most treasuries and underscoring their strong interrelation. The mix of presentations by PEMNA member countries and experts was considered useful in providing different perspectives and benchmarks on these topics.
37. Lao delegates were very interested in the PEMPAL experiences and in the different examples to strengthen the capacity of staff to implement the reforms. Going forward they would like to discuss more HR and capacity building of core treasury functions/ staff. Indonesian delegates said that they learned from new country and thematic experiences and had wished the respective colleagues could have participated/ benefited too. Going forward, the colleagues in charge of the accounting reform expressed interest for more in-depth discussions of this reform, especially on the GFS and how to foster the use of this financial information to improve decision making and accountability. Malaysia indicated that they saw many similarities with their own accounting reform which began 15 years ago, and is not yet complete. They see the importance of complementing the accrual accounting reform with a robust commitment control system. Going forward they wish to explore in more depth the use of data analytics and risk management. Singapore is already advanced in many ways / aspects but appreciated the sharing. They also face issues with legacy IT systems which are ill-suited for more advanced inter-operability and data mining using artificial intelligence. They are just starting to develop digital asset registries and life cycle accounting. They would be happy to discuss this further in the future. Cambodia appreciated the emphasis that PFM reforms are not just about IT applications but also about a change in human resource and business processes reengineering. Myanmar appreciated the experiences regarding the transition to accrual accounting, which is a long journey they are just embarking on. Timor-Leste found this workshop very timely as it is just preparing its next five-year plan and can learn from others. They were particularly interested in payment forecast, commitment controls and accrual accounting. E-procurement is another important reform they can learn from. Likewise, Vietnam will start preparing its finance development strategy which will outline the next PFM reform phase. These exchanges were considered very useful and they look forward

to deepening this knowledge sharing with Russia and PEMPAL countries.

38. Going forward, participants also identified and suggested some proposals for improvement, including (i) more time for each presentation and questions and answers; (ii) thematic working groups and a more in-depth look into specific topics and then reporting back to the broader group; (iii) selection of participants directly in charge of the topic.

CLOSING REMARKS

Dr. Kyongsun Heo, The Head of PEMNA Secretariat ended the meeting with closing remarks. She extended her gratitude to the following:

- Mr. Roman Artyukhin, Head of the Federal Treasury of **Russia**
- Mr. Ta Anh Tuan, T-CoP Chair/ Director General of **Vietnam** State Treasury
- Mr. Fabian Seiderer, T-CoP Facilitator/ Lead Public Sector Specialist
- The World Bank Team

39. She thanked all 13 PEMNA Treasury CoP member countries for their active participation in making this event a success. Members of the T-CoP had a chance to delve into the core functions of the Russian Treasury, their national accounting standards, cash management, public procurement reform and a strong commitment control mechanism. Representatives from Indonesia, Philippines, Singapore, Korea, Thailand, Vietnam, Mongolia, and the World Bank also shared their experiences in these areas. A Special Session with the colleagues from the PEMPAL network provided another chance to learn from the experiences of PFM practitioners across Europe and Central Asia countries. For that reason, she particularly thanked the PEMPAL network for their willingness to share their own knowledge and experiences, and looks forward to a continued and fruitful collaboration



SUMMARY OF DISCUSSIONS

PEMNA BUDGET COP JAKARTA MEETING

October 16-17, 2019 | Jakarta, Indonesia



INTRODUCTION

The second PEMNA B-CoP meeting of 2019 was held in Jakarta, Indonesia from October 16-17. B-CoP members from 12 countries²⁾ participated, as well as international experts from the IMF, the World Bank, the International Budget Partnership (IBP), and Victoria University Wellington (New Zealand). The meeting provided the opportunity for B-CoP members to delve deeper into the topics of **Fiscal Transparency and Public Participation** that had been previously introduced at the B-CoP meeting in Seoul in March 2019.

2) Countries represented were: Brunei, Cambodia, Indonesia, Korea, Lao PDR, Malaysia, Mongolia, Myanmar, The Philippines, Thailand, Timor-Leste, and Vietnam

2. **Mr. Kunta Nugraha**, the B-CoP Chair and the Director of State Budget Preparation, Indonesia, opened the meeting by welcoming the members to Jakarta and by highlighting some of the reasons that fiscal transparency and public participation were important topics to be discussed. In particular, he emphasized the importance that both play in increasing trust in government and helping hold government accountable. Afterwards, Mr. Kunta invited the delegations to introduce themselves and share their expectations for the meeting.
3. **Mr. Bernard Myers**, the B-CoP Facilitator and the Senior Public Sector Specialist at the World Bank, established the link between the 2019 B-CoP meetings by summarizing some of the key themes that had been discussed at the Seoul meeting in March. Those themes included (a) the different types of assessment tools used to measure fiscal transparency, (b) experiences with public participation, (c) fiscal transparency portals, (d) communicating with citizens and the media, (e) trends in using technology, and (f) engaging citizens to measure performance. With assistance from international experts, today's meeting would expand on some of those topics and elaborate on new ones. The meeting would examine transparency from the perspective of the Open Budget Survey, IMF's Fiscal Transparency Code, and the Public Expenditure and Financial Accountability (PEFA) assessment.



DAY 1: FISCAL TRANSPARENCY AND PUBLIC PARTICIPATION

Session 1. Review of Lessons from 2019 B-CoP Seoul Meeting

4. To begin the first session, the representatives from eight-member countries³⁾ took turns to share the activities and progress they had been undertaking with respect to fiscal transparency since the Seoul meeting. Key highlights from this roundtable sharing are included in annex 1.

3) The 8 member countries that shared updates from the 2019 B-CoP Seoul meeting were: Indonesia, Korea, Malaysia, Mongolia, Myanmar, The Philippines, Thailand, and Vietnam

5. **Mr. Holger van Eden** from the **IMF** shared some reflections on why it was important to look beyond the scores and rankings in order to understand fiscal transparency. He noted that there are many arguments for the benefits of fiscal transparency that one could debate, including making citizens better informed and enhancing accountability. However, he proposed that fiscal transparency is most important to the Ministry of Finance (MOF) itself. He suggested that if MOF did not fully understand its own fiscal position, it would be hard to make sound policy decisions. He noted empirical evidence to suggest that countries that score better on the IMF fiscal transparency index tend to show better economic performance. Mr. van Eden also shared an experience highlighting the need to think beyond the scores and to ask whether the public and/or parliament really understand the narrative. China's MOF produces a voluminous budget volume and tells him that everything is inside. However, the comprehensive nature of it can make it difficult for others to find what they are looking for.
6. To conclude the first session, **Professor Namho Kwon** of Soongsil University, **Korea**, discussed findings of the survey that the Secretariat had circulated to members prior to the meeting. The survey examined the motivations for increasing fiscal transparency and public participation, the challenges and plans for increasing each, the methodologies used to assess transparency, the actual accessibility to the public of certain types of budgetary information. Professor Kwon noted that 17 out of 19 countries have current plans to enhance fiscal transparency, while about 13 of 19 are working on increasing public participation. The Open Budget Survey and the PEFA are the two most commonly used assessment methodologies, and most felt that they give an accurate indication of actual transparency and do help promote transparency. He concluded that citizens are generally well-informed on the approved budget, past spending, and the purposes for new spending. However, they tend to be less informed on how actual spending compares with the approved budget or how performance compared with the planned targets.



Session 2. Good Practice in Fiscal Transparency

7. Session 2 allowed countries to share more in-depth experiences on how they are working to enhance fiscal transparency. **Ms. Kulkanya Lekhyananda** of **Thailand**, explained how recent changes to the legislative framework have contributed to fiscal transparency. The fiscal responsibility act (FRA) has provisions for public disclosure of key documents on the fiscal position of the government. Among others, this includes the Consolidated Public Financial Report and the Public Risk Report. To complement the FRA, the Budget Procedures Act specifies the production and disclosure of additional documents. In addition to reporting on the detailed expenditure, the government must report on SOE financial status, public debt, and extra-budgetary funds. A detailed budget process and reporting timeline/calendar is also spelled out. Thailand's OBI score on fiscal transparency increased significantly from 2015 to 2017, but there are additional improvements made for 2019 based on feedback received from IBP. In particular, they plan to publish a year-end report on expenditure and performance and to expand coverage of the citizens' guide. A few challenges Thailand has confronted include the following: different agencies are responsible for their own reports, and these are not consolidated (as required in OBS), and there is no legal timeframe to publish mid-year reviews.
8. **Mr. Harithas Sivaprakash**, National Budget Office, Ministry of Finance, **Malaysia**, gave an overview of his country's position in the OBI and explained some of the initiative they have been taking to improve their scores. The 2017 OBS score (46/100) is affected by the fact that only six out of eight of the OBS's key budget documents are published, but the NBO is looking at how this can be addressed despite certain legislative constraints. The MOF's goal is to produce a pre-budget statement for the 2021 Budget (by August 2020) and to produce and publish a mid-year report for the 2020 budget year. In doing so, they hope to raise the OBI score to 61 by 2021. Other initiatives underway in Malaysia include publishing a comprehensive financial report on State Owned Enterprises (SOEs), expanding and expediting implementation of accrual accounting, and implementation of the National Anti-Corruption Plan (2019-2023). Malaysia plans publication of two new reports, including one on "Fiscal Outlook and Federal Government Revenue Estimates" that would include fiscal risks and liabilities, plus information on the consolidated public sector. A fiscal responsibility act will be introduced to Parliament in 2021.



9. **Ms. Crispin Mahrion Abacan**, Department of the Budget and Management, **the Philippines**, explained how they are continuing to take steps to build upon their strong foundations on fiscal transparency. In 2017, the Philippines scored 67/100 in the OBI, well above the global average of 42, and the highest in Asia. A “Fiscal Openness Working Group” was created at the DBM among other reasons to draft a unified calendar for publication of key documents, to monitor fiscal openness measures, and to engage external entities. The DBM emphasizes that “access means not simply physical access to documents, but accessibility.” As a result, they are looking at using language and formats that “ordinary people” can understand. This has begun to affect how they approach the citizen’s budget, the technical notes on the budget, the budget priorities framework, and the 2-page “budget at a glance”. The DBM goes further by conducting readership surveys of key publications, asking about informativeness, readability, and understandability, for different target audiences. This public feedback is already being incorporated in the new publications. Going forward the Philippines aims to publish a citizen’s budget throughout the budget cycle and to increase their OBI score to 71 by 2021.
10. **Mr. Wahyu Utomo** from the **Indonesia** Directorate General of Budget shared their current practices and plans for enhancing fiscal transparency. Mr. Utomo prefaced his discussion by explaining some of the fiscal management challenges Indonesia faces, including fiscal rules and mandatory spending requirements that limit budget flexibility. Indonesia has assessed transparency using multiple approaches; it is one of the few countries that have benefited from the IMF’s 2014 Fiscal Transparency Code. The National Supreme Audit Institution conducted a review in 2018 using the Code. They applied the three pillars and 36 criteria in the Code to develop a scoring; in most of the criteria Indonesia scored either “good” or “advanced” on the four-level scoring system. Indonesia MOF has also taken advantage of the PEFA (in 2017) and the OBI assessment tools, as well. Indonesia scored 64/100 on the 2017 OBI, which put it second only to the Philippines. Indonesia’s scores on public participation were 22/100, which was above the global average of 12, but it has helped them identify options for improving engagement with civil society and individuals. Other fiscal transparency initiatives of MOF include an open data portal, citizen guide, and budget dissemination to external groups (“budget goes to campus”).



11. In addition to the member presentations, the B-CoP meeting took the opportunity to hear from three international experts. **Ms. Anjali Garg**, International Budget Partnership (**IBP**) began by sharing current experiences with the Open Budget Survey. As background, she explained how the OBS relies on 145 indicators based on international standards and is designed for focus on observable facts, assessed by independent budget experts. The 2019 OBS will cover 117 countries (up from 115). While transparency is the pillar most known to participants, the OBS now includes pillars on oversight and public participation. Currently 12 PEMNA member countries are covered by the OBS, with the Philippines, Indonesia, Korea, and Thailand being the top performers. She noted that 69% of documents are published in PEMNA countries, with the mid-year review and the pre-budget statement being the two least published. Even when documents are published, key details are often missing. While there was an unexpected dip in global OBI scores related to publication of documents, PEMNA countries actually increased in their rate of publication. Ms. Garg concluded by emphasizing that budget transparency is not about improving the OBI score, but about “creating the conditions for better informed public debate on budget policies.”

12. **Mr. Bernard Myers** from the World Bank shared how the PEFA assessment tool reflects fiscal transparency. Among the seven pillars that comprise the PEFA methodology, one is fully devoted to fiscal transparency. That pillar defines transparency as touching on the budget classification, the comprehensiveness of the government revenue and expenditure reports, as well as information on intergovernmental transfers and service delivery performance. PEFA uses a four-level scoring system to benchmark PFM performance and is often valuable for countries in tracking progress over time. Mr. Myers emphasized the transparency in PEFA is not confined to Pillar 2 and its six indicators; rather it is found across the pillars, in 17 out of the 31 total indicators in the tool. He highlighted three indicators in particular to show how transparency is reflected in ways that members may not have anticipated. Indicator 15, for example, focuses on publication of the fiscal strategy and whether it includes time-based quantitative fiscal goals. Indicator 24 considers whether key procurement information, such as bidding opportunities and contract award, is publicly available. Indicator 29 assesses the quality of annual financial reporting, noting that well-performing systems report on more than just revenue and expenditures, but also include long-term liabilities, guarantees, both financial and tangible assets.



13. **Professor Ian Ball**, formerly with the **New Zealand** Treasury and now with the Victoria University Wellington, shared extensively on New Zealand's approach to fiscal transparency. He noted from the outset the New Zealand launched its PFM reforms before there as any OBS, FTE, or PEFA. The system, he emphasized, was designed to produce better economic decisions. They believed that they needed a consistent basis to discuss information for the purpose of accountability. They also knew that the natural incentives in the annual budget system were not producing sound decisions – as the deadline for budget approval would approach, the scramble for resources would intensify and usually the solution was to spend more to fit in all the needs. Therefore, part of the reforms was to create budget policy statements that set fiscal parameters. Generally Accepted Accounting Practice (GAAP) became the basis for all documents in the New Zealand PFM system – both budgeting and reporting. By requiring balance sheets of assets and liabilities, as well as accrual-based operating statements of income and expenses, they realized they would need to recruit many, many more accountants into the public service and to equip government officials to make decisions based on accrual terms rather than cash. Mr. Ball believes that the system has shown results – New Zealand went from two decades of deficits to more than two decades of surpluses. New Zealand's "fiscal resilience" is measurably stronger than comparator countries, including Australia.



Session 3. Fiscal Risk Disclosure and Application of the IMF's Fiscal Transparency Code

14. In Session 3, **Mr. Holger van Eden** of the **IMF** presented highlights of Pillar III of the IMF's Fiscal Transparency Code. Pillar III has three sub-pillars focusing on (1) risk disclosure and analysis, (2) risk management, and (3) fiscal coordination. Within each sub-pillar are multiple dimensions, which outline the performance principle and have three benchmarks to measure performance – advanced, good, or basic. For example, the "budgetary contingencies" dimension of the "risk management" sub-pillar, says that to achieve "advanced" level of practice, the budget must not only show an allocation for contingencies, but must also have transparent criteria for accessing them and regular in-year reporting on utilization. After he concluded the

presentation, Mr. van Eden and Mr. Myers (World Bank) facilitated a self-assessment exercise, where participants were asked to rate their own country against the criteria within selected sub-pillars. Each table shared their self-assessment results and explained how they arrived at their interpretation of the criteria.



DAY 2: FISCAL TRANSPARENCY AND PUBLIC PARTICIPATION

15. The morning began with some reflections by members on the lessons from Day 1. The general takeaways were that fiscal transparency is not about the scores on international assessments, but about how government can effectively inform citizens so that they will be empowered and add value to the government's budget making process. Members noted that there are different tools to assess transparency and that ultimately citizens have a right to know about government performance. They agreed that fiscal transparency brings benefits to the government itself.

Session 4. Capacity Building for Fiscal Transparency

16. **Ms. Anjali Garg** of the IBP opened Day 2 (Session 4) by sharing experience how countries have built capacity for fiscal transparency. She noted that the first step to enhanced transparency is political will. In addition, governments can start by publishing the documents that are already available – and not just a summary of them. She noted that PFM reforms, such as MTEF and performance budgeting, can help contribute to transparency, for example by contributing to the pre-budget statement to Parliament. She emphasized that while countries can pass laws on fiscal transparency, they must also focus on whether the implementation is having an effect. Some successful countries will also go beyond what the law specifically requires. Ms. Garg explained that some countries have shown their seriousness by setting up dedicated units and by developing a dialogue with civil society to facilitate implementation. They may also identify technology champions within government who can help drive transparency. She

concluded by encouraging participants that governments can make big improvements in a limited period of time, though each country's trajectory may look a little different.

17. **Ms. San Thida** of **Myanmar** explained significant improvements made in her country to improve fiscal transparency. Myanmar has established six of the eight key budget documents by which the OBS measures transparency. They have produced Citizen Budgets since FY2015-16 and they also participate in the Extractives Industries Transparency Initiative (EITI). Ms. San Thida noted that Myanmar had started from a very low base on the OBS, only scoring a 2/100 in 2015 when they first started; it only improved to 7/100 in 2017. Myanmar has been making steady progress since then, but challenges remain. In the 2019 OBS they expect to receive credit for publishing six of the eight required documents. Five of the six documents should be credited as on-time, with only the citizen budget being late. However, the pre-budget statement and the mid-year budget execution reports remain a challenge to produce on time. Several subnational governments in Myanmar are producing their own citizen budgets, and public participation is increasing at all levels, including state, district, and township. Myanmar's Sustainable Development Plan (2018-2030) has been aligned with SDG 16.6 "develop effective, accountable and transparent institutions at all levels."
18. **Mr. Vithanom Keokhousy** of the Lao PDR Ministry of Finance, shared the fiscal transparency challenges that Laos PDR has faced and how the reforms are aimed to address them. In particular, Mr. Keokhousy described the results of the 2018 PEFA assessment, focusing on Pillar 2 on Transparency of Public Finances. Lao PDR's PFM performance overall was weak, with 27 out of 31 indicators being rated as a C or D under the PEFA's four-level scoring system. Fiscal transparency was no exception, with virtually all scores being either C or D. However, he was optimistic that this will change in the future because there are many PFM reforms underway, and targets have been set under the Public Finance Development Strategy 2025, starting with development of a comprehensive modern legal framework.
19. **Ms. Sayon Sous** of the **Cambodia** Ministry of Finance shared that country's experience with the OBS and what they are currently doing to improve fiscal transparency and build capacity. In the 2017 OBS Cambodia scored 20/100 on transparency, but this represented a gradual improvement since 2008 when the country's score was only 11/100. Cambodia has several initiatives underway to improve fiscal transparency: (a) public forum on macroeconomic and fiscal framework (before the budget cycle), (b) publishing more documents online, (c) a public forum on the budget law, (d) public consultations on various topics, such as health, education, security, and (e) capacity building to produce reports in a more timely manner with acceptable quality. Capacity building in turn faces challenges due to lack of an incentive policy for high-skilled staff (mentor/coaches), lack of data management skills, and availability of the learning platform.



Session 5. Effective Communication with Parliament

20. For session 5, **Mr. Bernard Myers** of the **World Bank** led participants in a group exercise on communication with Parliament. Half of the participants discussed at their tables how to discuss the introduction of a pre-budget statement with the Chair of the Parliamentary Budget Committee. Participants were asked to think about how to explain the advantages and potential risks of adding this stage prior to submission of the detailed annual budget. They were also asked to explain and justify the type of information that should be presented in the document and the scope of public sector activity to include. A second group of participants were asked to prepare a presentation to Parliament on the mid-year budget execution reports. Under this scenario, the participants are asked to explain how they will improve the clarity and timeliness of budget execution information shared with them. Participants needed to consider what information should be shared, how often, and in what formats so that it was accessible to Parliament. Group volunteers presented their recommendations to a panel of "Parliamentarians" who posed realistic questions to them. At the conclusion of the "role-play," the volunteer Parliamentarians and witnesses shared feedback with the group.

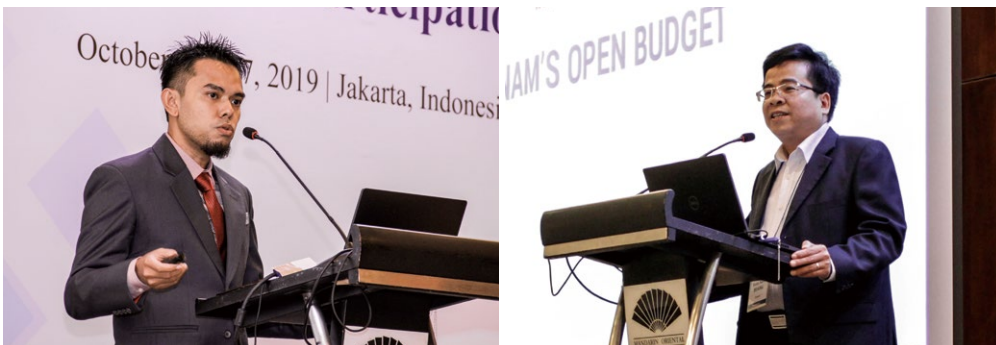


Session 6. Improving Public Participation and Public Awareness

21. Session 6 focused on opportunities to improve public participation and public awareness of fiscal matters. **Mr. Ervyn Kaffah** of the Indonesian civil society organization **FITRA** kicked off the session by explaining how they have collaborated with the Indonesian Ministry of Finance to enhance participation and awareness among citizens. He noted that Indonesia had increased its transparency score in the OBS from 59/100 in 2015 to 64/100 in 2017. On the other hand, public participation scores had actually fallen in the same period from 35/100 to 22/100, implying that people did not know how to use the data or what it is useful for. FITRA's ultimate goal is to enhance trust between the community and the government, by encouraging the community to be active and government to be responsive. Their organization strategy includes (a) capacity building and networking, (b) opening public discourse space on the budget, and (c) through critical engagement on the budget. FITRA members have contributed articles in the print media, as well as appearing on television to explain budgetary matters that may be of interest to the public. Their capacity building efforts have targeted journalists, political parties, university students and faculty, and district/village officials. They also supported MOF's establishment of a budget portal and supported line ministry officials as part of an independent review team.
22. **Mr. Myunghwan Kim** of the **Korea** Ministry of Economy and Finance shared their experiences with national participatory budgeting. An initiative called "My Budget" was first implemented in 2018 for the 2019 national budget. Under this program, the National Assembly has set aside a portion of funds that would be allocated to projects based on citizen participation and preferences. Proposals can be in all 12 areas of the National Fiscal Management Plan. Citizens can offer ideas for new projects as early as March of the budget year, they are screened by relevant ministries, discussed by citizen committees, prioritized based on people preferences, and then inserted into the draft budget of the relevant ministry. Mr. Kim gave additional details on how membership works in the citizen committees, how experts support the committee, and the role of digital platforms to support participation. In the 2019 budget there were a total of 38 projects, with a total value of \$81.7 million that came from the citizen proposals. Surveys show that citizens have a high degree of satisfaction with the program and want it to continue.



23. **Mr. Muhamad Syah Ab Raub** of **Malaysia's** Ministry of Finance explained Malaysian experiences to increase public participation and public awareness. In particular, he highlighted new initiatives that have been part of the 2020 budget preparation. This included broadcast of the Prime Minister's budget speech and debate in Parliament, as well as an online budget suggestion platform for the public to submit suggestions in the months leading up to the budget speech. Several reference materials are published to make fiscal information available to the public, including fiscal updates, fiscal quarter updates, and end-year financial statements. They have also conducted budget retreats and roadshows to engage the public.
24. **Mr. Xuan Nam Hoang** of **Vietnam** presented his country's experience with "Open Budget". Various circulars were issued since 2016 that provide the legal basis to encourage transparency at both central and local levels. Provisions include mandatory publication on ministry websites of approved documents, including summary reports on the execution of ministry level budgets. Local budgets and their execution reports are also required to be made public. Vietnam maintains an open budget portal that captures many of the central and local governments reports. Reports cover the level-1 budget plan units including ministries, as well as 63 provinces and cities. The portal continues to undergo enhancements, the latest of which are visualization and direct interaction reports.



25. **Ms. Anjali Garg (IBP)** wrapped up session 6 with a discussion around the international experiences to improve public participation and public awareness. Her main points were that transparency is a necessary but insufficient condition to increase accountability of public finances. She emphasized that "transparency needs to be accompanied by meaningful opportunities for the public to participate in the budget process." Public participation is one of the three pillars in the OBS, but participation scores are generally low, with no country receiving a score that IBP considers adequate. The average global score was just 12/100. Ms. Garg shared three innovative models for increasing participation: (1) public policy councils, (2) social audits, and (3) random ample. Ms. Garg then gave members an opportunity to discuss at their tables which one may be best suited for their country context and why.



26. To close out the day, the PEMNA Secretariat shared a preview of the new PEMNA website and **Dr. Kyongsun Heo** (Head of the PEMNA Secretariat) closed the meeting. The B-CoP Leadership Team met at the end of the day to review key takeaways from the meeting and to discuss plans for the February 2020 B-COP meeting scheduled to be hosted by Timor-Leste.



ANNEX 1: Members' Update on Fiscal Transparency Advancements Since the March 2019 B-CoP

Myanmar: Published a mid-year review and budget execution report (2018-19); 2019-2020 budget executive proposal; Annual Budget Law (2019), including recurrent financial data summary (updated); Conducted 2019 PEFA assessment with the WB (under peer-review)

Indonesia: Continues its work with FITRA; Published budget note for 2020; Participated in Open Data Day (Feb-March) and was one of the three winners; Updated the portals

Korea: Strengthened the budget linkages with local governments and public institutions; In process of building a relevance between performance indicators and budget management and will share the results with PEMNA

Malaysia: Last Friday, Malaysia presented the budget statement to the Parliament; Plans to implement accrual accounting by 2021

Thailand: Sent the draft of annual budget review to the Parliament; Published two reports: 1) year-end report, 2) use of extra-budgetary funds; Increased the comprehensiveness of the reports; Executive budget proposal which includes MTEF will be published soon

Vietnam: Focused on improving the e-portal, digital transformation; Preparing the budget for 2020 and the MTEF 2020-2022; Disclosure of citizens' budget, the law does not require us to disclose MTEF but is going to publish it

The Philippines: Expecting an increase in OBS score, by submitting mid-year report in timely manner; level of comprehensiveness remained high (e.g., Technical Notes); Institutionalize the reforms and schemes in fiscal transparency through the enactment of budget modernization act

Mongolia: Published 1) citizen budget book (since 2018) and 2) pre-budget book in comic and infographics, 3) quarterly budget execution report; 4) a new guideline for public investment, (incl. selection process, new mobile applications); progress of public investment projects is now available on the website.

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T. +82-44-414-2392 **W.** www.pemna.org

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