



**USAID**  
FROM THE AMERICAN PEOPLE

# Public Financial Management and Accountability

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February 6 & 7, 2024

**ASAPII**

ACCELERATING SUPPORT TO ADVANCED LOCAL PARTNERS II



**USAID**  
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# Session 1

Introduction & General Overview



**ASAP II**





# Welcome to the Public Financial Management and Accountability Virtual Training!

February 6 & 7, 2024

## HOUSE RULES

- 1 Raise Your Hand:** Use the virtual hand raise or chat feature to indicate that you'd like to speak or ask a question. Please note that there will be time for Q&A at the end of each session.
- 2 Mute Yourself:** Keep your microphone muted when you're not speaking to minimize background noise and disruptions.
- 3 Recording Notice:** Please note that sessions will be recorded for training and documentation purposes. By participating, you consent to being recorded.
- 4 Chat Availability:** The chat function is available for questions, comments, and interactions related to the session topics.
- 5 Camera On (optional):** Feel free to turn on your camera if you're comfortable; our facilitators will have their cameras on to create an engaging atmosphere.
- 6 Technical Issues:** If you encounter technical difficulties, reach out to your technical support team for assistance.



# Agenda

1 | Meet the Facilitators

2 | Background

3 | About the Training Course

4 | Training Schedule

5 | Introduction Activity

# About the Facilitators



## Katherine Grau-Zavaleta

(she/her/hers)

**Role:** Manager in Deloitte's Inclusive Economic Growth and Governance Practice

### RELEVANT EXPERIENCE

She holds a Master's in International Relations and Economics from SAIS Johns Hopkins with over 12 years of expertise in capacity development, performance management, monitoring and evaluation, financial management, and program design and implementation.

Her impactful leadership has driven projects for prestigious institutions like USAID, World Bank, the Inter-American Development Bank and more, enhancing service delivery and reform implementation.

With experience across 15+ countries, Katherine's adeptness in financial management reform, service optimization, and strategic design continues to shape her professional journey.



## Khala Smith

(she/her/hers)

**Role:** Senior Consultant in Deloitte's Human Capital Portfolio

### RELEVANT EXPERIENCE

She holds a Master's in Industrial Organizational Psychology from the University of Maryland, College Park and a Bachelor's in Family Studies & Community Development, specializing in organizational design, strategic communications, learning, and change management.

Leveraging her extensive financial management skills from her 5-year tenure as a senior financial analyst prior to Deloitte, and an 8-year background in the wellness, non-profit, and public health fields, she brings a holistic approach to her work at Deloitte's Organizational Strategy, Design, and Transformation Offering.

# About Accelerating Support to Advance Local Partners (ASAP)

Initiated in 2019 and extended into 2024 under ASAP-II.

## ASAP (April 2019–May 2022)



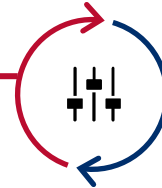
### Purpose

Rapidly prepare local organizations and governments (Local Partners) to serve as prime partners for USAID's U.S. President's Emergency Plan for AIDS Relief (PEPFAR) programming in African countries.



### Strategic Objectives

- Strengthen Local Partners as they transition to receive PEPFAR funding as a USAID Prime Partner to comply with regulations.
- Prepare Local Partners to directly manage, implement, and monitor PEPFAR programs, and maintain consistent PEPFAR program achievement and quality.



## ASAP II (June 2022 – Present)



### Goal

Provide customized risk and capacity development support to local organizations and government entities to prepare them to manage and implement USAID/PEPFAR programs as prime partners.



### Strengthening Key Areas

- Audit readiness & internal controls
- Whistleblower & anti-fraud procedures
- Human resources & staff retainment
- Board leadership & governance
- Monitoring & evaluation (M&E) systems
- Information technology (IT) systems

Through the technical assistance provided to local organizations, the project helps USAID achieve its goal of providing 70% of its PEPFAR funding to local prime partners by 2025.

# PEPFAR's Impact



## TRANSFORMING GLOBAL HIV/AIDS RESPONSE

- Working with partners in more than **50 countries**, PEPFAR has saved over **25 million lives** and prevented millions of HIV infections.
- Contrastingly, only 50,000 individuals in sub-Saharan Africa were receiving treatment when PEPFAR initiated its efforts.



## SUPPORT TO ACHIEVE EPIDEMIC CONTROL

- As of September 30, 2022, PEPFAR has supported **20 countries** to achieve epidemic control of HIV or to reach UNAIDS' 90-90-90 HIV treatment, advancing global progress toward achieving the UN Sustainable Development Goal of ending the AIDS epidemic as a public health threat by 2030.

**25 Million**  
Lives saved through PEPFAR

**5.5 Million**  
Babies born HIV-free

**64.7 Million**  
People received HIV testing services

**2.9 Million**  
Adolescent girls and young women reached with comprehensive HIV prevention services

**7.0 Million**  
Orphans, vulnerable children, and their caregivers were provided with critical care and support

**20.1 Million**  
Women, men, and children on lifesaving antiretroviral treatment

**20.8 Million**  
ART clients completed tuberculosis TB preventative therapy

**30 Million**  
Voluntary medical male circumcisions performed to prevent HIV infections in men and boys

**1.5 Million**  
Clients newly enrolled on PrEP to prevent HIV infection

**340 Thousand**  
New healthcare workers trained

# Bridging ASAP & PEPFAR



## **OBJECTIVE 1**

**Strengthen local partners as they transition to receive PEPFAR funding as USAID prime partners to comply with regulations**

### **Technical Assistance for O1**

- Strengthen Financial Management System and Compliance
- Strengthen Organization Capacity
- Prepare local partners to directly manage, implement and monitor PEPFAR programs and maintain consistent PEPFAR program achievement and quality



## **OBJECTIVE 2**

**Prepare local partners to directly manage, implement, and monitor PEPFAR programs**

### **Technical Assistance for O2**

- Strengthen program management and monitoring and evaluation systems
- HIV/AIDS strategic information for performance management
- Developing indicators: Target vs. Result



***ASAP II expands on this technical approach with Continuous Education and Knowledge Sharing.***



# About the Training Course



**Purpose:** To strengthen participants' knowledge on the fundamentals and building blocks of a public financial management (PFM) system, and the importance for promoting effective management of public resources, good governance, and accountable delivery of public services.



**Goal:** To equip participants with foundational skills needed to build effective and accountable PFM systems, with a focus on how the COVID-19 pandemic has brought about challenges and opportunities to transform PFM systems in the health sector, and beyond.



## **Objectives:**

- Improve understanding of PFM principles, including the objectives of fiscal policy (revenue and expenditure) and the budget as a strategic policy tool.
- Strengthen the linkages between PFM and accountability and their importance in effective management of public resources and accountable delivery of public services.
- Identify the challenges that the COVID-19 pandemic brought about and recognize the opportunities to transform PFM systems, with a focus on health.
- Promote PFM system transformation and reform in the countries where USAID supports.

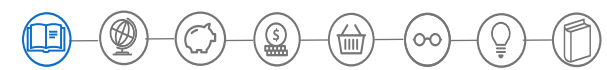


**Duration:** 6-hour e-learning, virtual training over 2 days, 3 hours each day.



## **Materials:**

- PPTs will be distributed to participants for each session of the training.
- Utilized resources and references will be made available to participants on relevant topics to deepen understanding of topics presented during the course.



# Training Schedule

Topic	Time (CAT)	Duration
<b>DAY 1 – February 6, 2024</b>		
<b>Session 1:</b> Introduction and General Overview	9:00 – 9:30am	30 min
<b>Session 2:</b> Overview of PFM and Fiscal Policy	9:30 – 10:00am	30 min
<b>Session 3:</b> Efficient Domestic Resource Mobilization	10:00 – 10:30am	30 min
<b>Break</b>	10:30 – 10:40am	10 min
<b>Session 4:</b> The Budget as a Strategic Policy Tool	10:40 – 11:40am	60 min
<b>DAY 2 – February 7, 2024</b>		
<b>Session 5:</b> Providing Goods and Services through Budget Execution	9:00 – 9:30am	30 min
<b>Session 6:</b> Audit, Fiscal Transparency, and Accountability	9:30 – 10:30am	60 min
<b>Break</b>	10:30 – 10:40am	10 min
<b>Session 7:</b> PFM Modernization and Reform Efforts	10:40 – 11:40am	60 min
<b>Session 8:</b> Course Closure – Wrap-up, Questions, Next Steps	11:40am – 12:00pm	20 min

# World Map Activity

## *Where Are You From?*

We have an interactive map that will help us learn where everyone is joining from!

### INSTRUCTIONS:

#### 1. Annotating Your Location:

- a) Look for the toolbar at the top of your Zoom screen.
- b) Locate the "View Options" dropdown menu within the toolbar.
- c) From the dropdown menu, select "Annotate."
- d) A new toolbar will appear with various annotation tools

#### 2. Using the Pen Tool: Click on the pen or marker tool in the annotation toolbar. (Usually represented by an icon resembling a pen or highlighter.)

#### 3. Marking Your Location:

- a) Click on the country you are joining from on the displayed world map. The pen tool will leave a mark where you click.
- b) Feel free to use different colors!

#### 4. Sharing Your Annotated Map: After you've marked your location, facilitators will take a screenshot of the map to create a visual representation of our participation.

### ADDITIONAL POLL QUESTIONS:

1. Where do you work?
2. How familiar are you with public financial management?



# Concluding Remarks



## ASAP-II's Work with USAID

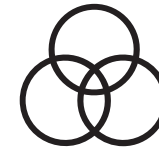
ASAP-II is helping USAID achieve its goal of providing **70%** of its PEPFAR **funding to local prime partners** by 2025 through the **technical assistance** provided to local organizations.



## PEPFAR's Global Impact

PEPFAR works with **partners in more than 50 countries** and has already **saved over 25 million lives** and prevented millions of HIV infections.

PEPFAR is committed to **ending the HIV pandemic** as a public health threat by 2030.



## Connection to PFM & Accountability Training

Governments and organizations with strong PFM capacity are **better equipped to manage PEPRAR funding**. This training equips participants with the **foundational skills** required to build effective and accountable PFM systems focused on service delivery in the health sector and beyond.



# Q&A Session

This is your time to ask any questions, seek clarifications, and share your thoughts. Feel free to ask anything!





# References

1. [U.S. Government Global HIV/AIDS Activities | HIV.gov](#)
2. [PEPFAR Five-year Strategy 2022 - United States Department of State](#)
3. [What is PREPFAR? | HIV.gov](#)
4. [Allen, R., R. Hemming, and B.H. Potter \(eds.\), 2013, The International Handbook of Public Financial Management, Palgrave Macmillan](#)
5. [Building local partner capacity across Africa – Intrahealth](#)



# End of Session 1

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# Session 2

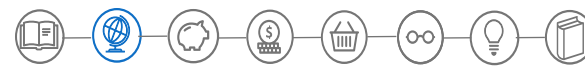
Overview of PFM & Fiscal Policy



**ASAP II**







# Agenda

1 | What is Fiscal Policy?

2 | What is PFM?

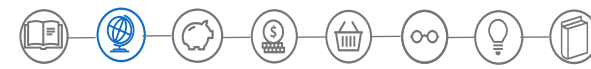
3 | Linkages between PFM and Fiscal Policy

4 | PFM Resources



## Session Objectives

- ✓ To gain insights into fiscal policy and its significance
- ✓ To acquire knowledge about the key elements of PFM and an understanding of why PFM is important
- ✓ To articulate the link between fiscal policy and PFM
- ✓ To identify and access relevant PFM resources for enhanced learning



# What is Fiscal Policy?

Fiscal policy is the use of government spending and revenue to influence the economy. Governments typically use fiscal policy to **promote strong and sustainable growth and reduce poverty** (International Monetary Fund).

## REVENUE (TAX) POLICY

01

What is it?

- *How societies carry out taxation.*
- *For example, funds collected from taxes on income and profits.*

02

Why is it important?

- *A national tax system generates revenues to pay for government expenditures at all levels of government and deliver public services.*

03

Types of Taxes

- *Direct taxes: income and wealth (income, real estate, capital gains, etc.)*
- *Indirect taxes: consumption (customs, sales, excises, etc.)*

## EXPENDITURE POLICY

01

What is it?

- *How governments decide what/level of public sector outputs, and the most efficient way of producing and delivering them.*

02

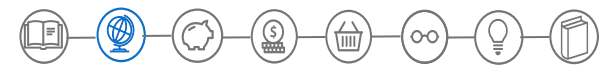
Why is it important?

- *Used for delivering public services, consumer goods, investment, and redistribution of income.*
- *Governments can speed up economic growth (i.e., increasing demand for productive public goods).*

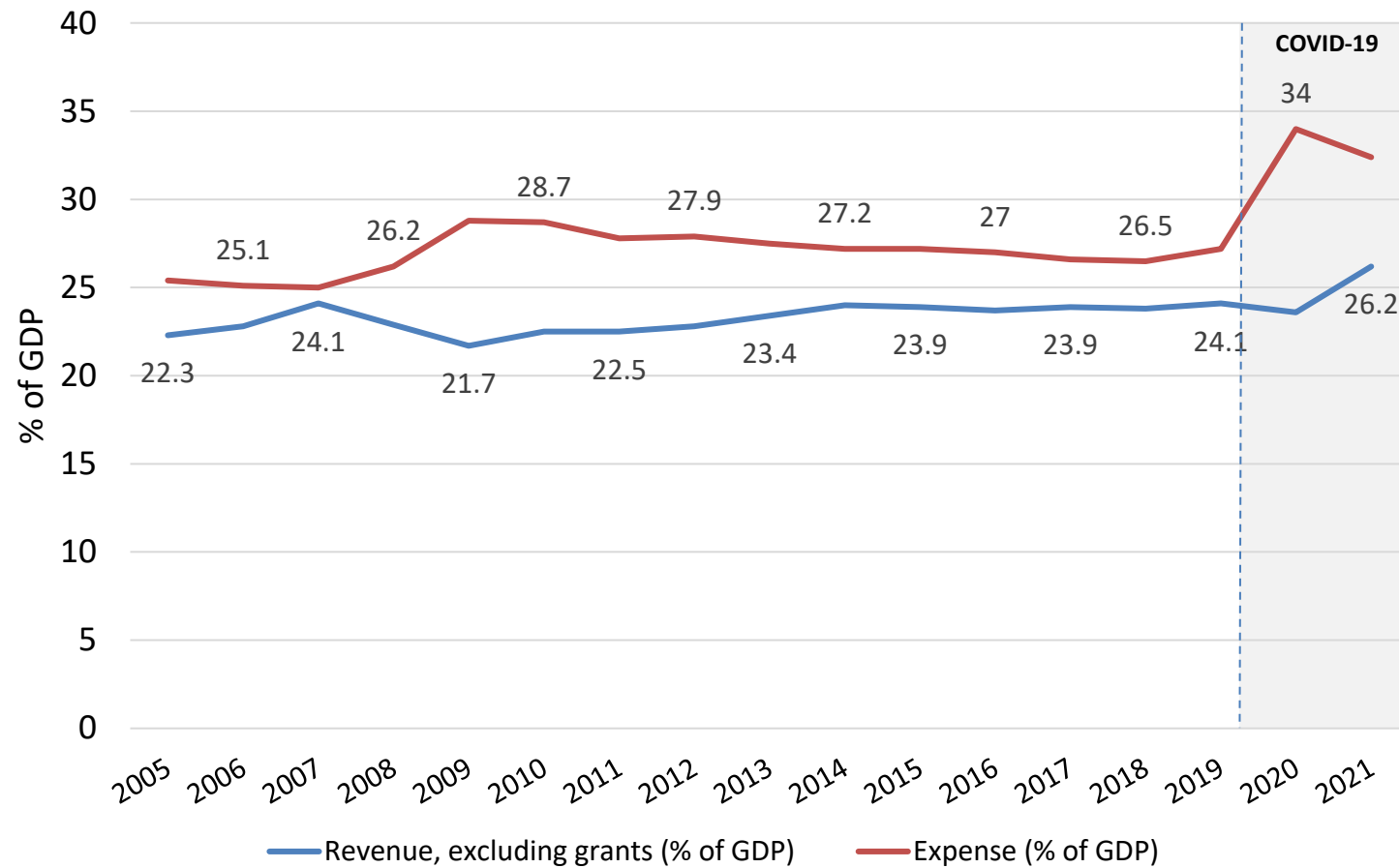
03

Types of Expenditure Items

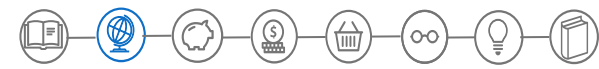
- *Different classifications, whether recurrent or capital, economic classification (salaries, goods and services, transfers and interest payments, capital spending), or functional, and/or administrative.*



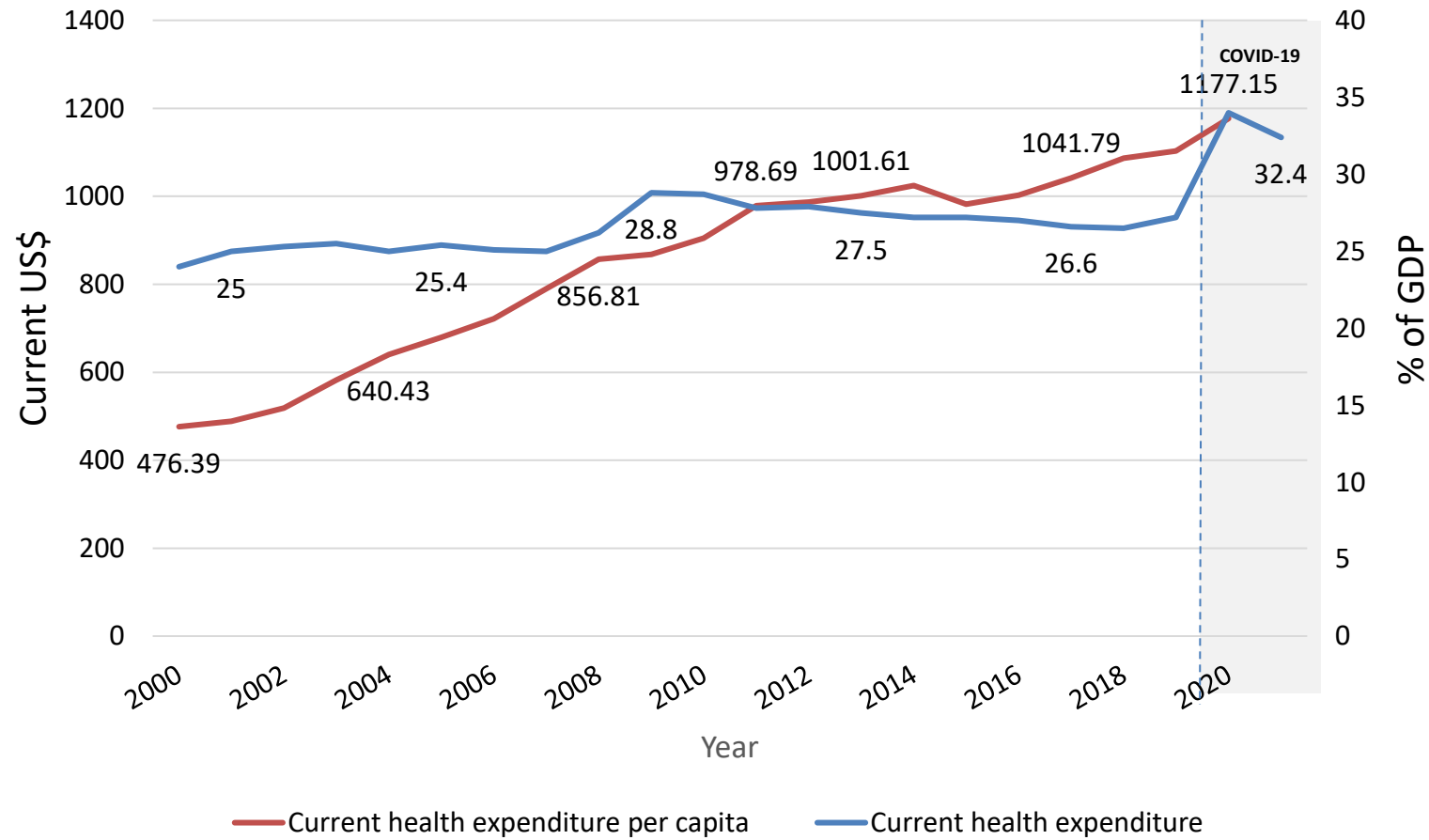
# Global Revenue & Expenditure



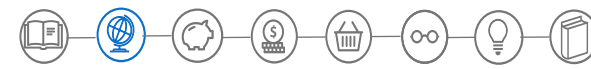
Source: World Bank Databank



# Health Expenditure



Source: World Bank Databank



# Word Cloud Activity: Exploring Public Financial Management

Before we dive into the world of Public Financial Management (PFM) together, we want to hear your thoughts and impressions.

## INSTRUCTIONS:

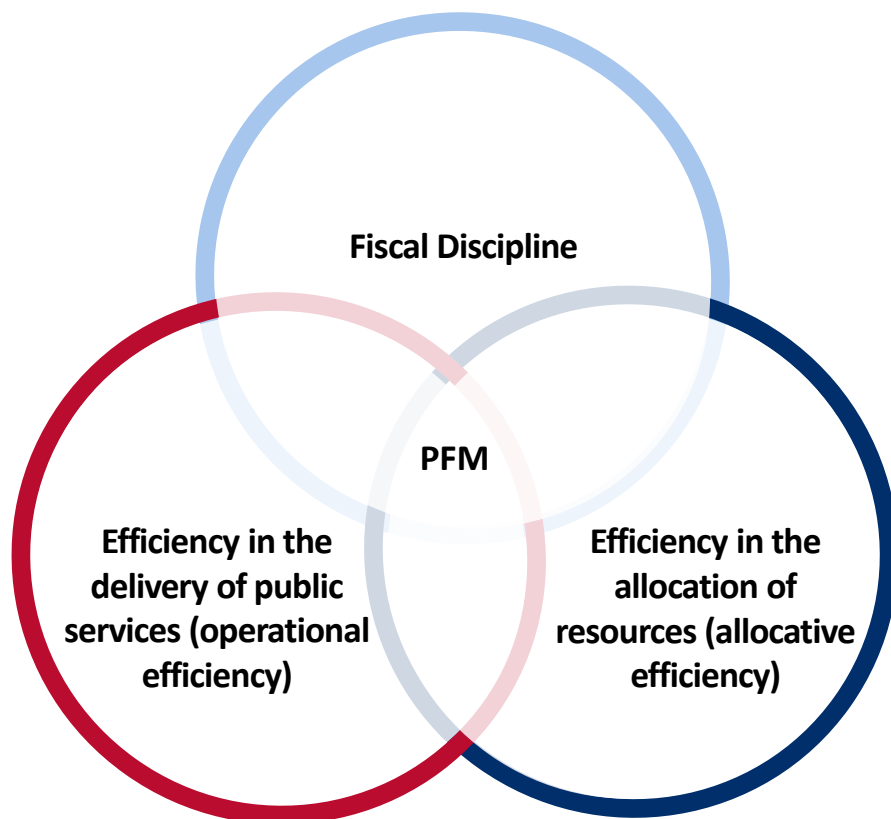
- 1. Accessing the Word Cloud:** Facilitators will share their screen to display the word cloud platform.
- 2. Adding Your Word:** Think of a word or short phrase that comes to mind when you think of *Public Financial Management*.
- 3. Submitting Your Contribution:**
  - a) Type your word or phrase into the text boxes provided.
  - b) Click the "Submit" button to add your contribution to the word cloud.
- 4. Watching the Cloud Grow:** As participants submit their words, you'll see the word cloud evolve in real-time. The size of each word reflects its popularity among participants.
- 5. Reflecting on Our Collective Insights:** Our word cloud will give us a snapshot of the key concepts and perceptions surrounding PFM. It's a fun way to see how our thoughts align and differ!



# What is PFM?

PFM encompasses the mobilization of revenue, allocation to and spending of resources by government ministries, departments and agencies (MDAs), and accounting for and reporting on revenues and expenditures – it is a system that includes **all the components of a country's budget process**.

## PFM Primary Objectives



### FISCAL DISCIPLINE

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- Ability to **control budget totals** by setting ceilings on expenditures that are binding at both the aggregate level and for individual MDAs.

### ALLOCATIVE EFFICIENCY

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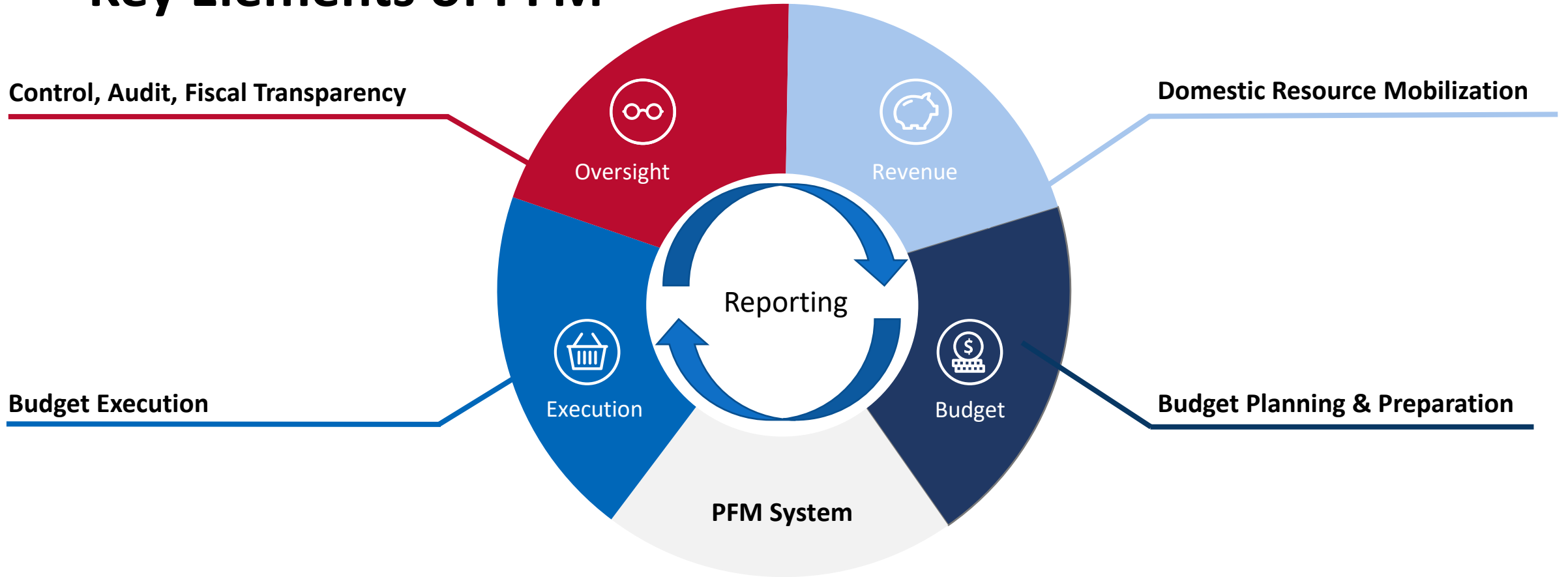
- Ability of the government to **allocate resources through the budget** in accordance with government priorities and should be based on program fiscal and operational efficiency.

### OPERATIONAL EFFICIENCY

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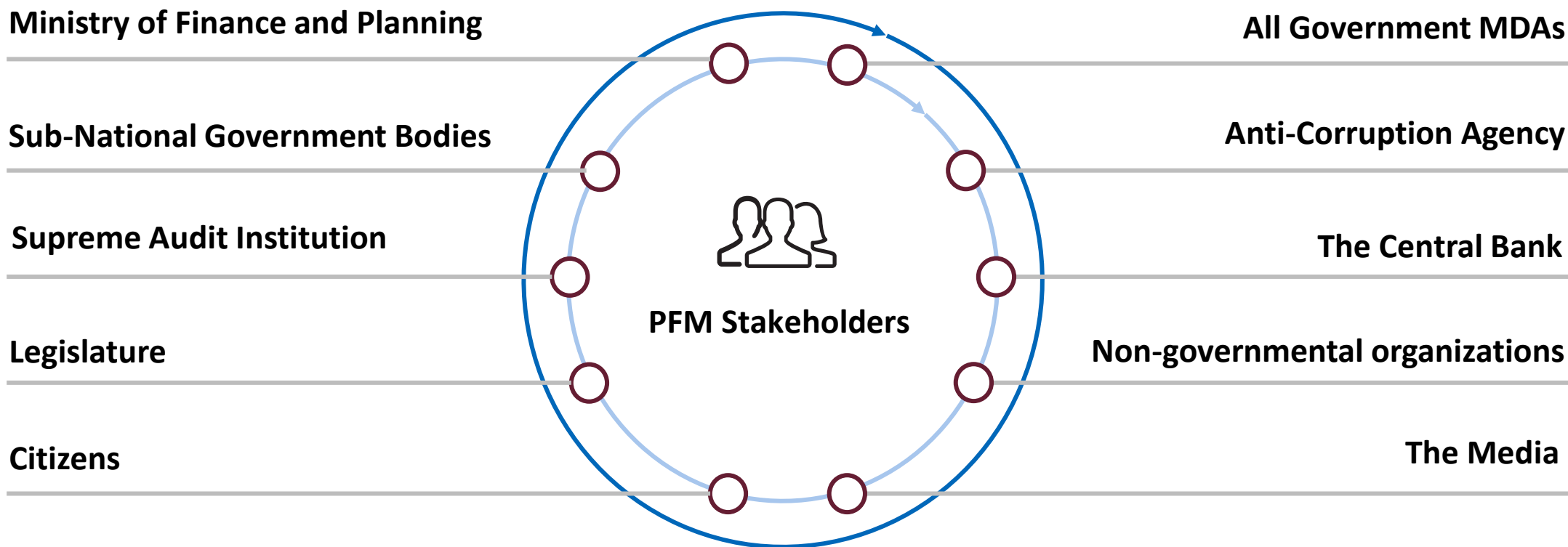
- Ability of the government to **implement programs at the lowest cost** (e.g., minimizing costs per unit of output) while maintaining desired service quality levels.

# Key Elements of PFM





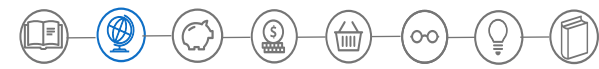
# Main Stakeholders in PFM



*Stakeholders are important for effective PFM operations in any country. Government institutions and actors have specific roles in establishing and implementing effective PFM, yet their interactions are always intertwined.*

*\*List not exhaustive*

# Characteristics of a Sound PFM System



## External Scrutiny and Audit

*Are there effective mechanisms for the rigorous scrutiny of public finances and follow-up of audit findings* by the legislature and executive branch?

## Accounting, Recording, and Reporting

*Are adequate records and information produced, maintained, and disseminated to the necessary government bodies and the public* for decision-making, control, management, accountability, transparency, and reporting purposes?

## Budget Credibility

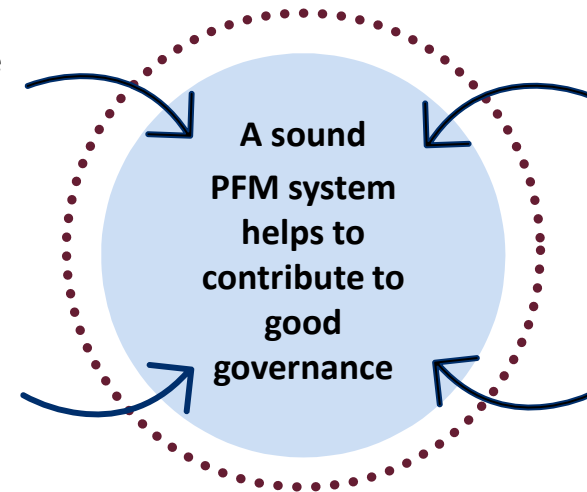
*Is the budget realistic, and is it implemented as intended?* The starting point for budget credibility is a realistic assessment of the resource envelope in a medium-term macro-fiscal framework.

## Comprehensiveness and Transparency

*Are the budget and fiscal risk oversight comprehensive, and is fiscal and budget information accessible to the public?* If the budget is not comprehensive, it will lead to poor allocation of scarce resources because not all expenditures are included.

## Policy-based Budgeting

*Is the budget prepared with due regard to government policies and priorities?* The link between government policy and the actual allocation of funds in the budget must be established.

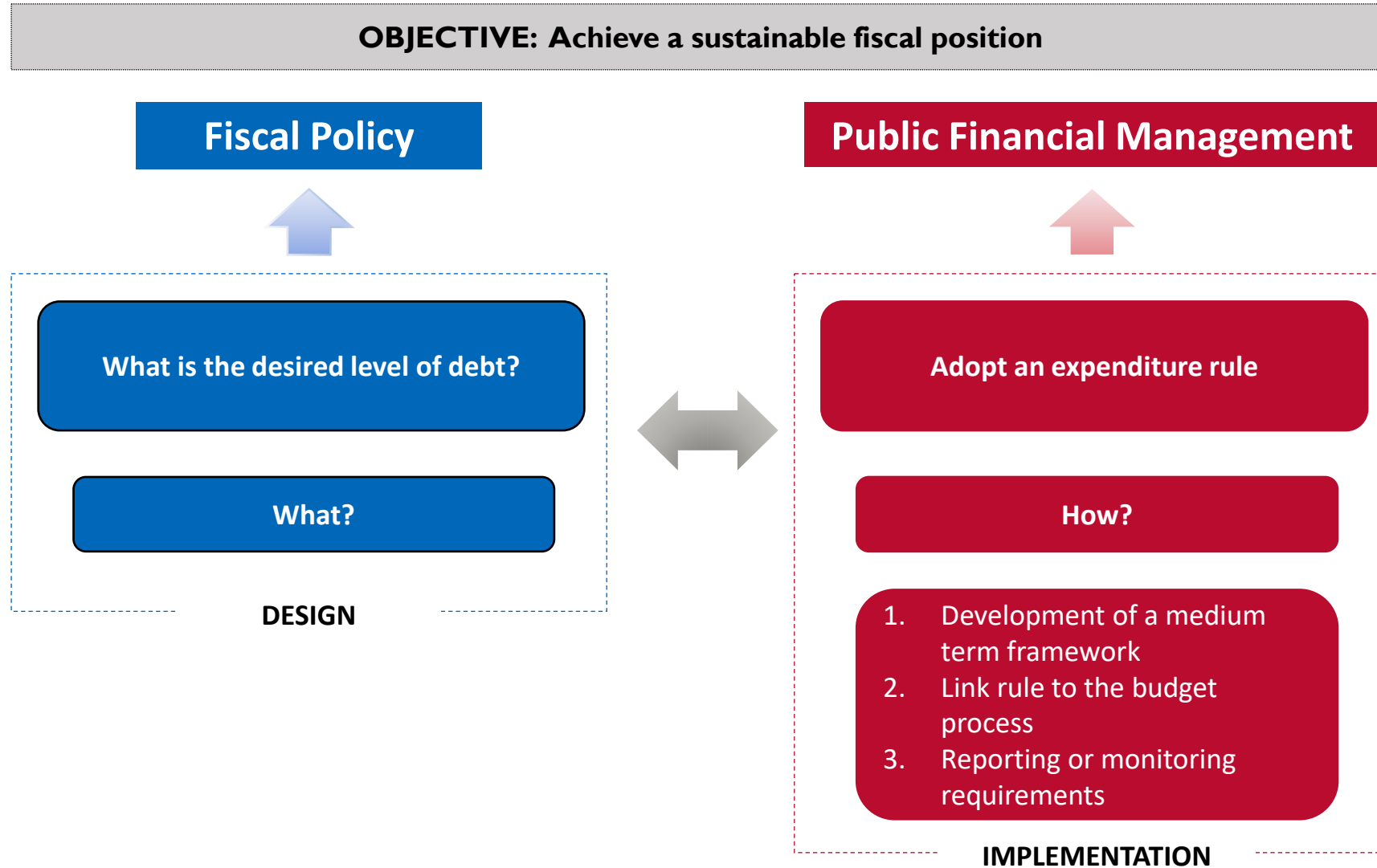


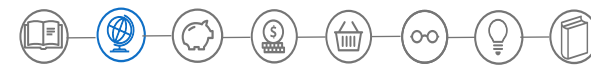
## Predictability and Control in Budget Execution

*Is the budget implemented in a predictable manner and are effective control and stewardship exercised in the collection and use of public funds?* Budget predictability is a central consideration in donors' and the private sector's investment decisions. A medium-term approach to budgeting is critical so the effects of the current year budget can be properly reflected in the subsequent years.

# PFM & Fiscal Policy in Action

PFM systems interact with fiscal policy to **promote sustainability, fiscal space, and accountability.**





# PFM Resources

- [USAID Public Financial Management Primer, 2018](#) provides an introductory but comprehensive guide to basic PFM concepts and components.
- [The International Consortium on Government Financial Management \(ICGFM\)](#) is a non-profit professional association that provides training and a platform for research, learning, and collaboration in the field of PFM.
- [Government Finance Statistics Manual \(GFSM\)](#), 2014, the international standard for compiling and disseminating government finance statistics, including for publication in the IMF GFS Yearbook.
- [Public Investment Management Assessment \(PIMA\)](#) instrument, IMF tool which evaluates 15 institutions that shape decision-making at the three key stages of the public investment cycle: planning sustainable investment across the public sector; allocating investment to the right sectors and projects; and implementing projects on time and on budget.
- [Public Expenditure and Financial Accountability \(PEFA\)](#) (jointly with other partners), a tool that helps governments assess public financial management (PFM) practices.
- [Tax Administration Diagnostic Assessment Tool \(TADAT\)](#) (jointly with other partners), which is designed to provide an objective assessment of the health of key components of a country's system of tax administration.
- [Public Financial Management Risk Assessment Framework \(PFMRAF\)](#), Part of USAID's ADS Chapter 220, designed to assess not only the PFM environment of the partner country government but also governance and public accountability factors, including legal and regulatory matters, political will for non-corruption, transparent, accountable and effective governance.
- International Budget Partnership's [Guide to Transparency in Government Budget Reports](#) (Open Budget Survey)
- [G20 Anti-corruption Open Data Principles \(2014\)](#) which form the foundation for access to, release, and use of open government data to strengthen the fight against corruption. The Principles recognize that open data provides a platform to help expand social participation and enhance co-responsibility in areas such as public procurement, political financing standards, and fiscal and budget transparency.
- [G20 Guiding Principles on Integrity in Public Procurement \(2015\)](#) which note that public procurement represents a large share of G20 countries' economies - 13% of GDP on average – and that financial management controls and other safeguards are necessary to ensure integrity and value-for-money.
- [Governance for Development | World Bank Blogs](#), part of the World Bank Blogs site which provides articles and thought pieces on a variety of PFM topics including institution building, anti-corruption, procurement, eGovernment, taxation, and fiscal policy.
- [IMF PFM BLOG](#), founded in 2008 to create a platform for sharing expertise and experience on PFM and related topics and highlight new research and trends in the PFM field.

# Key Takeaways from Public Expenditure and Financial Accountability (PEFA) Assessment

The 2022 PEFA Global Report on PFM, drawing from 2 decades of over 675 PEFA assessments in 154 countries at national and subnational levels and the experiences from the COVID-19 Pandemic, finds:



Most governments perform **consistently well** at accounting for revenue, maintaining internal controls, and limiting expenditure from contingency reserves—strong performance on these aspects of PFM is standard.



Governments **struggle most** at maintaining a basic level of performance in evaluating public service delivery performance, monitoring holdings in nonfinancial assets, and ensuring the consistency of budgets with previous years' estimates.



Of the seven PEFA pillars of PFM performance, countries **perform best** at “Policy-Based Fiscal Strategy and Budgeting” and **weakest** on “External Scrutiny and Audit” and “Management of Assets and Liabilities.” Most countries have significant opportunities to improve public investment and asset management.



Countries **struggle** in accounting and preparing financial reports. As many as 64 countries (80%) do not submit financial reports for external audit within three months of the end of the fiscal year.



There are **widespread weaknesses** in capital budget investments—63 countries (80%) do not include projections of the total life-cycle cost for major investments or a year-by-year breakdown of costs in their budget documents.



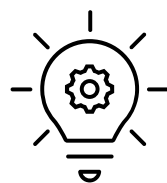
There is **prevalent use** of non-competitive procurement methods, which has implications for the quality and efficiency of government expenditure. 50 countries (63%) awarded contracts (valuing more than 40% of the total value of contracts) through non-competitive procurement methods.

# Concluding Remarks



## Importance of Fiscal Policy

Fiscal policy remains **essential for sound financial management**, ensuring economic stability and fostering recovery.



## Essential PFM Insights

PFM's **core objectives** of fiscal discipline, efficient resource allocation, and effective service delivery are **essential for good governance**.

A strong PFM system involves **close collaboration** among various stakeholders to ensure **effective** financial operations.



## Unlocking the Power of PFM Resources

Now more than ever, promoting strong PFM systems is essential for **informed decision-making** and effective financial management.

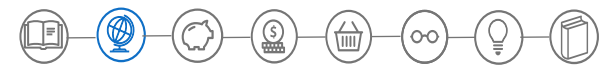
And numerous organizations provide **valuable research** and **expertise** on PFM topics to support those efforts, making these resources readily accessible to the **public**.



# Q&A Session

This is your time to ask any questions, seek clarifications, and share your thoughts. Feel free to ask anything!

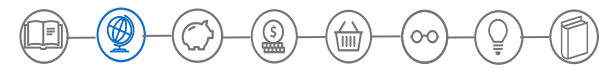




# References

1. [Allen, R., R. Hemming, and B.H. Potter \(eds.\), 2013, The International Handbook of Public Financial Management, Palgrave Macmillan](#)
2. [Public Financial Management Primer, 2013-2018 | Leadership in Public Financial Management](#)
3. [PEFA's Global Report on Public Financial Management \(2022\)](#)
4. [IMF Fiscal Policy: Taking and Giving Away](#)





# End of Session 2





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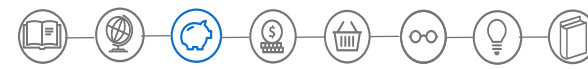
# Session 3

Efficient Domestic  
Resource Mobilization



**ASAP II**





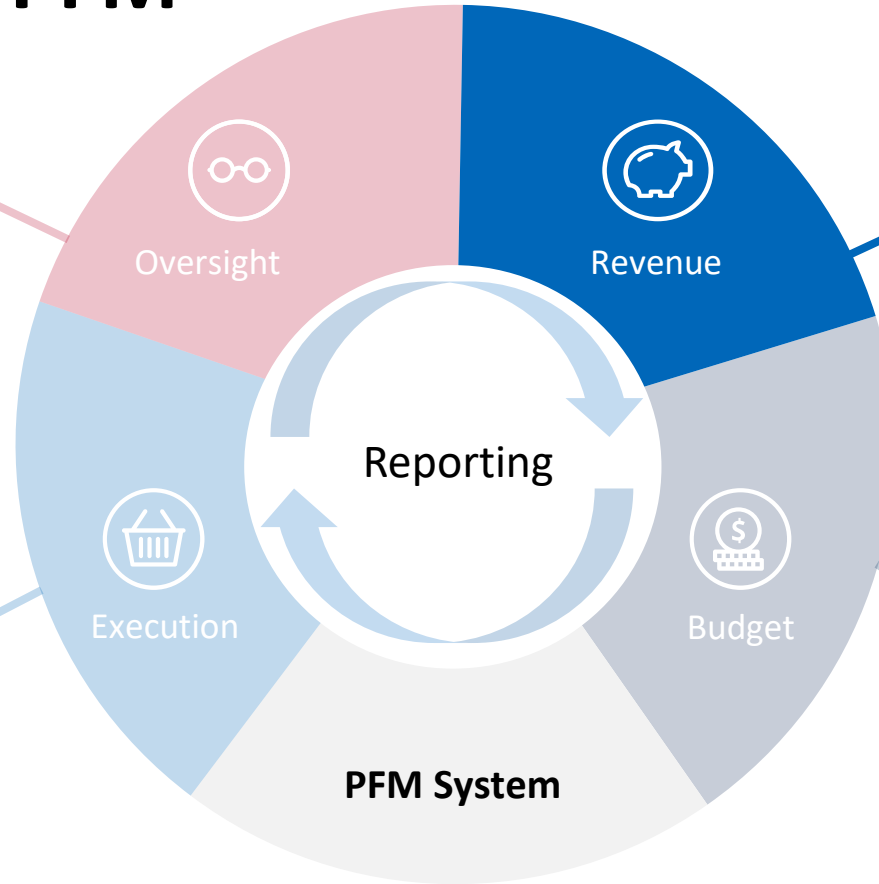
# Agenda

- 1 | What is DRM?
- 2 | Tax and Non-Tax Revenue
- 3 | Characteristics of Sound Revenue Systems
- 4 | What is the Tax Administration?

- 5 | COVID's Impact on DRM

# Key Elements of PFM

## Control, Audit, Fiscal Transparency



Oversight

Revenue

Execution

Budget

PFM System

Reporting

## Domestic Resource Mobilization

- Modern and simple tax codes and laws empower tax authorities to improve collection practices
- Fiscal decentralization enables sub-national governments to diversify sources of income
- Efficient and effective DRM practices allow governments to fund poverty reduction and public services.

## Budget Execution

## Budget Planning & Preparation



Laws, Policies, Regulations



PFM Reform



# Session Objectives

- ✓ To understand what Domestic Resource Mobilization (DRM) is and why it's important
- ✓ To understand the different ways in which governments generate revenue
- ✓ To analyze the effects of COVID-19 on DRM

# What is Domestic Resource Mobilization?

+ DRM provides governments with **the funds they need to reduce poverty and deliver public services**. For USAID, enhancing DRM is a critical step out of aid dependence.

Domestic Resource Mobilization (DRM) is the **process through which countries raise and spend their own funds to provide for their people.**

+ DRM refers to the generation of revenue from **tax** (income, real estate, sales, and VAT) and **non-tax** (user fees, permits/licensing, other income) **domestic resources** that create fiscal space (budget room) for sustainable budget expenditure that supports service delivery, promotes ownership, and reduces the reliance on external assistance

+ The optimal level of DRM depends to a considerable extent on **how much governments spend** and the economic, social and political context.

+ DRM **does not necessarily mean new taxes or higher tax rates**. Governments often see their revenues rise through other means like enforcing tax laws and rules, improving audits or simplifying tax filing processes.

# Tax & Non-Tax Revenue Defined

## Tax Revenue

Tax revenue is charged on income earned by an individual or an entity (direct tax) and on the value of transaction of goods and services (indirect tax)

*Examples: Taxes levied for income, real estate, sales, VAT, corporate, payroll and property*

## Non-Tax Revenue

Non-tax revenue is charged against services provided by the government

*Examples: User fees, fines/penalties, royalties.*



It is important to note that DRM includes more than just taxation; broadly defined it is **any source of revenue available to fund government actions**, including *fees on natural resource extraction, rent, tariffs, and other levies on the trade of goods*. It can also include *developing deeper local capital markets* that would allow for lower lending rates and greater access to local currency-denominated bonds.

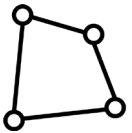
# Characteristics of Strong Revenue Systems



**Generate sufficient revenue** for the government



**Be simple** and easily understood by taxpayers so as to impose minimal compliance costs on payers and minimal administration cost to the government



**Introduce limited distortions** to the economy



**Be stable**, generating consistent and predictable levels of revenue for the government, with rules that provide sufficient certainty to payers

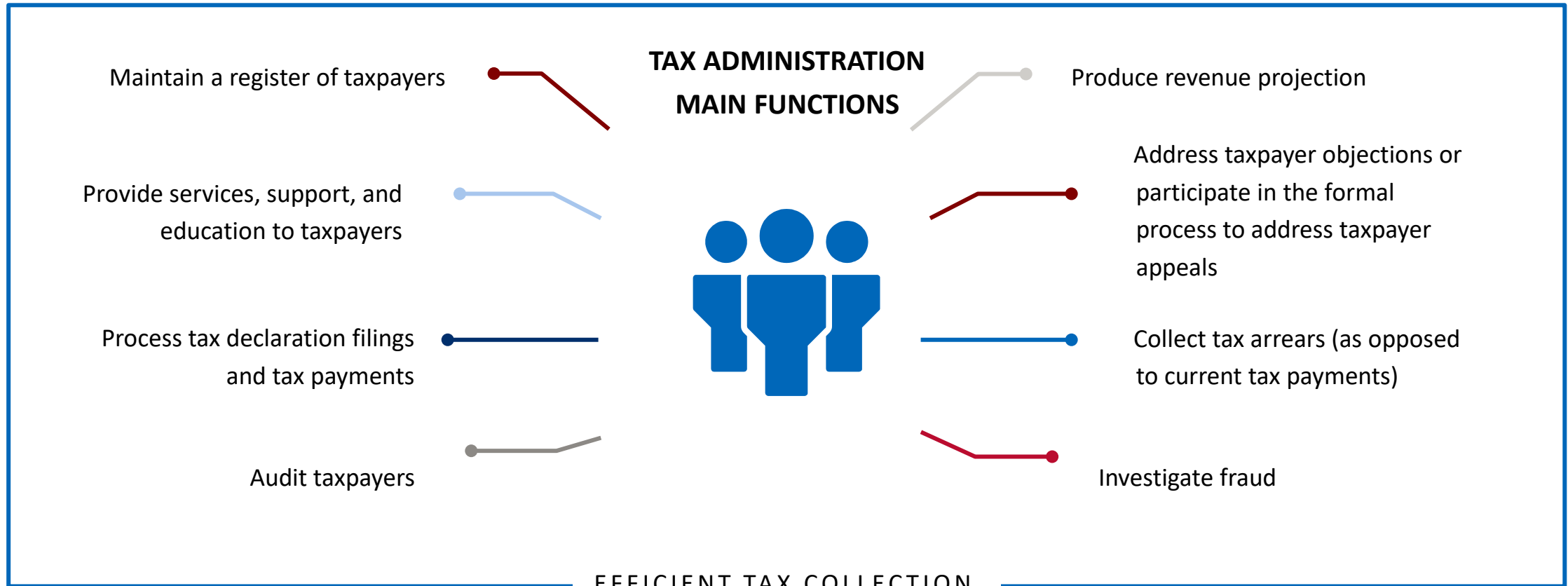


**Be equitable**, distributing burdens fairly amongst payers, as payers are most likely to comply with a system they perceive as fair



# What is the Tax Administration?

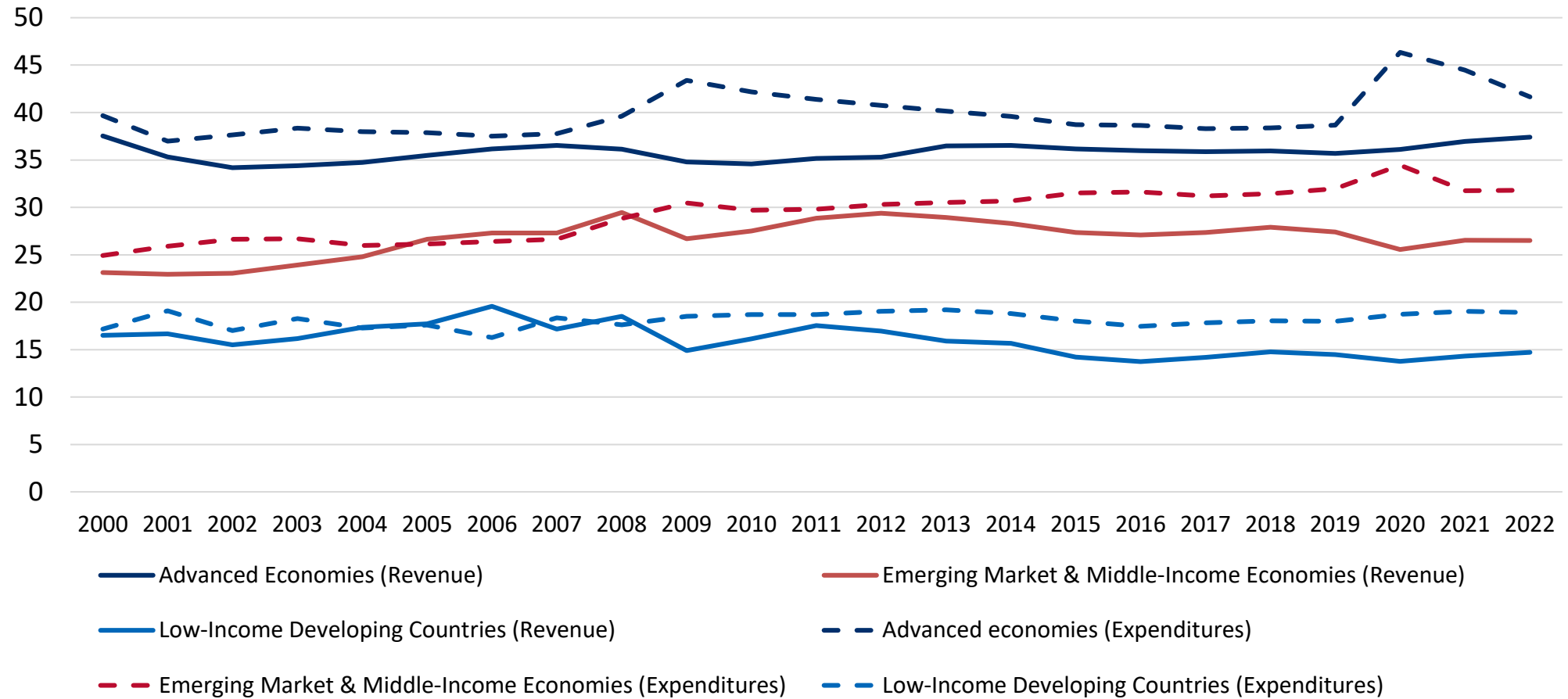
The Tax Administration is the division of the government tasked with *collecting taxes*. Often, the tax administration department is a *part of the Ministry of Finance* or a *Ministry of Revenue*, but sometimes it is an independent MDA.






# DRM During COVID-19

# Countries spent more than they generated

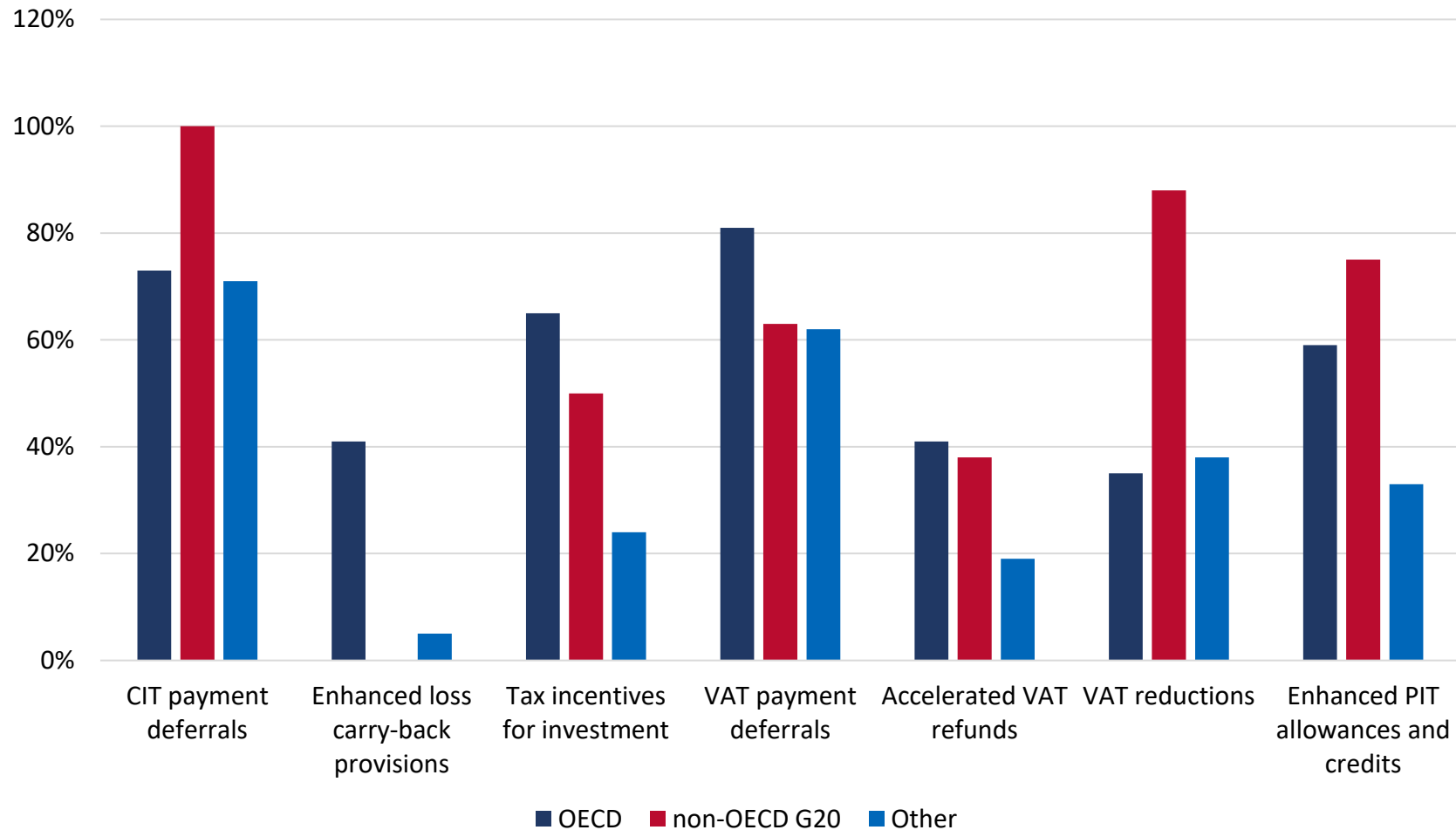
Revenue vs. Expenditures (% of GDP)



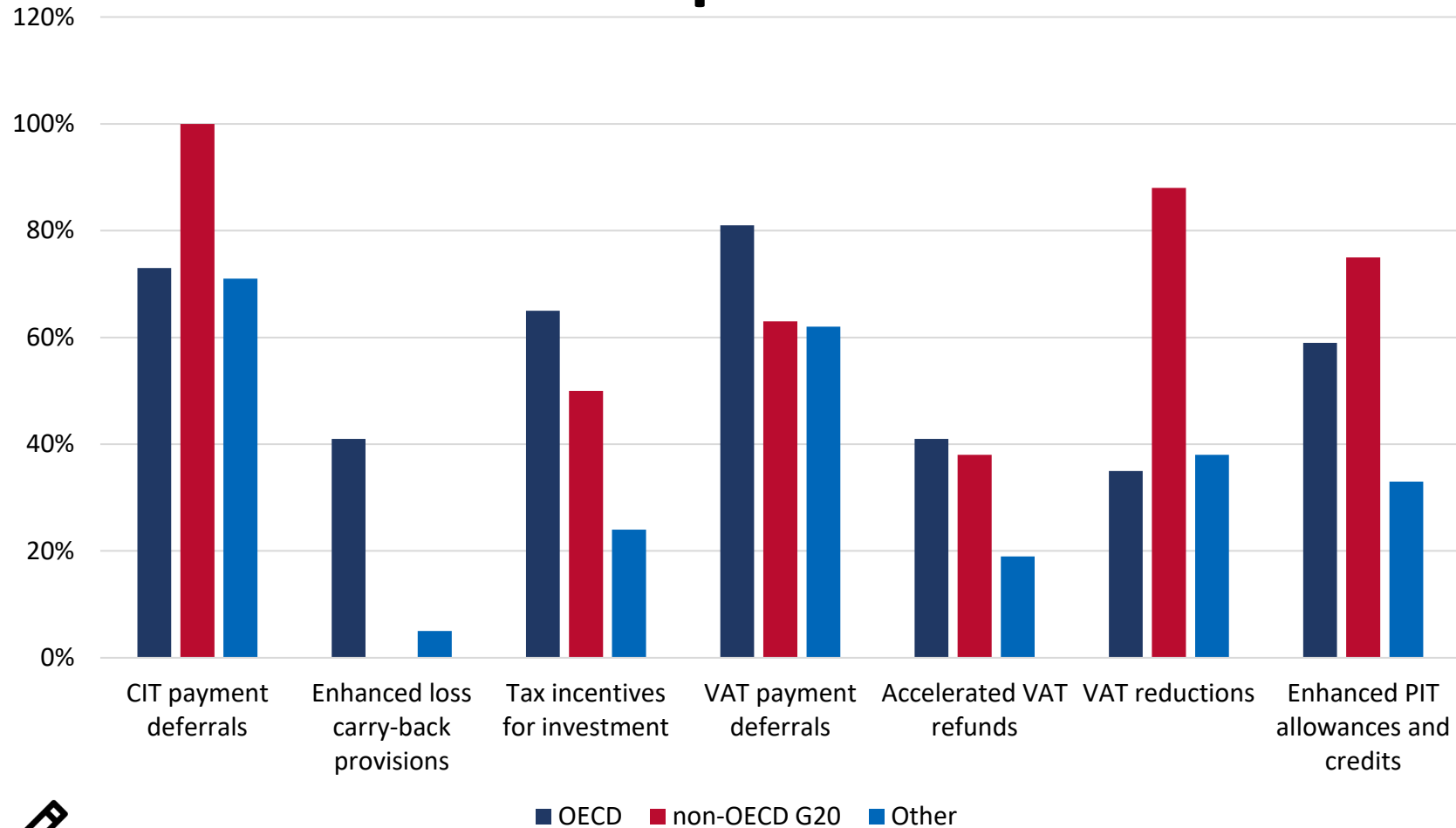
# Typology of tax measures introduced in response to COVID-19

Types of Tax Measures			
	 <b>Relief</b>	 <b>Stimulus Recovery-Oriented</b>	 <b>Tax Increases</b>
<b>Objectives of policies</b>	Cushion the economic and social impacts of virus containment policies	Stimulate aggregated demand and investment	Finance part of the government response to the crisis
<b>Main types of tax measures</b>	<ul style="list-style-type: none"> <li>• Tax deferrals</li> <li>• Tax filing extensions</li> <li>• Accelerated tax refunds</li> <li>• Loss-carry back provisions</li> <li>• Temporary tax waivers</li> <li>• Temporary tax rate reductions</li> </ul>	<ul style="list-style-type: none"> <li>• Tax incentives for investment</li> <li>• Reduced corporate or other business taxes</li> <li>• Tax incentives for employment</li> <li>• Temporary VAT rate reductions</li> <li>• Lower property transaction taxes</li> </ul>	<ul style="list-style-type: none"> <li>• Increases in top personal income tax rates</li> <li>• Environmental tax increases</li> <li>• Property tax increases</li> <li>• Business tax increases</li> </ul>

# Most common tax measures across groups of countries



# Which common tax measure did your country use as part of their COVID-19 response?



At the top of your screen click **View Options** and then **Annotate**

# Concluding Remarks



## DRM in Action

By efficiently harnessing revenue from diverse sources, not just taxes, DRM creates the fiscal space needed for **sustainable budgeting**, allowing governments to provide essential public services and combat poverty.

Introducing new taxes, optimizing existing systems, enforcing regulations, and simplifying processes are **key to fostering fiscal autonomy** and drive sustainable development.



## Tax Administration is a Vital Function

Regardless of how it is organized, the responsibility of any tax administration agency is to collect the **right amount** of tax, from the **right taxpayer**, at the **right time**, and to do so at a **minimal cost**.

With limited resources, governments should, 1) enable and enhance voluntary compliance, 2) monitor voluntary compliance, and 3) enforce compliance



## Building a Resilient Future

It's clear that DRM plays a **pivotal role** in building a **resilient fiscal future**.

Harnessing the potential of domestic resources, **fostering a culture** of compliance, and exploring cutting-edge technologies can **empower** nations to navigate financial challenges effectively.

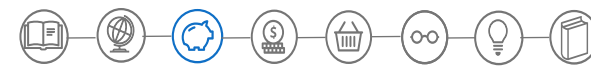


# Q&A Session

This is your time to ask any questions, seek clarifications, and share your thoughts. Feel free to ask anything!

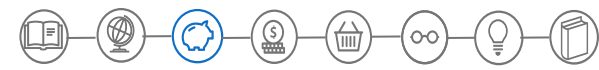






# References

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2. [Pandemic Oversight - Home | Pandemic Oversight](#)
3. [GDP growth \(annual %\) | Data \(worldbank.org\)](#)
4. [Domestic Resource Mobilization | Economic Growth and Trade | U.S. Agency for International Development \(usaid.gov\)](#)
5. [Public Financial Management Primer, 2013-2018 | Leadership in Public Financial Management](#)
6. [Fiscal Monitor \(April 2023\) - Revenue \(imf.org\)](#)
7. [Update on the tax measures introduced during the COVID-19 crisis](#)



# End of Session 3



# BREAK



Time to step away, stretch, and grab a snack or drink. We'll resume shortly. Enjoy your break!

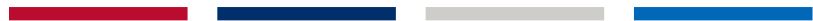




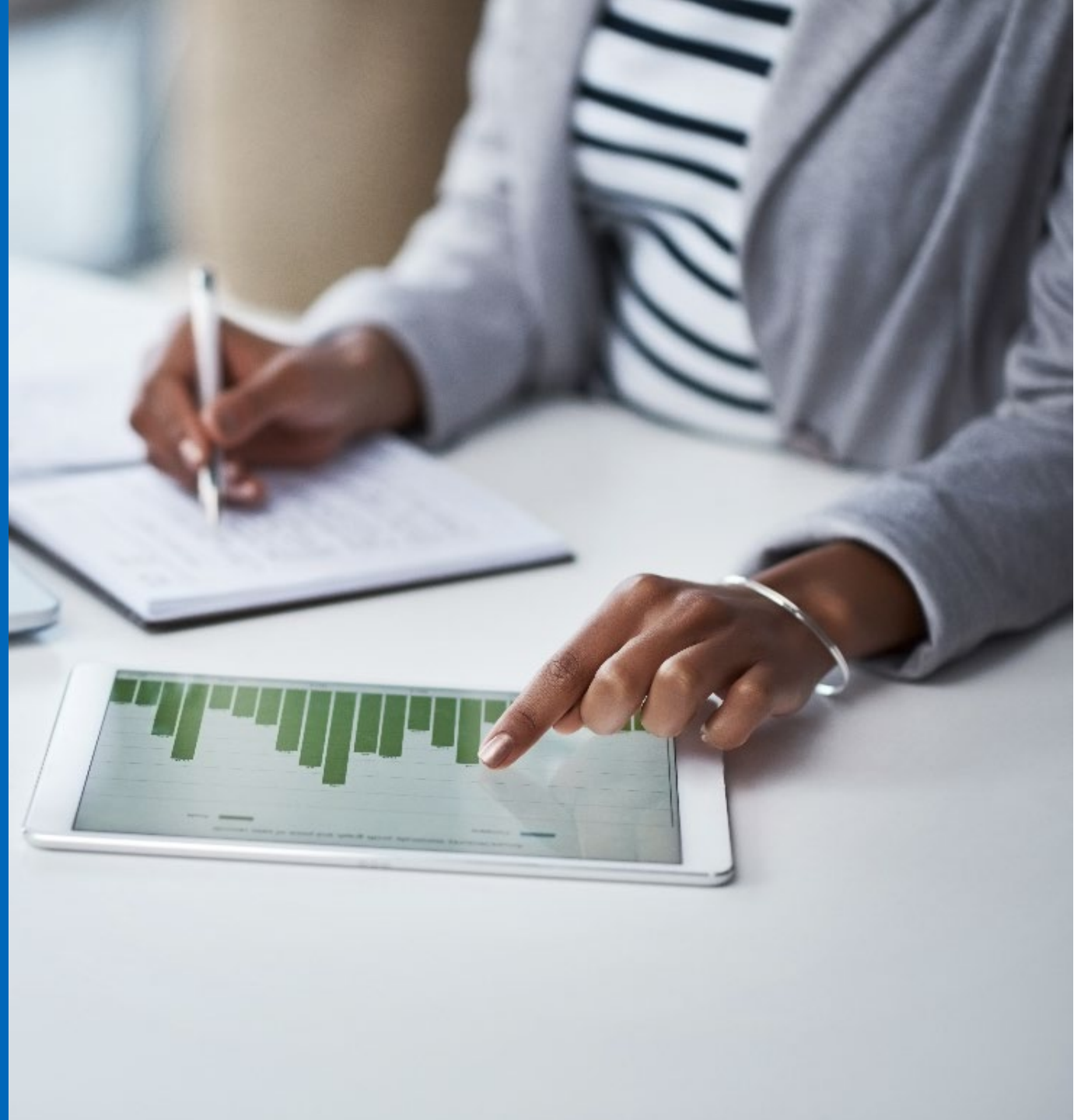
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# Session 4

The Budget as a Strategic  
Policy Tool



**ASAP II**





# Agenda

- 1 | What is a budget?
- 2 | Stages of the budget cycle
- 3 | Inputs into budget planning & preparation process
- 4 | Types of budgeting and budget targeting
- 5 | Budgeting during COVID-19

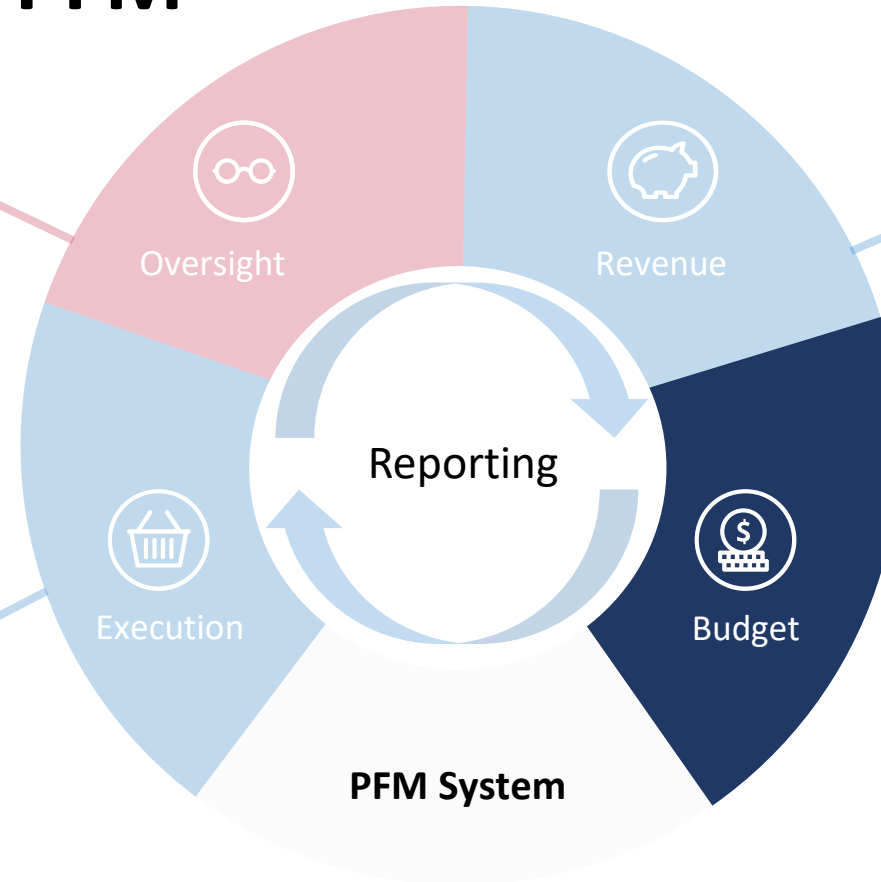
# Key Elements of PFM

**Control, Audit, Fiscal Transparency**

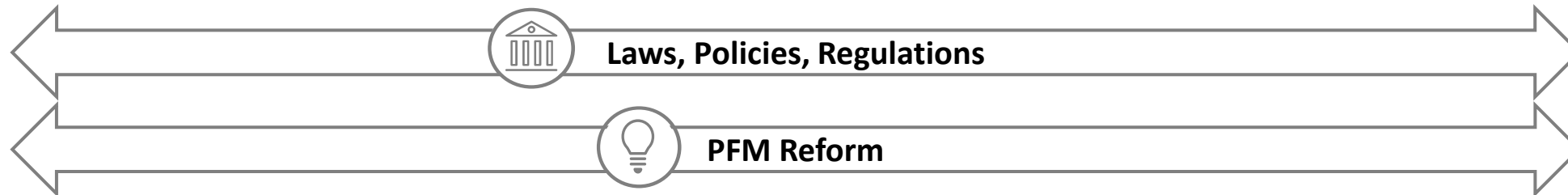
**Domestic Resource Mobilization**

**Budget Execution**

**Budget Planning & Preparation**



- Budgeting links high-level government strategic and/or sectoral priorities with fiscal policy and resources
- Sound budget preparation relies on a credible medium-fiscal framework
- Modern budget practices include considerations on performance and targeting of resources





# Session Objectives

- ✓ To describe the components of a budget, its role in enhancing institutional performance
- ✓ To explain the budget cycle
- ✓ To become familiar with various budget types
- ✓ To become familiar with budget targeting and examples like Gender-Responsive Budgeting
- ✓ To describe expenditure responses during crises, like COVID-19

# What is a budget?



A budget is an **estimation of revenue and expenses** over a specified future time period and is usually compiled and re-evaluated on a periodic basis, encompasses all levels of government.



Modern budgeting is supported by **integrity, openness, participation, accountability** and strategic approach to planning and achieving national objectives.



Budgeting is therefore a **keystone of trust** between states and their citizens.

## INFLUENCE

*Can influence external stakeholders as to the soundness and reliability of a state*

## INPUT

*Opportunity to integrate citizen input*

## CONTRACT

*Contract between citizens and state: how resources are raised and allocated*

## CENTRAL POLICY

*Central policy tool to prioritize & achieve objectives*

## FISCAL POLICY

*Primary fiscal policy tool influencing the whole economy*

## REALITY

*Turns plans and aspirations into reality*

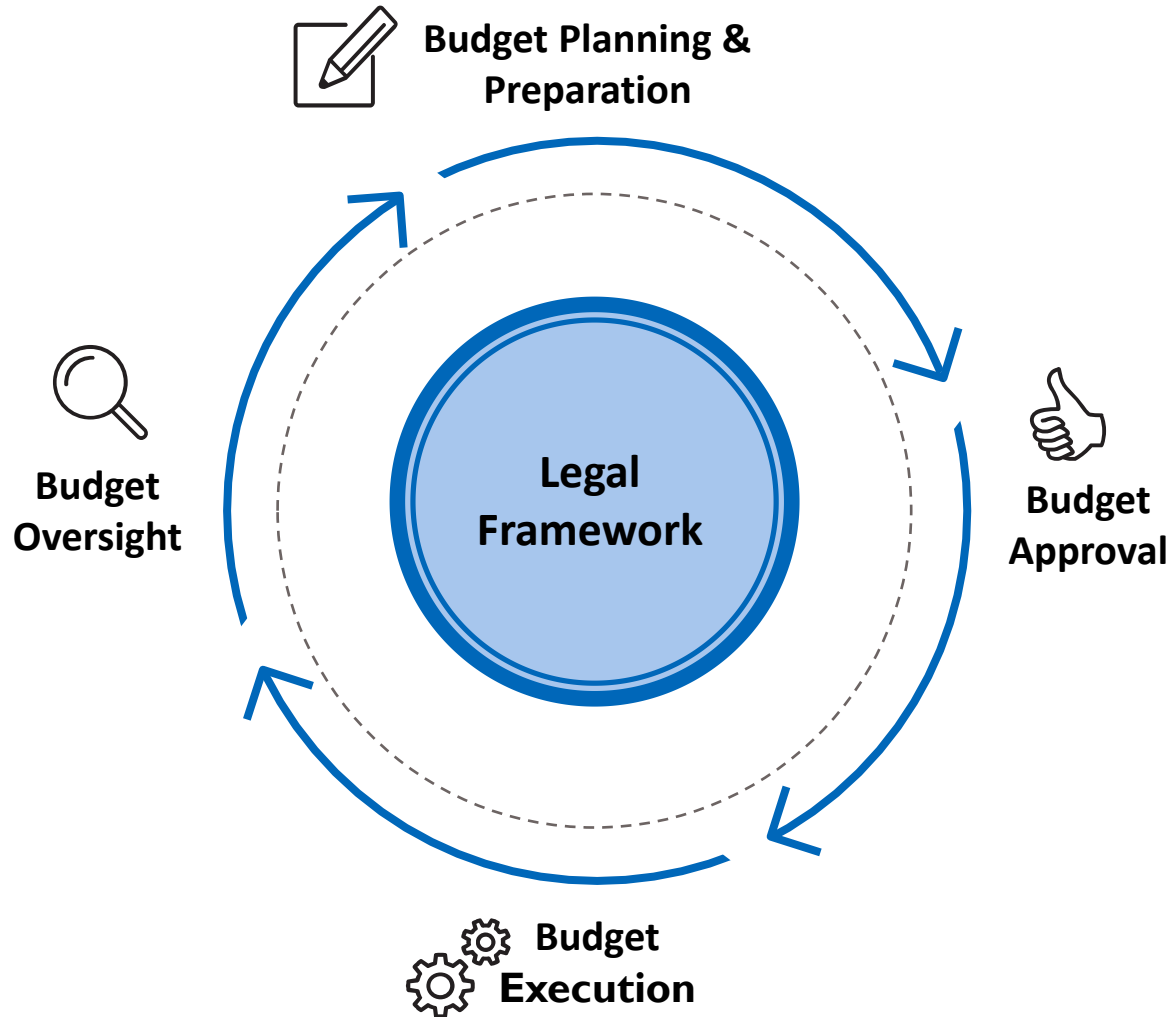


*At a minimum, the budget should describe how...*

- 1 The government will **generate the needed funds** — through revenues and/or borrowing
- 2 The government will serve its citizens and how the government's expenditures will **contribute to a better future** for its constituents
- 3 Government **expenditures will support national, strategic, and MDA priorities, policies, and objectives.**



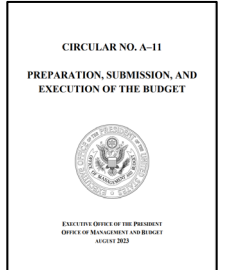
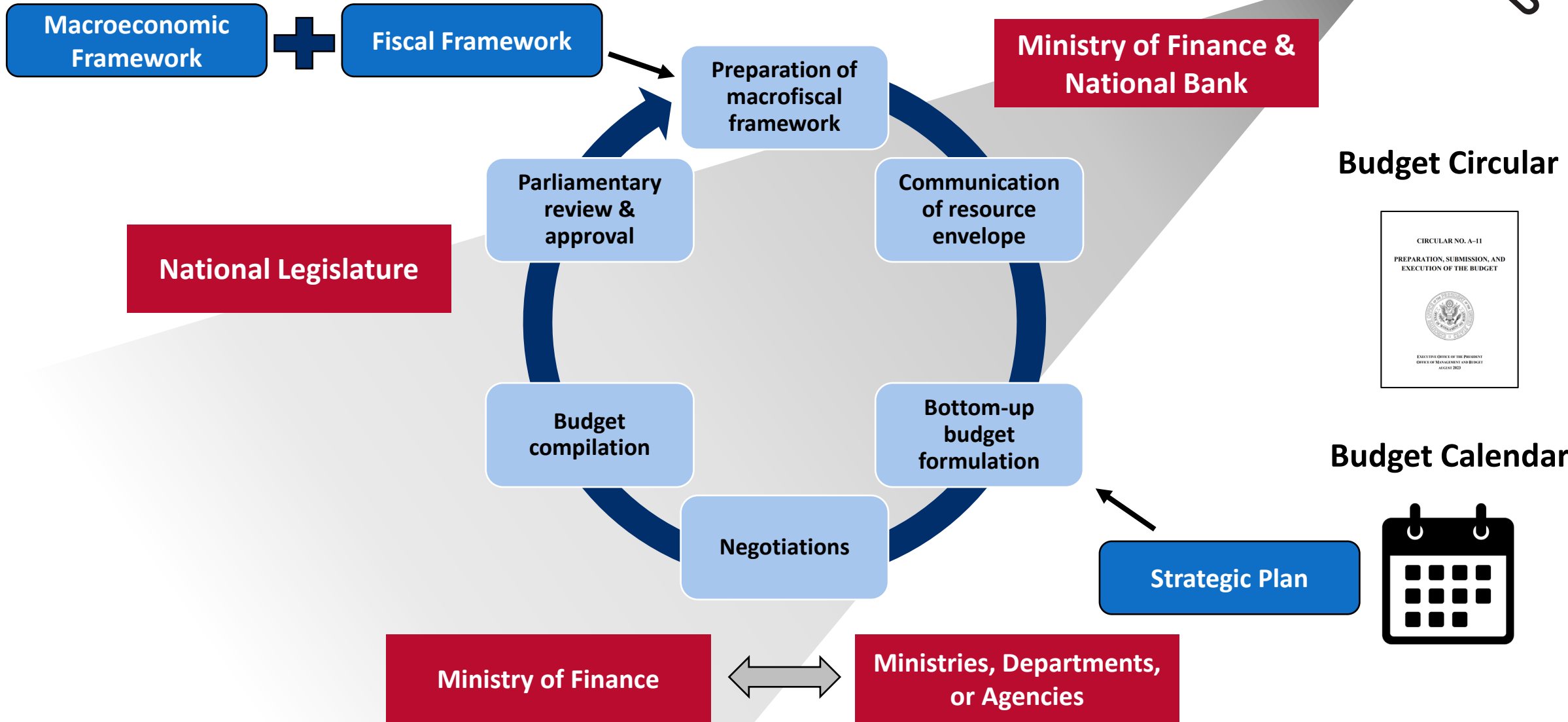
# Stages of the Budget Cycle



1. **Budget Preparation** – Aligns strategic plans with available resources. Most debated component of the budget cycle as it is during this component that governments, the public, the private sector and stakeholders prioritize policies and service delivery objectives.
2. **Budget Approval** – Legislatures (national and subnational) approve the budget during the last quarter of a financial year. The budget appropriation bill authorizes the executive branch to spend money as approved in budgets.
3. **Budget Execution** – After approval, the budget becomes a management tool that guides ministries and agencies on how to achieve policy and service delivery objectives.
4. **Budget oversight and M&E**– Lets the government and public know if money is being legally expended and if government policies are effectively and efficiently achieving output and outcome objectives. M&E allows managers, policymakers, technical officials, and other stakeholders to determine what was achieved and what lessons were learned.
5. **Repeat** – *The budget cycle does not end*



# What is the Budget Planning & Preparation Process





# Budget Frameworks

## MACROECONOMIC FRAMEWORK

An economic forecast for the short to medium-term, with economic variables such as GDP, inflation, and unemployment

*Attempts to realistically assess domestic and global economic trends and forecasts that result in changes to the national economy*

## FISCAL FRAMEWORK

Contains the **fiscal (revenue and expenditure) projections over the medium-term**, including fiscal position (deficit or surplus, fiscal sustainability, and fiscal vulnerability)

*Reflects the government's fiscal policy*

## MACRO-FISCAL FRAMEWORK

Establishes expenditure amounts for a 3 to 5 year span. Draws on the macroeconomic and fiscal framework

*Best info a country can have about the resources available under current law*

## MEDIUM-TERM EXPENDITURE FRAMEWORK

A projection of **broad fiscal aggregates** (revenues and expenditures) consistent with macroeconomic forecasts and medium-term policy measures

*Developed on the basis of the macroeconomic framework, the fiscal framework, and the national development plan*



# Example: Canada's Fiscal Framework

	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18
<b>2012 Fall Update budgetary balance</b>	-26.0	-16.5	-8.6	-1.8	1.7	3.4
Revenue effect of adjustment for risk	-1.0	-3.0	-3.0	-3.0	-3.0	-3.0
<b>2012 Fall Update budgetary balance before adjustment for risk</b>	-25.0	-13.5	-5.6	1.2	4.7	6.4
<b>Impact of economic and fiscal developments</b>						
Budgetary revenues	-1.2	-3.4	-3.2	-2.3	-1.9	-2.8
Program expenses <sup>1</sup>						
Major transfers to persons	1.0	1.3	1.1	0.9	1.0	1.2
Major transfers to other levels of government	0.0	0.0	0.2	0.4	0.4	0.4
Direct program expenses	-1.3	0.1	2.5	2.4	2.0	2.1
<b>Total</b>	-0.2	1.5	3.8	3.7	3.3	3.7
Public debt charges <sup>1</sup>	0.5	0.0	0.7	0.5	0.6	0.3
Total economic and fiscal developments	-0.8	-1.8	1.3	1.9	2.1	1.2
Revenue effect of adjustment for risk		-3.0	-3.0	-3.0	-3.0	-3.0
<b>Revised status quo budgetary balance (before budget measures)</b>	-25.8	-18.3	-7.2	0.1	3.8	4.5



# Budget Circular

## CIRCULAR NO. A-11

### PREPARATION, SUBMISSION, AND EXECUTION OF THE BUDGET



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
AUGUST 2023



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D. C. 20503

August 11, 2023

OMB CIRCULAR NO. A-11  
Transmittal Memorandum No. 97

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Preparing, Submitting, and Executing the Budget

OMB Circular No. A-11 provides guidance on preparing the FY 2025 Budget and instructions on budget execution.

Your budget submission to OMB should build on the President's commitments to invest in families and economic growth, and protect critical priorities. OMB looks forward to working closely with you in the coming months to develop a budget request that supports the President's vision.

Most of the changes in this update are technical revisions and clarifications, and the policy requirements are largely unchanged. The summary of changes to the Circular highlights the changes made since last year. This Circular supersedes all previous versions.

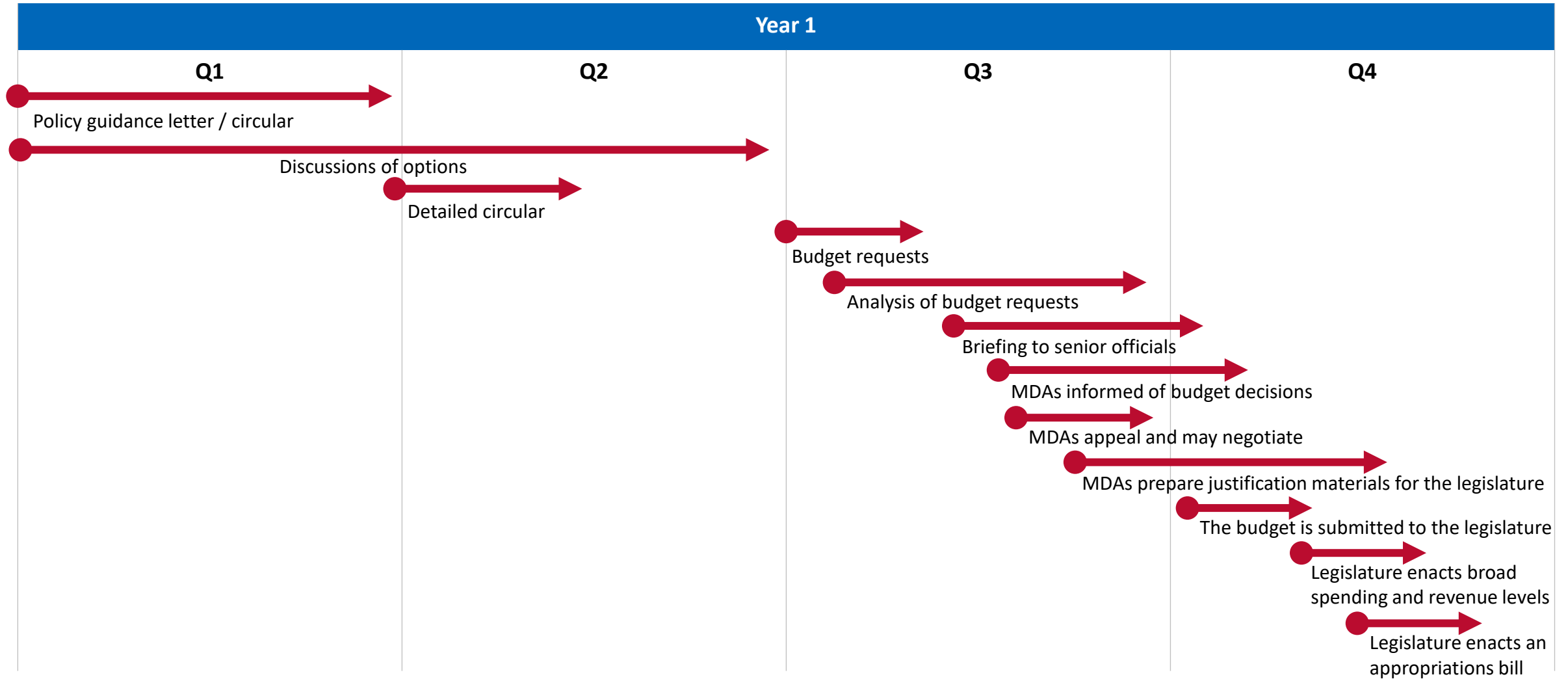
Shalanda D. Young  
Director

Enclosure

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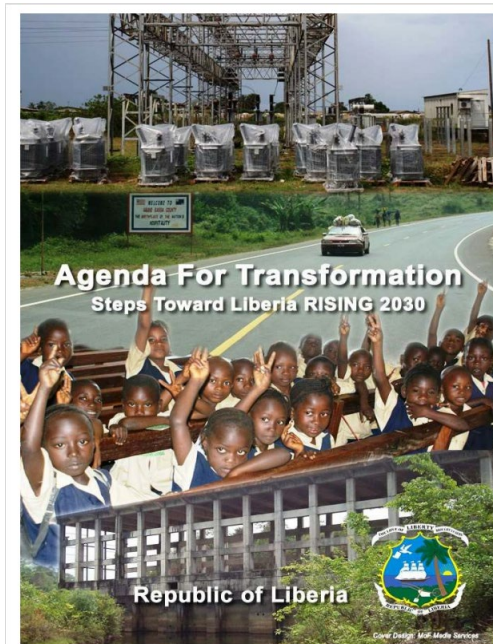
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# Example Budget Calendar

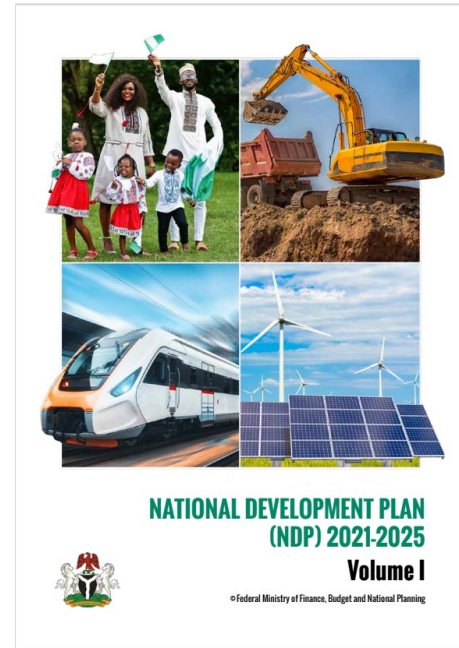


# Connection to Countries' Strategic Plans

Liberia



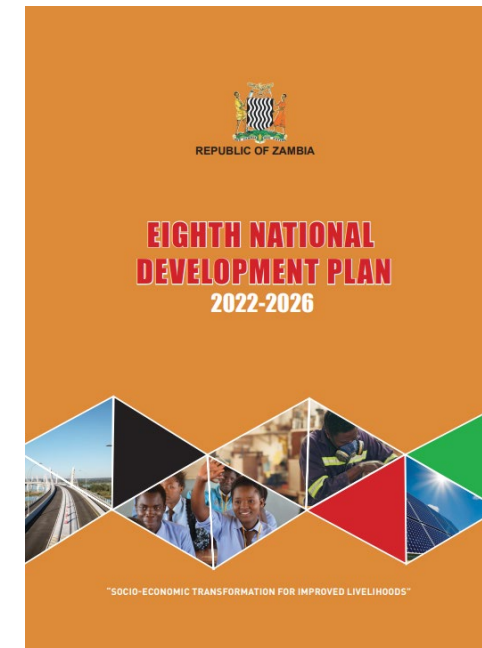
Nigeria






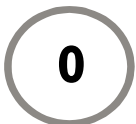
Rwanda



Zambia



# Types of Budgeting

Type Budget	Purpose	Characteristic	Success Factors	Advantages	Disadvantages
<b>1. Line Item</b> 	<ul style="list-style-type: none"> <li>Aims to spend resources according to plan</li> <li>Prevents misappropriation of funds</li> <li>Promotes financial accountability</li> </ul>	Focus on prior year allocation as starting point	Minimum amount of staff time and expertise needed to create and track the budget	Works well when time is short and there is considerable complexity, with multiple stakeholders and a high potential for conflict	Not good for dealing with questions of efficiency, effectiveness, and future and/or previously neglected concerns, tendency to become additive and discourage changes
<b>2. Program</b> 	<ul style="list-style-type: none"> <li>Aims to ensure that programs are achieving goals and objectives</li> <li>Promotes program accountability and effectiveness</li> </ul>	Focus on program plans, goals, and objectives	Requires the resources necessary to develop program plans, goals, and objectives	Provides a clear linkage between program activities and budget allocation, plus potential linkages to government priorities	Requires considerable investment of resources and has a high potential for conflict due to varying interpretations between MDAs
<b>3. Performance</b> 	<ul style="list-style-type: none"> <li>Aims to ensure that programs are effective</li> <li>Aims to ensure that program are efficient (cost effective)</li> </ul>	Performance measurements utilized to determine efficiency and effectiveness	Requires considerable resources to develop reliable measures and time to develop the skill sets of those responsible for developing, monitoring, and reporting on measurements	Provides an objective way of documenting accomplishments, and there are linkages to government achievement of goals, objectives, and priorities	Time-consuming and expensive, with a high potential for resistance because of fear of measures being used to reduce funding (some systems are in fact built around allocating less funding if targets are not met)
<b>4. Zero-Based</b> 	<ul style="list-style-type: none"> <li>Assesses continuation of programs and functions annually</li> <li>Focuses on priorities and detailed input projections</li> </ul>	Annual evaluation of current program activities	Requires considerable time and resources to assess all programs annually and articulate justification mechanisms	Provides an opportunity for activities to be evaluated annually and an opportunity to reallocate resources	Places a high burden on organizational resources, and it is difficult to achieve comparability across organizational units

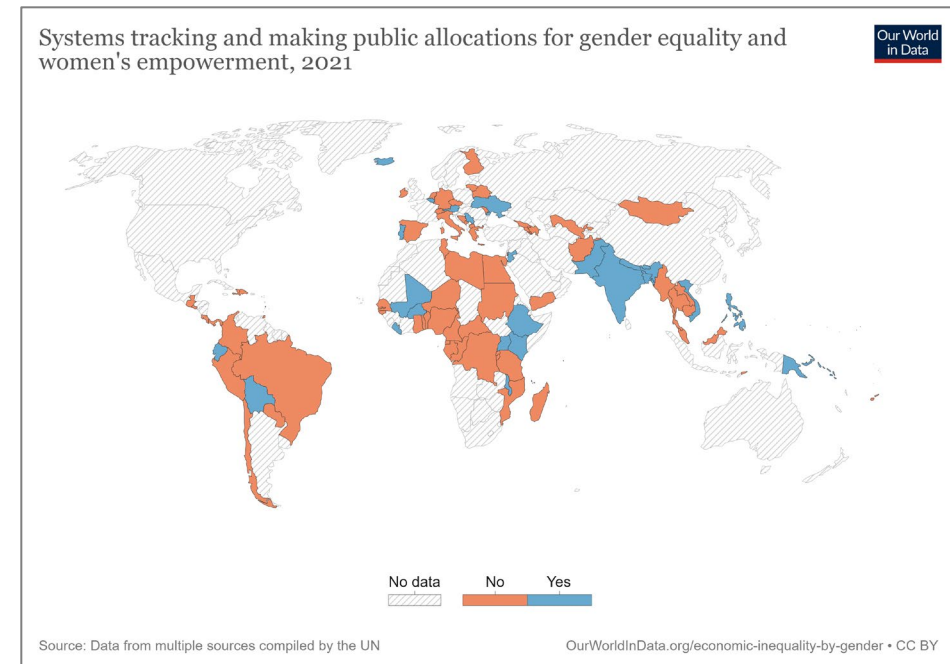
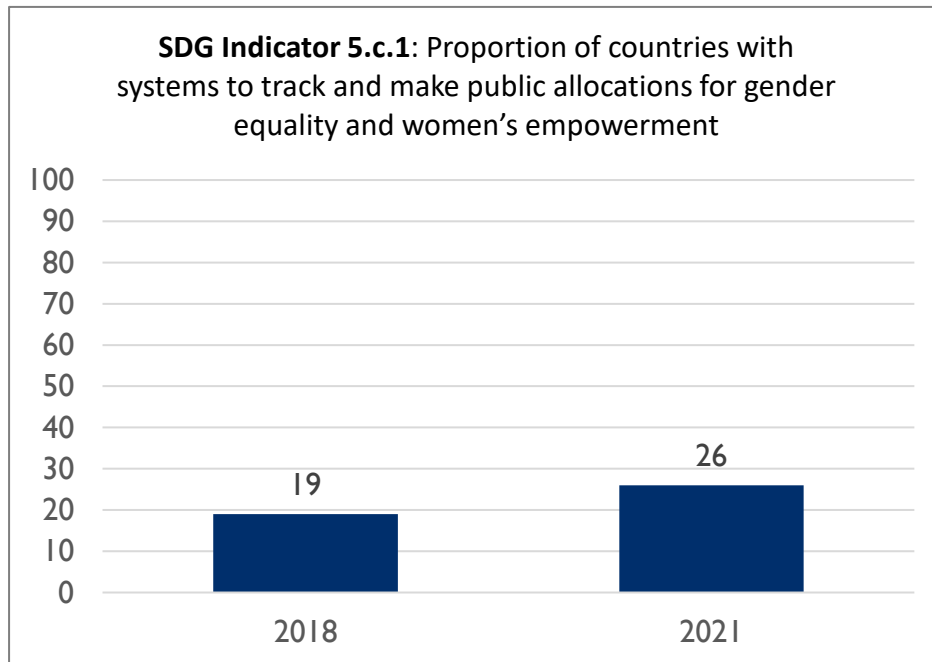


# Budget Targeting Example: Gender-Responsive Budgeting



Integrating a clear gender perspective within the overall context of the budgetary process through special processes and analytical tools with a view to promoting gender responsive policies - OECD

“According to data reported by 105 countries and areas for the period 2018–2021, only **26 per cent of countries have comprehensive systems** in place to track public allocations for gender equality, **59 per cent have some features of such a system**, and **15 per cent do not have the minimum elements** of such a system” – UN Stats



## 9 GRPFM Indicators

A set of nine indicators that **measure the degree to which a country's PFM systems** address the government's goals with regard to **acknowledging different needs of men and women**, and different subgroups of these categories, and promoting gender equality. The framework can be applied at both national and subnational levels.

Intended to be **conducted on a voluntary basis** concurrently with a PEFA assessment and presented in an annex to the PEFA report

Presented in the form of **questions and indicators** mapped to relevant PEFA indicators across the budget cycle

- Gender impact analysis of budget policy proposals
- Gender responsive public investment management
- Gender responsive budget circular
- Gender responsive budget proposal documentation
- Sex-disaggregated performance information for service delivery
- Tracking budget expenditure for gender equality
- Gender responsive reporting
- Evaluation of gender impacts of service delivery
- Legislative scrutiny of gender impacts of the budget



# Jordan Case Study

Jordan launched a series of ambitious budget reforms starting in 2008, including moving away from input-only budgeting to a multi-year **Results-Oriented Budget Framework**. Among the core objectives was to better link budget inputs to programmatic outputs and outcomes.

As part of these reforms, the Budget Office structured its budget around MDA-led budget programs. Each program included budget estimates for the base year plus 3 out-years, program objectives, and supporting performance indicators with targets, which were tracked regularly. Results from the previous year were published in the budget. Later reforms also included stronger alignment with policy priorities – including **gender-based budgeting**. At the end of the year, an annual report compiles and publishes the results of the indicators. As part of this process, budget analysts have needed to strengthen their understanding of the non-financial and more programmatic aspects of the MDAs they work with.

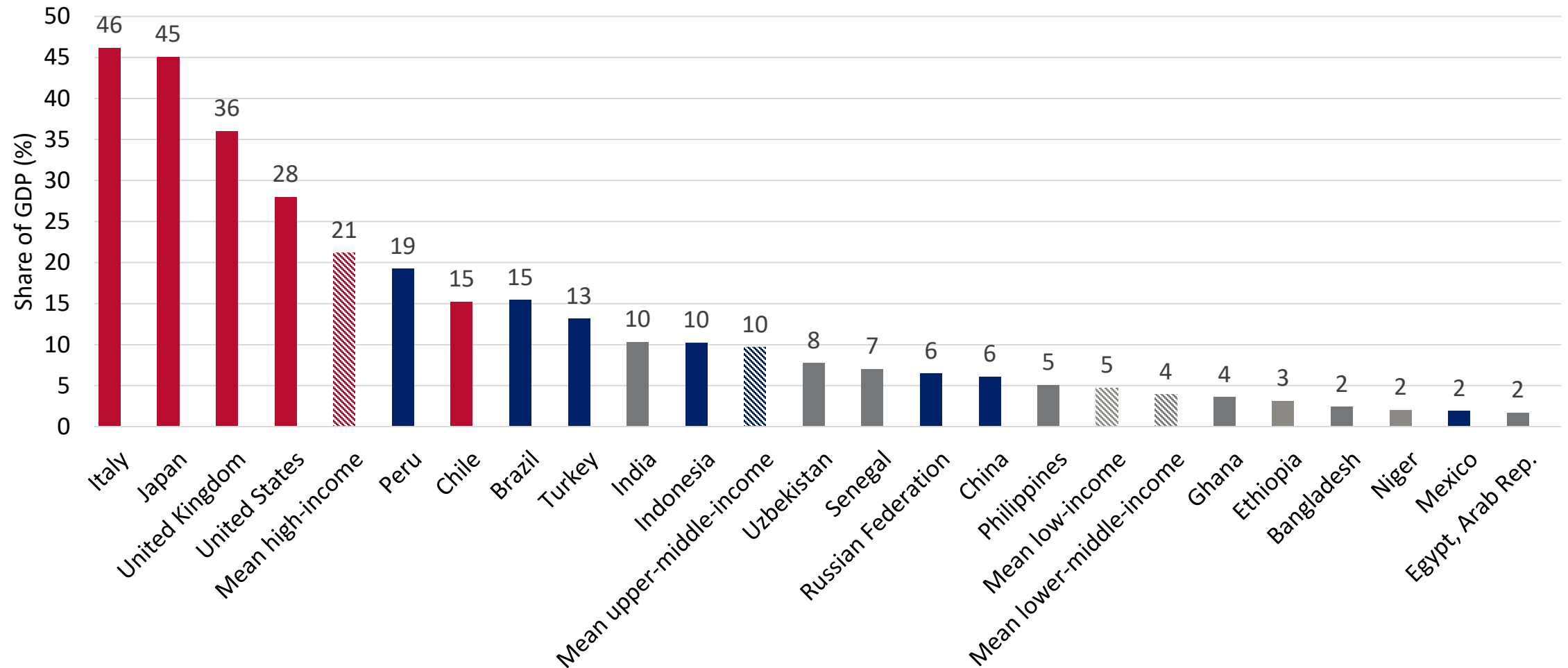
Although reforms and improvement are continuous, Jordan's efforts to move toward results-oriented budgeting have allowed them to tie expected performance levels to associated funding, providing a foundation for accountability.



# Budget Planning During COVID-19



# To combat COVID-19, governments increased their expenditures, but there was a high variability across fiscal responses



# Supplemental Budget



A formal process to **approve changes** to the budget or to **appropriate additional funds**



- New Programs
- Greater Expenditures than Expected
- Inflation
- Cover Shortfalls in Revenue Collection

## Changes without legislative approval that fit within specific parameters

### South Sudan



- Allowed to transfer **up to 10%** of the budgeted amount from one line item to another by notifying the MoF and Economic Planning

### Nepal



- Allowed to transfer between line items **up to 25%** within a program, but they cannot move funds out of salaries, capital subsidies, furniture, transport, machinery, or tools

## Changes falling outside parameters and to provide additional funds



Budget Circular



Calendar



Submitted to legislature for formal approval

# Poll

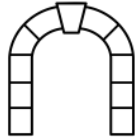
*What type of support did your country provide during COVID-19?*

- Cash
- Loans
- Debt Relief
- Rental Assistance
- Food Assistance
- Unemployment Support
- Other In-Kind Items
- Transportation
- Healthcare
- Broadband & Technology
- Education
- Tax Credits



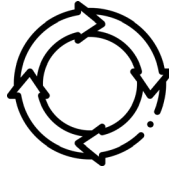
At the top of your screen click **View Options** and then **Annotate**

# Concluding Remarks



## A Keystone of Trust

Budgets are an **estimation of revenues and expenses**, that describe how the government **will generate the needed funds**, how expenditures will **contribute to a better future**, and **support national priorities**. Budgets are a **keystone of trust**.



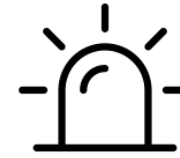
## Complicates Process with Multiple Stakeholders

Budgets start with the **development of a macroeconomic framework**, budgets are then **drafted**, there are rounds of **negotiations**, and end in **legislative review and approval**



## Countries Use Different Types of Budgets

The four types of budgets include **line item budgets**, **program-based budgets**, **performance-based budgeting**, and **zero-based budgeting**. Each type has pros and cons.



## Budgets are Modified During Emergencies

During COVID-19, **expenditures drastically increased** while **revenues decreased**. The share of health expenditure far exceeded the rate of general government expenditures as policymakers moved quickly to provide emergency support by passing supplemental budgets.





# Q&A Session

This is your time to ask any questions, seek clarifications, and share your thoughts. Feel free to ask anything!





# References

1. [Chapter 4. A Medium-Term Expenditure Framework for More Effective Fiscal Policy in: Modernizing China \(imf.org\)](#)
2. [Circulars | OMB | The White House](#)
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4. [— SDG Indicators \(un.org\)](#)
5. [Systems tracking and making public allocations for gender equality and women's empowerment, 2021 \(ourworldindata.org\)](#)
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9. [Public Financial Management Primer, 2013-2018 | Leadership in Public Financial Management](#)



# End of Session 4





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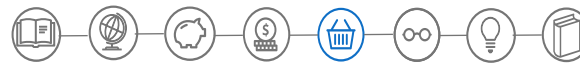
# Session 5

Providing Goods and  
Services through Budget  
Execution



**ASAP II**





# Agenda

- 1 | About Budget Execution
- 2 | What is a Procurement System?
- 3 | Different Aspects of Procurement
- 4 | Budget Execution during Emergencies

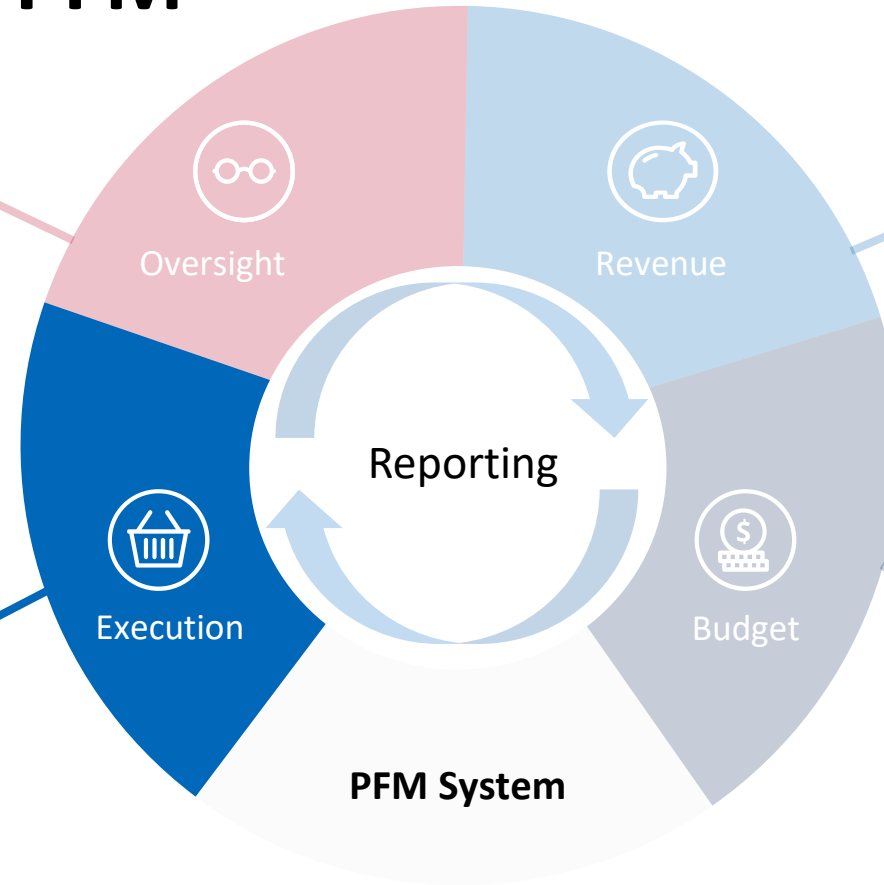
# Key Elements of PFM

**Control, Audit, Fiscal Transparency**

**Domestic Resource Mobilization**

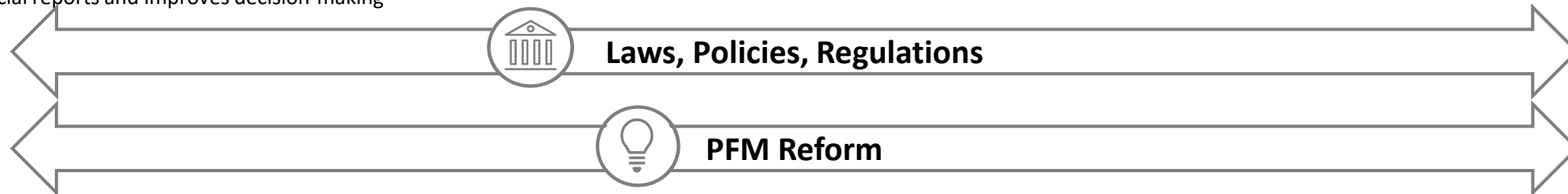
**Budget Execution**

- Agile and effective procurement supports efficient resource utilization and provision of needed goods, services, and investments
- Effective cash management enables seamless operations and ensures sufficient cash-on-hand to meet government's obligations
- Accurate accounting of financial transactions forms the basis of financial reports and improves decision-making



**Budget Planning & Preparation**

**PFM System**





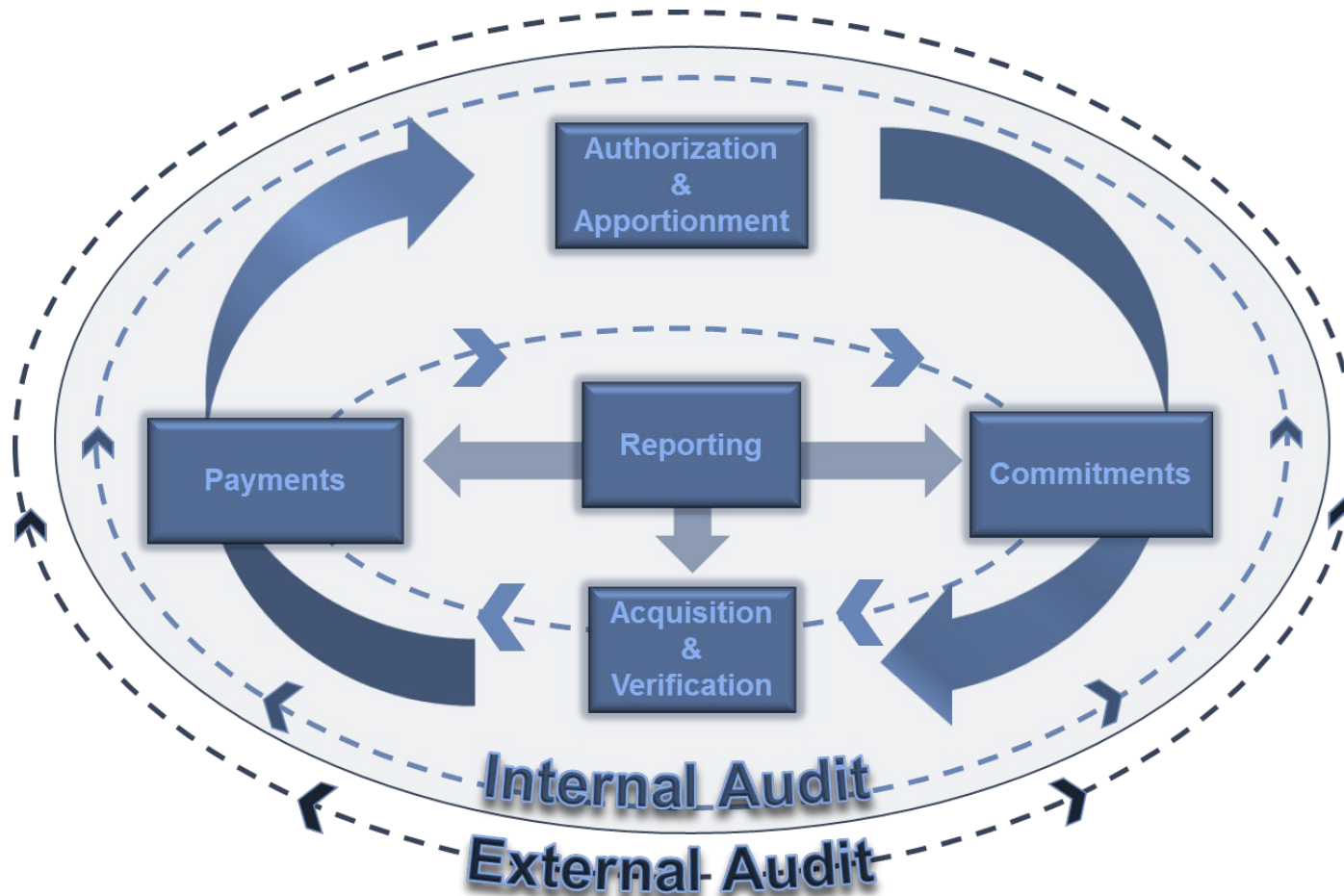
# Session Objectives

- ✓ Be able to understand the stages of budget execution and good governance practices.
- ✓ To explore the different aspects and stages of procurement.
- ✓ To examine budget execution during emergencies and associated short- and long term measures for emergency preparedness.

# Budget Execution

During budget execution, **budget plans and strategies** are carried out and **government policies** are implemented. **Goods, services, and works** are procured for the purpose of achieving the programmatic objectives outlined in strategic planning documents and the annual budget.

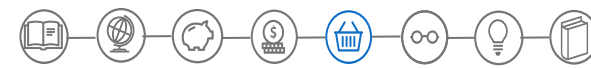
## Critical Dimensions of Performance of an Open and Orderly PFM System



### Four Key Good Governance Practices

- ✓ Every action is transparent
- ✓ Every participant is held accountable
- ✓ Every action is properly documented and reported
- ✓ Every action is subject to an independent, professional, and unbiased audit and review





# What is a Procurement System?

The acquisition of goods, services and works that support operations, service delivery and investment programs. **Government procurement is huge in most countries!** Total government procurement often amounts to 15% to 20% of gross domestic product.

## 1. Requisition Request

User department completes a requisition form and submits it to the procurement unit that stipulates the **specifications of the good or service** that is being ordered and the quantity required.

## 2. Bid Solicitation

The procurement unit determines which type of **procurement method** to use based on regulatory requirements and how it can get the best value for money.

## 3. Bid Evaluation

Evaluation and **selection of a successful bidder** should be done by a tender committee. The tender committee evaluates bids based on the specifications provided by the user department and **“value for money” principles**, including lowest cost.

## 6 Step Procurement Process

## 4. Contract Negotiation and Signature

The procurement unit will **negotiate the terms of the contract** with the first-choice bidder. Most issues should have been included in the request for proposals, but there may be some small items to negotiate including requests for changes to the specifications, schedule, etc.

## 5. Contract Management

For larger contracts that last for a longer period of time, contract management will entail **oversight of the vendor, periodic reviews of work performed, and monitoring contract performance** to ensure that the vendor is meeting the deadlines and quality specifications defined in the contract.

## 6. Verification

Once the goods and services are delivered, it must be verified that they were received in full or that projects were **completed according to the specifications** as agreed to in the contract.

# Different Approaches to Procurement

	Decentralized	Centralized
Pros	<ul style="list-style-type: none"> <li>Local procurement as and when required</li> <li>No heavy initial investment</li> <li>Orders placed quickly</li> </ul>	<ul style="list-style-type: none"> <li>Bulk procurement</li> <li>Reduces transport cost</li> <li>No duplication of efforts</li> <li>Uniformity of procurement policies</li> <li>Minimizes investment on inventory</li> </ul>
Cons	<ul style="list-style-type: none"> <li>No economies of scale</li> <li>Lack of specialized knowledge</li> <li>Insufficient/excessive purchases</li> <li>Absence of effective central control</li> </ul>	<ul style="list-style-type: none"> <li>High initial investment</li> <li>Delay in receipt of goods by MDAs</li> <li>More advance planning required</li> <li>Entities may be located in different regions</li> </ul>

## Zambia

Traditionally, public procurement in Zambia was managed by the central **Zambia Public Procurement Authority (ZPPA)**. In 2012, reforms decentralized procurement authority to MDAs, with ZPPA overseeing regulations and training for best practices. Seeking further improvements, Zambia conducted the World Bank and Development Assistance Committee's (DAC) **Methodology for Assessing Procurement Systems (MAPS)** assessment in 2018, highlighting the country's adoption of international best practices of updating their procurement laws, policies, systems, and structures. The MAPS Report showed alignments with the conclusions drawn from the World Bank's 2018 Systematic Country Diagnostic for Zambia – The country had been **successful in adopting best practices**, such as laws, policies, systems, and structures. However, the **capacity and performance of public institutions needed further support**. Currently, ZPPA is revising the legal framework to enhance cost-efficiency and savings in public procurement.



# What is e-Procurement?

e-procurement streamlines government procurements by conducting them online, where MDAs issue requests for proposals/quotations through a portal, allowing vendors to download notices, submit proposals, and communicate through the same platform.

## ADVANTAGES

- **Streamlines** requisition approval process by routing to appropriate persons.
- **Increases** efficiency and cost savings
- **Increases** transparency
- **Expands** potential bidders, possibly including international participants.

## CONSIDERATIONS

- Not suitable for all countries as it **depends on government's IT-infrastructure**
- May not be appropriate where the **majority of potential bidders do not have access to the internet or use computers**

## USAID Support in Albania's E-Procurement System

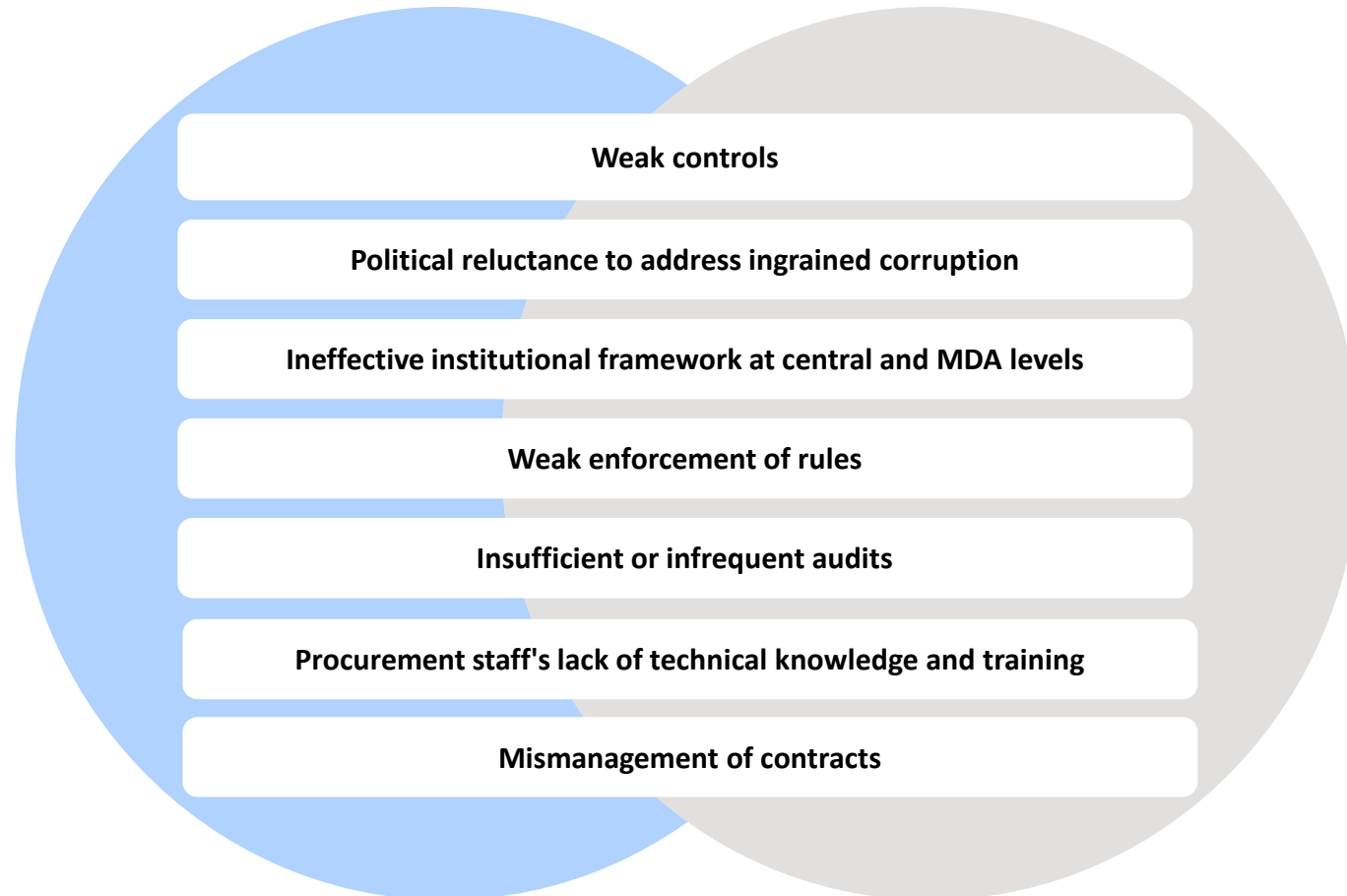
Procurement reform efforts were initiated in 2006 as part of a **joint pledge** between the Albanian government and the United States to **reduce corruption**, under the MCC Threshold Country Plan. They upgraded the Public Procurement Agency's website for **tender document uploads**. The Agency was empowered to act as the **supervisory and training authority** for all central and municipal government procurements. They trained **1,000 officers and private businesses** on the new e-procurement system and approach; resulting in 73 electronic tender awards, **\$29M value**, and over 6 bidders per tender in the first 9 months of 2008.



# Common Challenges with Procurement Systems

## Integrity

**Poorly  
Designed  
Systems**



**Poorly  
Performing  
Systems**

# Procurement During COVID-19

# Procurement Systems during Emergencies

Managing the procurement and distribution of on- and off-budget resources when responding to an emergency must be flexible and scalable to support new challenges as they evolve.

## Measures to ensure Integrity

- ✓ **Maintain and retain** documentation of procurement processes
- ✓ **Develop** detailed guidelines on procurement strategies under a crisis
- ✓ **Put** further emphasis on contract management
- ✓ **Favor** existing collaborative procurement instruments, such as framework contracts
- ✓ **Ensure** maximum openness of information, including open data
- ✓ **Set up** a central price and supplier tracking system for key products and services
- ✓ **Subject** all emergency procurement processes to audit and oversight
- ✓ **Adapt** audit and oversight strategies

## Advance Preparedness for Emergency Procurement

i.e., what procurement systems can do to be ready if an emergency occurs

## Phase 3: Reconstruction

Once emergency has been stabilized, revert to normal procedures, but applying accelerated procedures for critical infrastructure or goods

## Phases 1 & 2: Procurement for Immediate and Emergency Response

Checklist for: (1) Assessment and planning for specific cases, (2) special procurement procedures, and (3) techniques for emergency procurement

## Phase-Out of Emergency Procurement

Includes transfer and evaluation of procurement activities as well as lessons learned

# Concluding Remarks



## Key Dimensions of Effective Budget Execution in PFM

Budget execution is the pivotal phase where government **policies are translated into action**, and effective performance in this phase relies on five critical dimensions: authorization, commitments, reporting, payments, and acquisition.



## Balancing Procurement Approaches: Pros and Cons

It's crucial to recognize that **different procurement approaches offer distinct advantages and challenges**. Decentralized procurement offers agility and promptness but may lack economies of scale, while centralized procurement streamlines processes but requires substantial initial investments and planning. Understanding the differences **helps tailor procurement arrangements to specific needs**.



## Strengthening Procurement in Times of Emergency

Procurement systems play a crucial role during emergencies, ensuring **efficient resource allocation**. In the aftermath of crises—like COVID-19—countries often resort to **increased borrowing and opaque procurement practices** to finance recovery efforts and rebuild their economies. Exploring long-term measures to enhance emergency preparedness in procurement processes can help nations build **resilience**.



# Q&A Session

This is your time to ask any questions, seek clarifications, and share your thoughts. Feel free to ask anything!

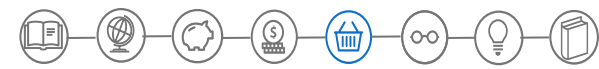






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2. [Improving Public Procurement in Zambia and How to Get there with MAPS \(2020\)](#)
3. [Serbia Local Transparency Index \(2022\)](#)
4. [Serbia Improving Public Procurement Fact Sheet](#)
5. [World Bank's Emergency Procurement for Recovery and Reconstruction Toolkit \(2015\)](#)
6. [OECD Public Integrity for an Effective COVID-19 Response and Recovery \(2020\)](#)



# End of Session 5





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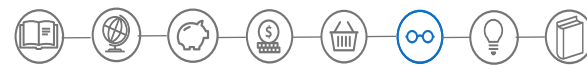
# Session 6

Audit, Fiscal Transparency,  
and Accountability



**ASAP II**





# Agenda

1 | Importance of Fiscal  
Transparency & Accountability

4 | Global Standards in FTA

2 | What is an Audit

5 | FTA during COVID

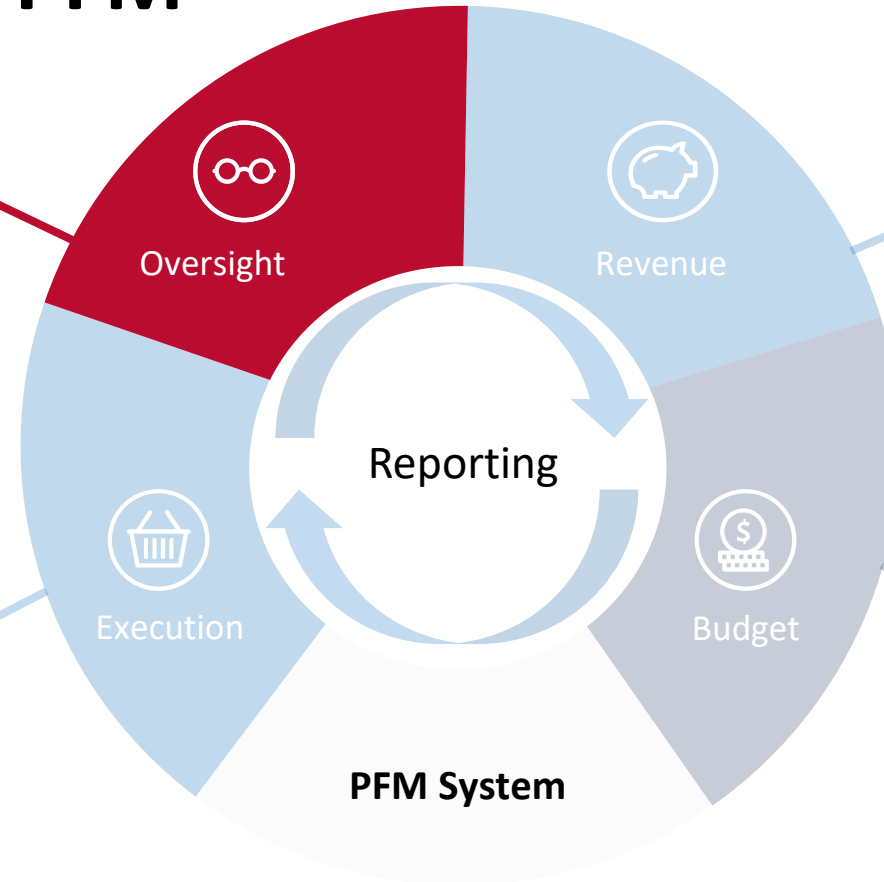
3 | Internal vs. External Audit

# Key Elements of PFM

## Control, Audit, Fiscal Transparency

- Sufficient internal control environment reduces the risk of fraud, waste, and abuse
- External scrutiny of governmental regulatory compliance, operational effectiveness, and financial accuracy increases accountability
- Public disclosure of governmental information and data promotes transparency and accountability to citizens

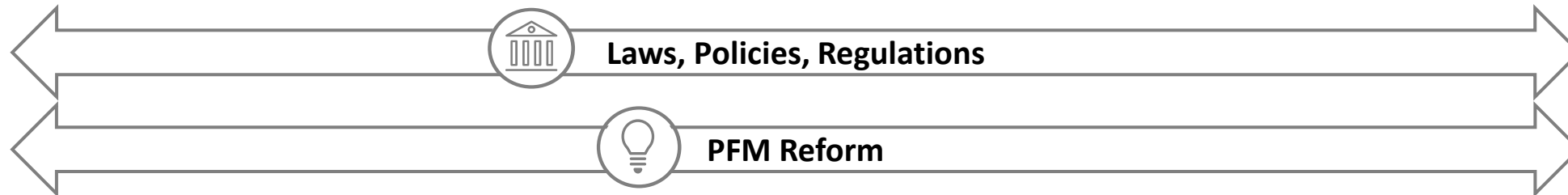
## Budget Execution



## Domestic Resource Mobilization

## Budget Planning & Preparation

PFM System





# Session Objectives

- ✓ To understand what Fiscal Transparency and Accountability (FTA) is and why it's important
- ✓ To understand the purpose and difference between internal and external audit
- ✓ To learn about global efforts that promote FTA
- ✓ To assess the effectiveness of FTA during COVID

“

*If corruption is a disease,  
transparency is essentially part of  
the treatment.*

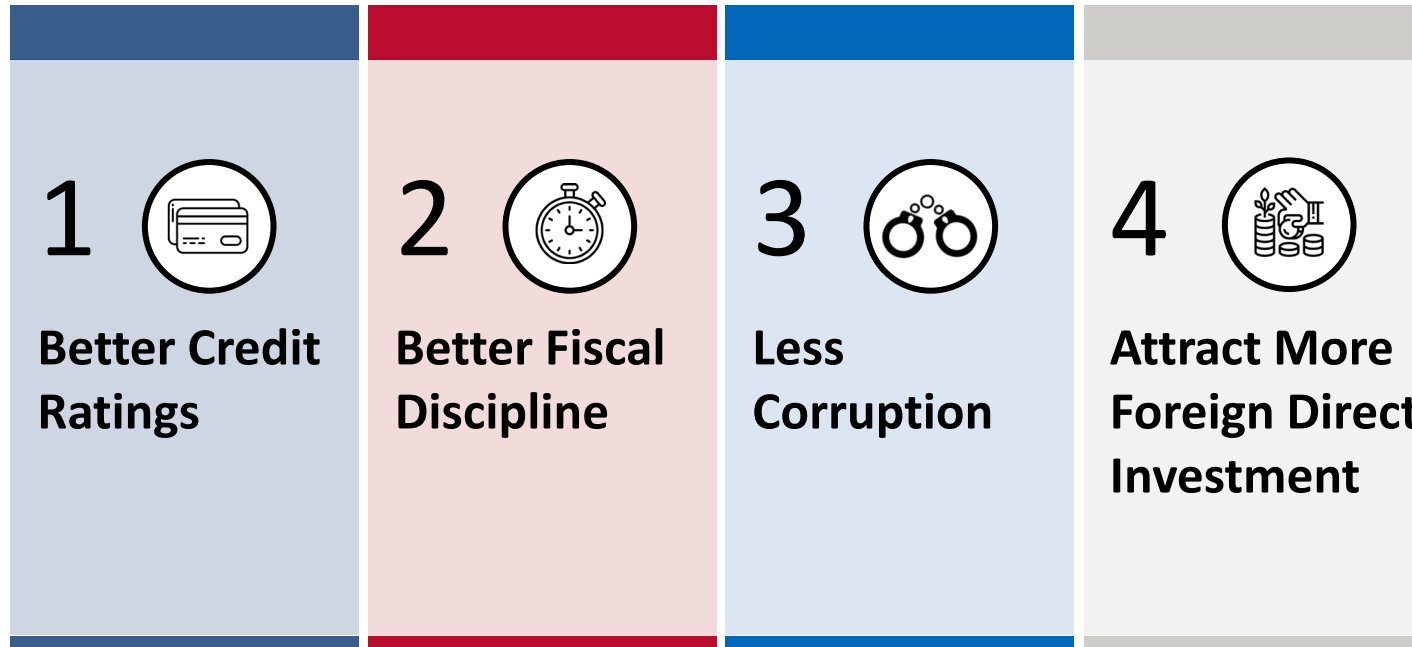
**- Kofi Annan**

Nobel Laureate and former UN Secretary General

”

# FTA and Institutional Performance

FTA in public finance is one of the main prerequisites for better macroeconomic and fiscal stability, better credit ratings, better fiscal discipline (lower public debt and deficits), reduced levels of corruption, and a determinant for higher rates of economic growth.



While some FTA mechanisms are **internal** to government, and others are **external** to government, ***BOTH are important*** for creating a transparent and accountable public sector and increasing institutional performance





# Government Mechanisms for FTA

# What is an Audit?



An audit is a systematic and independent **examination of data, statements, records, operations, and performance** of a government for a stated purpose like **regulatory compliance, operational effectiveness and financial accuracy**. Audits can be performed **internally** by the organization, or **externally**, with both serving different purposes.

## 4 Types of Audit



### Financial Audit

Demonstrates that the MDA's reported use of funds fairly and accurately represents its financial position, the results of operations, and cash flow in conformity with local laws and regulations, as well as accounting standards.



### Compliance Audit

Shows whether an MDA is sufficiently adhering to regulatory guidelines, regulations, and laws.



### System Audit

Involves the review of internal control arrangements and systems.



### Performance Audit

Demonstrates whether a program, operation, function, or process of an MDA is effectively and efficiently deploying resources, including value-for-money and social implications of government operations.

# Internal Audit

## What it is

“...an independent, objective assurance and consulting activity designed to add value and **improve an organization's operations**. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to **evaluate** and **improve** the effectiveness of risk management, control, and governance processes.”

Source: Institute of Internal Auditors

## Examples

Consulting Activities

Advanced Activities



*Performance Audits*

*Risk Assessments*

*System Audits*

*Compliance Audits*

*Financial Audits*

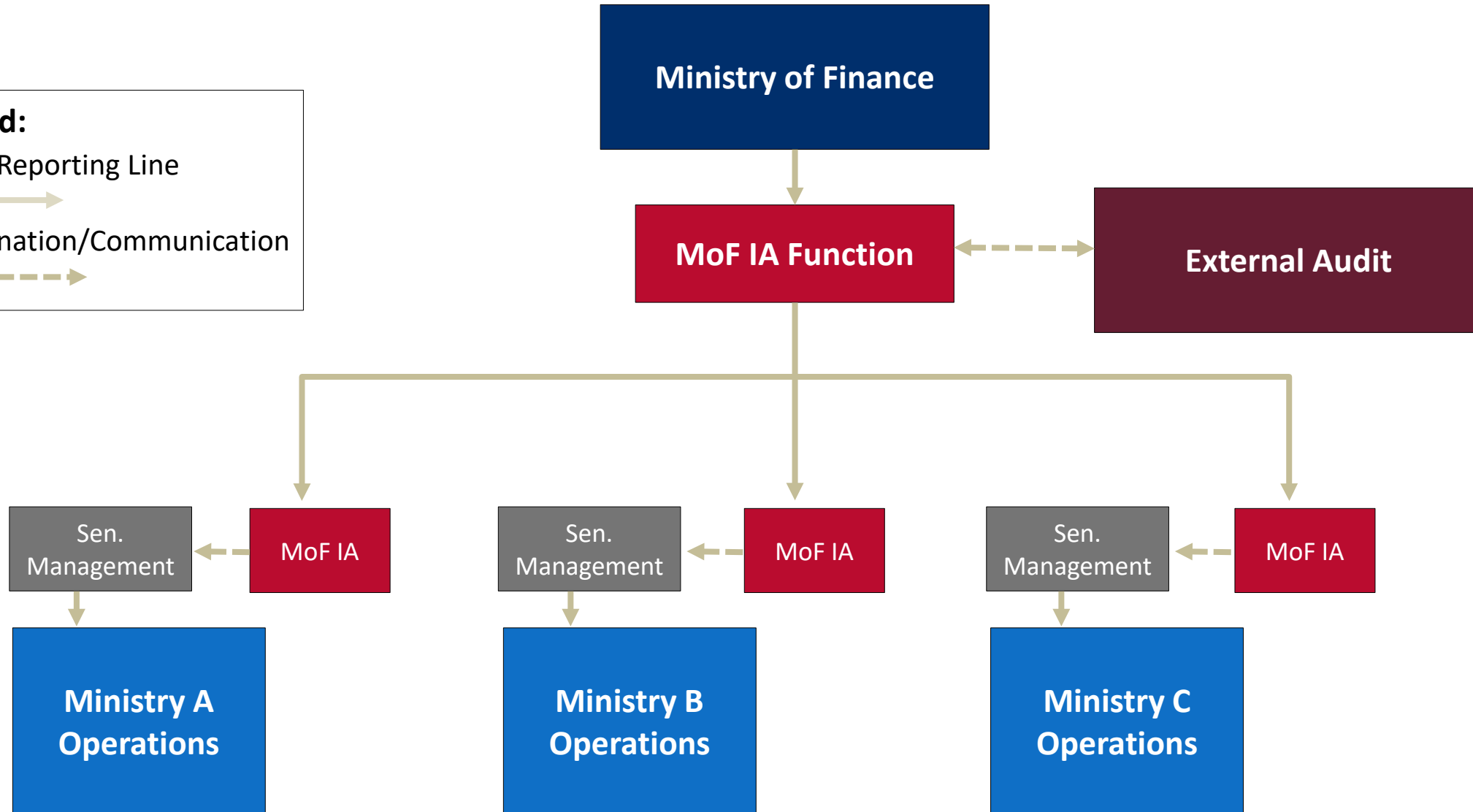
Assurance Activities

Minimum Activities

# Institutional Organization for Internal Audit

## *Centralized Approach: Control Under MOF*

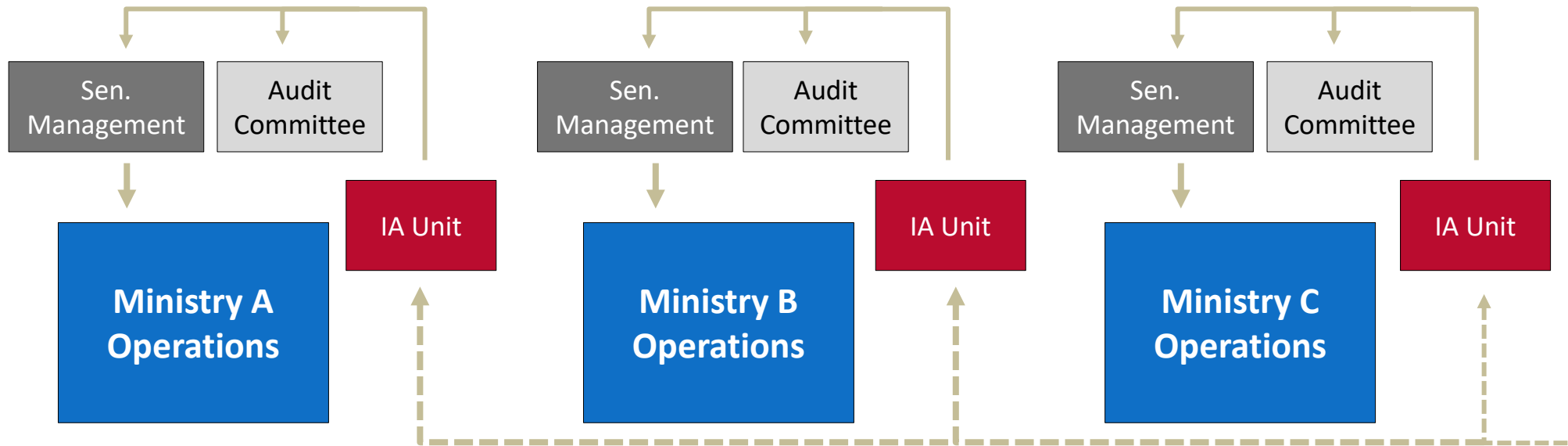
**Legend:**  
Direct Reporting Line  
→  
Coordination/Communication  
↔



# Institutional Organization for Internal Audit

## *Decentralized Approach*

**External Audit**



**Legend:**  
Direct Reporting Line   
Coordination/Communication 

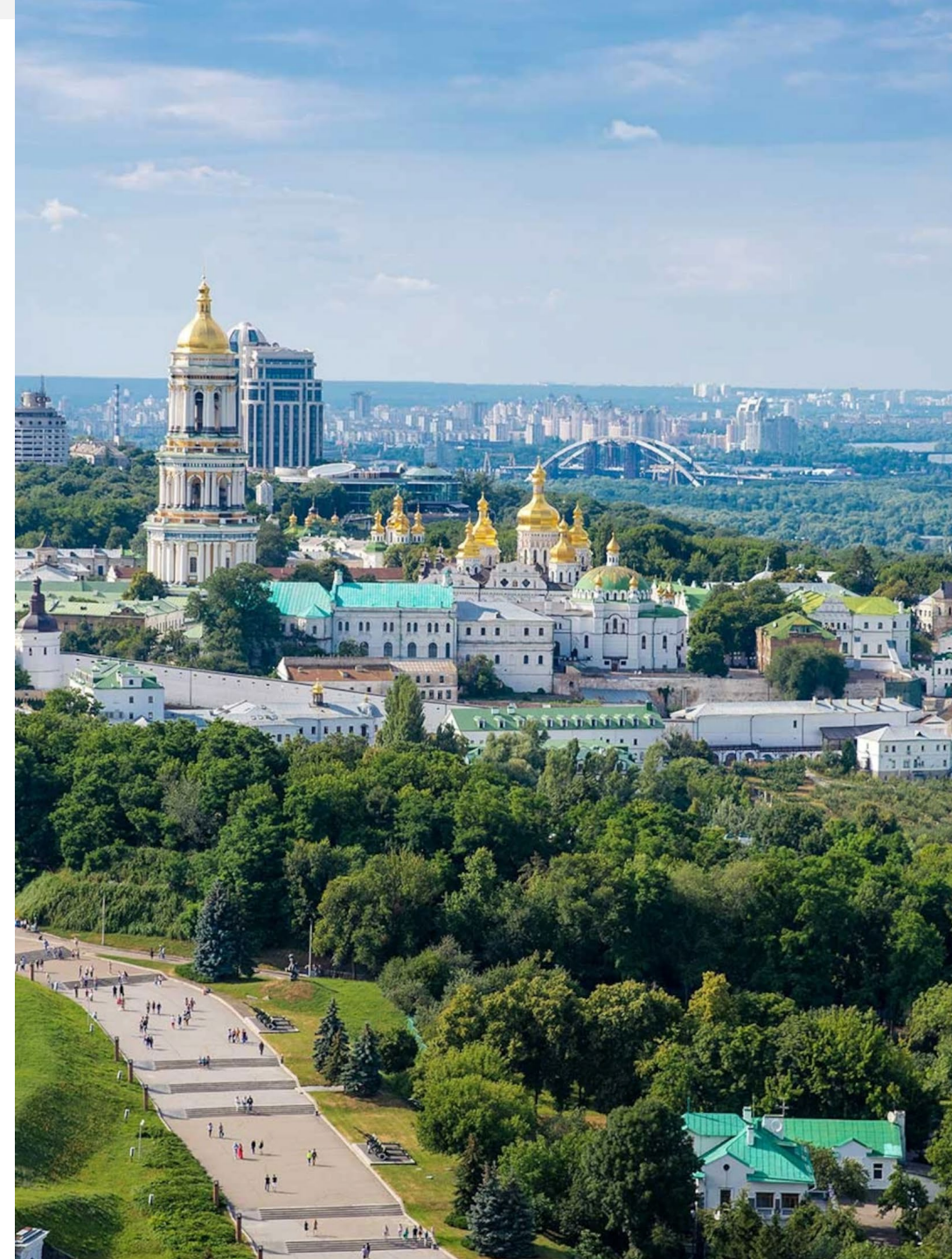


# Ukraine Case Study

## *State Owned Enterprise Reform Activity*

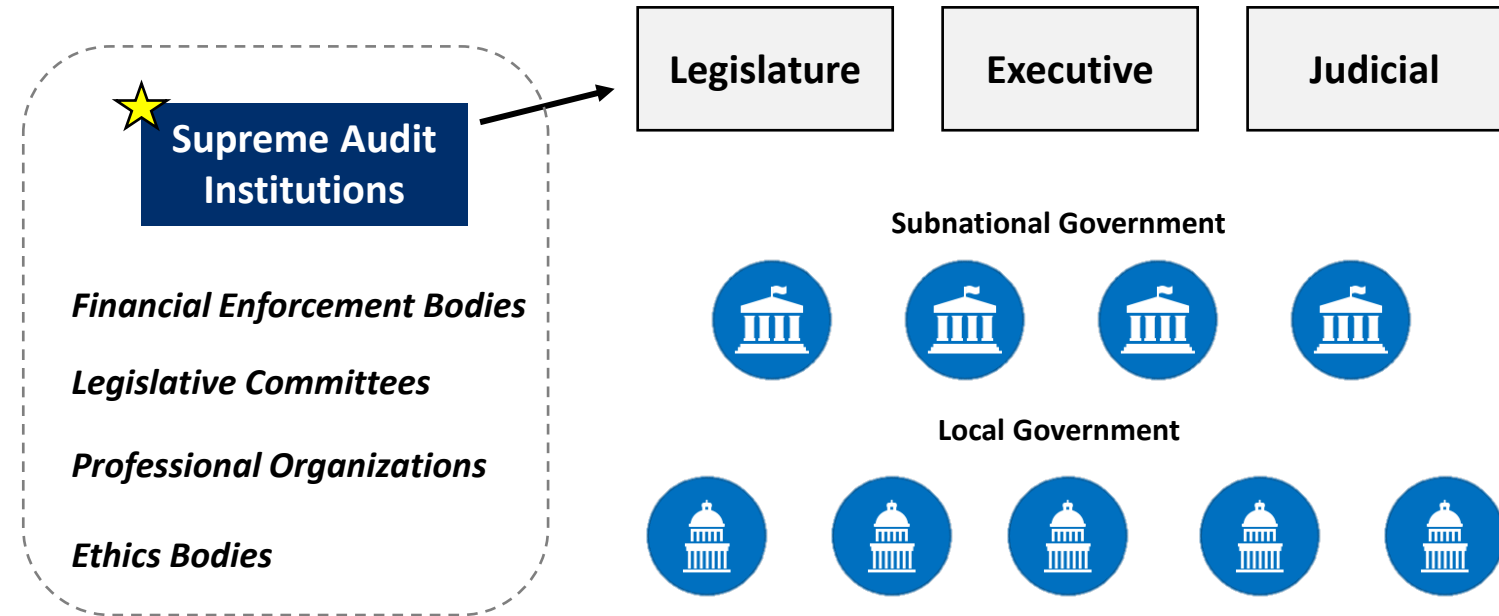
**Supporting leading practice in internal audit** is key to strengthening government internal controls and reducing opportunities for corruption as Ukraine receives substantial financial support from allies to repel Russian aggression. To this end, the State-Owned Enterprises Reform Activity (SOERA) team identified several areas where Ukraine's current IA capabilities can be improved, including **understaffing in many IA roles**, **limited independence** and **objectivity within IA units**, and **the absence of legislative mandates** and a **standardized framework for overseeing IA activities**. These challenges collectively hinder the ability of IA functions to provide comprehensive and efficient coverage and control.

To support Ukraine, SOERA is partnering with the Government of Ukraine to establish a clear roadmap with actionable steps for implementing recommendations to address these underlying challenges, aligned with EU standards. Once this implementation roadmap is developed in collaboration with the GOU, SOERA will continue to offer support for capacity building in IA, aiding in the execution of these recommendations.



# Organization

Several organizations are involved in providing oversight to the public sector



# External Audit

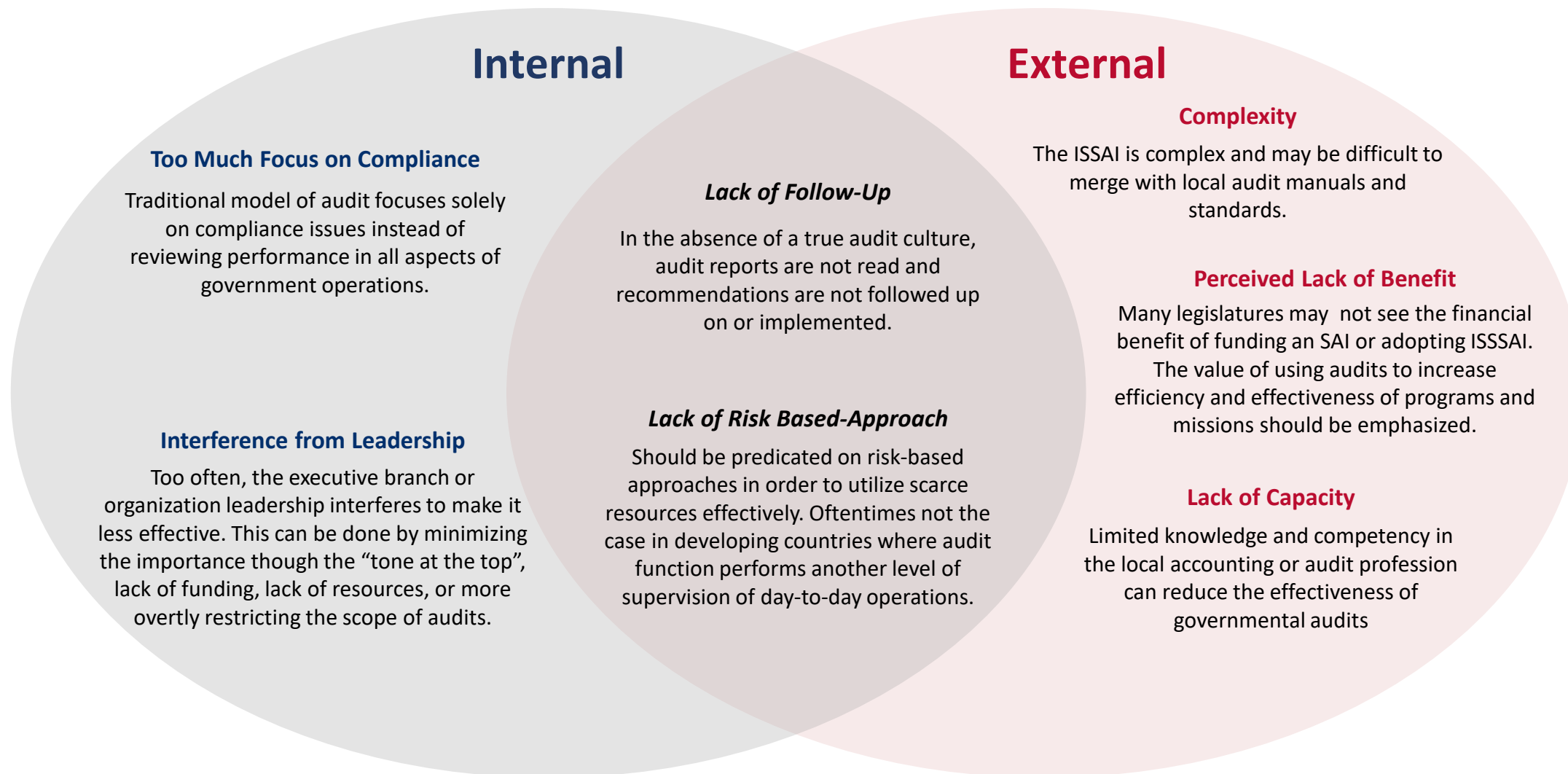
## What it is

Performed by professionals from a firm or governmental body **organizationally independent** of the organization under audit. In general, they **seek to foster financial transparency and accountability** and provide assurance in operations and financial reporting to the government oversight bodies.



External auditors can use evidence and reports obtained from the internal audit function to assist them in their audit work

# Common Audit Challenges





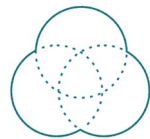


# Efforts to Promote FTA Outside of Government

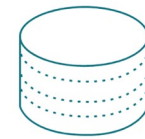
# Open Budget Survey

The world's **only** independent, comparative, and fact-based **research tool to measure essential aspects of governance and accountability** in the national budget process of 120 countries in three areas – public participation, oversight, and transparency.

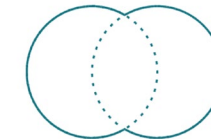
**142 questions** focused on the three pillars of the accountability system



Participation



Oversight



Transparency

## KEY TAKEAWAYS

**20%**

Since 2008, transparency scores have increased more than 20%

**31%**

Of countries provide sufficiently detailed information to understand how their budget addresses poverty

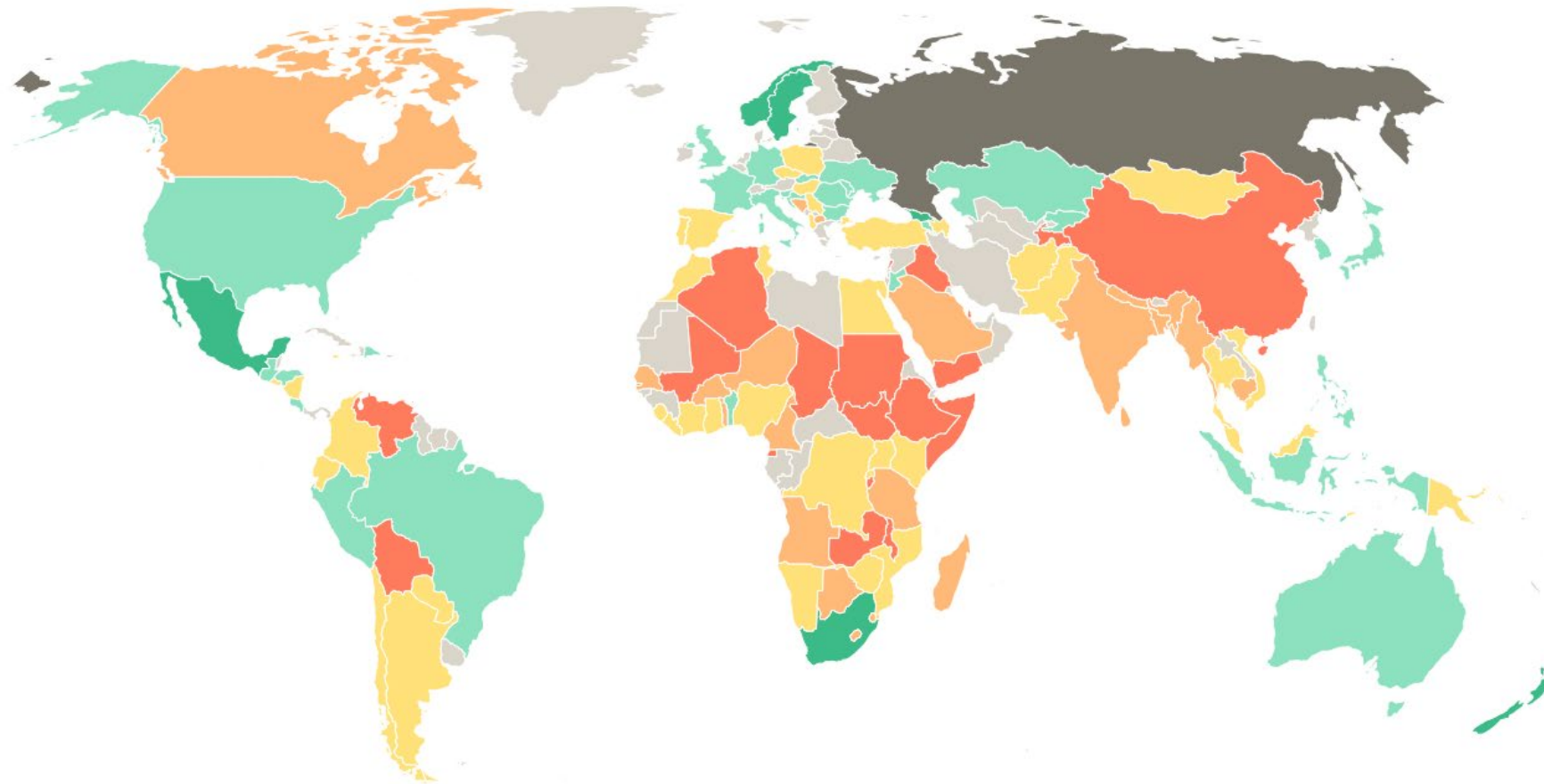
**14%**

Of governments present their expenditures by gender

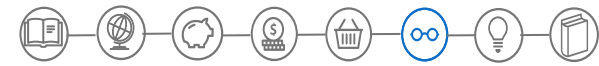
**8**

Only eight countries worldwide have formal channels to engage underserved communities in the budget process

# Open Budget Survey Results (2021)



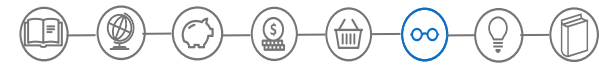
- Extensive Information Available (81-100)
- Substantial Information Available (61-80)
- Limited Information Available (41-60)
- Minimal Information Available (21-40)
- Scant or No Information Available (0-20)
- Not assessed in the survey



# How Open is the Budget in your Country?

1. Go to: <https://www.internationalbudget.org/open-budget-survey/country-results>
2. Select your country from the dropdown box.
3. Make note of the score in the three main categories:
  - Budget Transparency
  - Public Participation
  - Budget Oversight
4. See how your country compares to others in the region, and comparable countries.
5. How has it changed over time?
6. Check the specific recommendations to improve budget transparency in your country. Do you agree or disagree with the recommendations?

# FTA & COVID-19

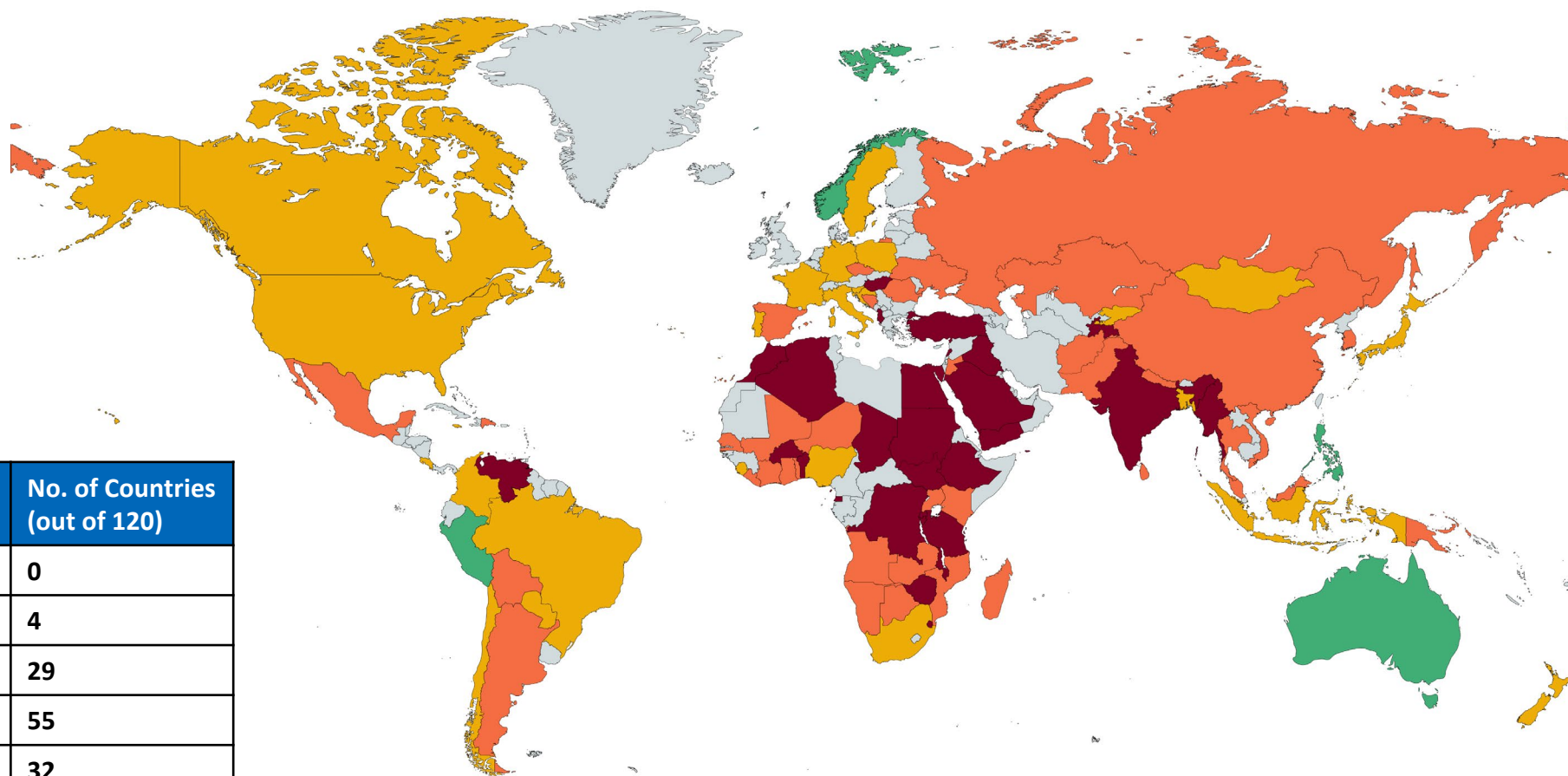


# How Open Were Governments with respect to COVID-19 funds?

“The sheer scale of the interventions needed to confront the health and economic consequences of the COVID-19 pandemic has challenged governments’ capacity to manage resources effectively and equitably in unprecedented ways. By the end of 2020, governments had already mobilized **\$14 trillion** in fiscal policy responses”

INTERNATIONAL BUDGET PARTNERSHIP  
COVID-19 Report

# How Accountable were Governments with respect to COVID-19 funds?



Level of Accountability	No. of Countries (out of 120)
Substantive	0
Adequate	4
Some	29
Limited	55
Minimal	32

Minimal
  Limited
  Some
  Adequate
  Substantial

International Budget Partnership, 'Managing COVID funds: The accountability gap', 2021.

# Lessons Learned with Early COVID-19 Fiscal Responses



**Lesson Learned #1:** Governments failed to adopt key measures to enhance accountability

## *Reporting on implementation*

Around **50%** of governments surveyed published little or no information on actual vs. planned spending and financing and performance

## *Procurement Transparency*

Most countries (almost **65%** surveyed) published very little information on the introduction and use of simplified pandemic-related procurement procedures, making it difficult to assess if governments were getting value for money in the purchase of medical equipment and other goods and services



**Lesson Learned #2:** The role of legislatures were limited

## *Executive Decrees*

In almost half of the countries assessed, governments introduced fiscal policy measures through executive decrees of different kinds, sidestepping the normal legislative approval process.

## *State of Emergencies*

A state of emergency was declared in about half of the countries surveyed during the pandemic.



**Lesson Learned #3:** Decision-making included very little or no input from the public, especially from those impacted by the crisis

## *Citizen Participation*

Citizen participation in the formulation and execution of COVID-19 policy responses was virtually non-existent, excluding the public from having a voice in the decisions on priority-setting during the pandemic, and depriving governments of contributions which could greatly improve the effectiveness of their actions



# Concluding Remarks



## Countries that Adopt FTA Perform Better

FTA should not be viewed as a cost, but rather as an **investment**. Studies have shown that strong FTA can lead to better credit ratings, better fiscal discipline, less corruption, declines in borrowing costs, and more FDI.



## Audits are valuable & serve different purposes

While internal audits help **improve an organization's operations**, external audits seek to **foster transparency and accountability**. External audits can build off internal ones.



## COVID-19 Reveals Challenges in Fiscal Accountability

Despite progress in fiscal transparency highlighted by initiatives like the **Open Budget Survey**, COVID-19 revealed some challenges, including an accountability gap and limited public participation. This underscores the urgent **need for improved measures in crisis fund management** for efficiency, equity, and accountability.



# Q&A Session

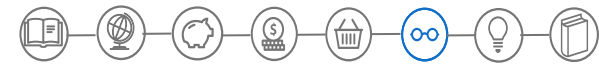
This is your time to ask any questions, seek clarifications, and share your thoughts. Feel free to ask anything!





# References

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2. [Country results | International Budget Partnership](#)
3. [Sierra Leone Good practice Brief \(internationalbudget.org\)](#)
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5. [internationalbudget.org/covid/wp-content/uploads/2021/05/Report\\_English-2.pdf](#)
6. [Pandemic Oversight - Home | Pandemic Oversight](#)
7. [Public Financial Management Primer, 2013-2018 | Leadership in Public Financial Management](#)



# End of Session 6



# BREAK



Time to step away, stretch, and grab a snack or drink. We'll resume shortly. Enjoy your break!





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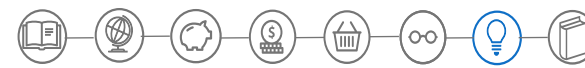
# Session 7

PFM Modernization and  
Reform Efforts



**ASAP II**





# Agenda

1 | Importance of PFM Reform

2 | Current Trends in PFM Reform

3 | Reform Challenges

4 | Lessons Learned

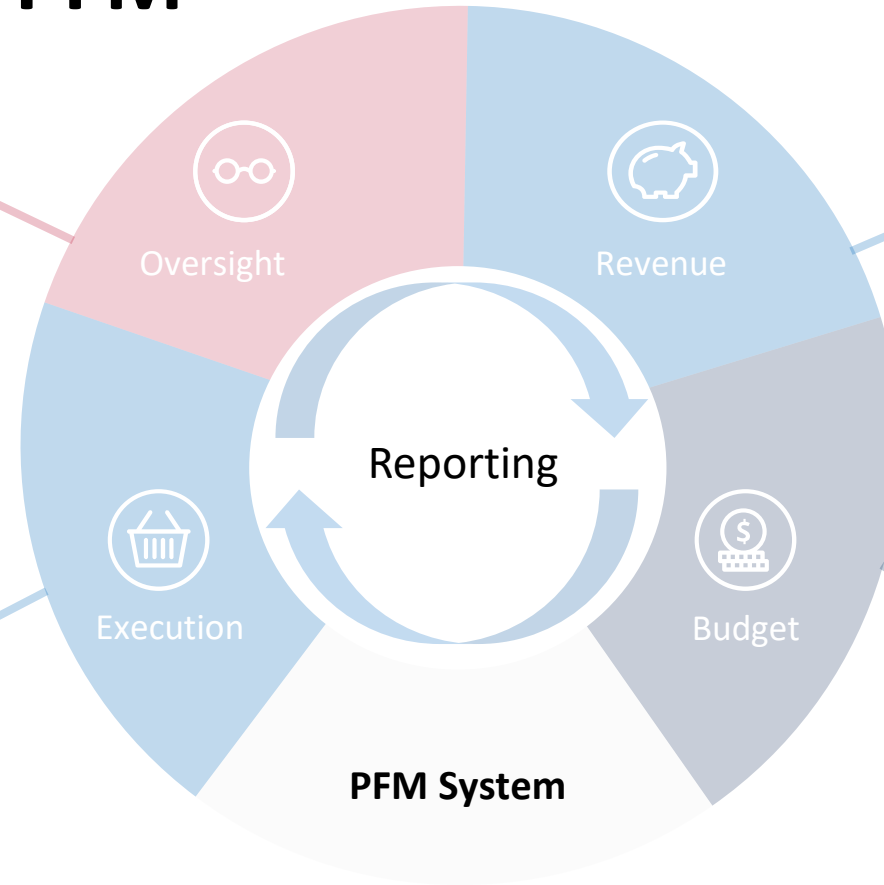
# Key Elements of PFM

**Control, Audit, Fiscal Transparency**

**Domestic Resource Mobilization**

**Budget Execution**

**Budget Planning & Preparation**







# Session Objectives

- ✓ Understand the critical role of PFM reform in enhancing governance and fiscal accountability.
- ✓ Become familiar with current PFM reform trends.
- ✓ Reflect on the challenges and valuable insights from past PFM reform experiences to inform future efforts.

# PFM Reform

## What it Is

PFM reform is the **systematic improvement of government financial processes**, targeting good governance, improved economic stability, effective public service delivery, and sustainable development.

## Why it's Important



It's vital for the **efficient allocation of resources**, enabling governments to deliver public services effectively, ultimately improving the well-being of citizens.



It plays a pivotal role in **maintaining economic stability** by preventing financial mismanagement, thereby bolstering a country's fiscal health.















It is essential to equip our financial systems to effectively **tackle the increasingly intricate and evolving challenges within the public sector**, ensuring resilience in the face of modern complexities.



# Global Trends in PFM Reform

# PFM Reform 1: e-Government and PFM

Electronic government (e-government) describes the systems by which information and communication technology are used to allow citizens, businesses and other government agencies to access state and federal government services online.

Revenue Tool	Example	Expenditure Tool	Example
<b>1. E-Filing</b> 	<ul style="list-style-type: none"> <li>The <a href="#">United States' Internal Revenue Service (IRS)</a> offers "IRS e-file." Taxpayers can electronically file various tax forms and returns through this system.</li> </ul>	<b>1. E-Government Procurement</b> 	<ul style="list-style-type: none"> <li>The <a href="#">Guatemalan Guatecompras system</a> was established to centralize procurement and enhance transparency.</li> </ul>
<b>2. E-Payment</b> 	<ul style="list-style-type: none"> <li>The <a href="#">Kenya Revenue Authority (KRA)</a> offers "i-Tax." It allows Kenyan taxpayers to make online payments for various taxes, including income tax and value-added tax (VAT).</li> </ul>	<b>2. E-Sourcing</b> 	<ul style="list-style-type: none"> <li><a href="#">SAP Ariba</a>, a method to identify, evaluate, and engage suppliers electronically used globally by Brazil, Japan, South Africa, Malaysia, Egypt, and others.</li> </ul>
<b>3. E-Registration for Taxation</b> 	<ul style="list-style-type: none"> <li>The <a href="#">Australian Taxation Office (ATO)</a> provides an online portal for businesses and individuals to register for an Australian Business Number (ABN) or a Tax File Number (TFN).</li> </ul>	<b>3. E-Tendering</b> 	<ul style="list-style-type: none"> <li><a href="#">EU Tenders Electronic Daily</a>, the electronic submission of bids or proposals by suppliers.</li> </ul>
<b>4. E-Communication</b> 	<ul style="list-style-type: none"> <li>The <a href="#">Canada Revenue Agency (CRA)</a> offers a secure digital service where taxpayers can send and receive messages related to their tax matters.</li> </ul>	<b>4. E-Registration of Government Suppliers</b> 	<ul style="list-style-type: none"> <li><a href="#">SAM.gov</a>, the online registration of suppliers to participate in government procurement.</li> </ul>
<b>5. E-Customs</b> 	<ul style="list-style-type: none"> <li>The <a href="#">Singapore Customs Authority</a> offers the <a href="#">TradeNet® system</a> for electronic customs declarations and trade-related permits.</li> </ul>	<b>5. E-Invoicing for Government Suppliers</b> 	<ul style="list-style-type: none"> <li><a href="#">Tradeshift</a>, an electronic invoicing for suppliers to submit bills. Nigeria, Canada, Morocco, India, South Korea, France, and more utilize this platform.</li> </ul>
<b>6. Mobile Payments</b> 	<ul style="list-style-type: none"> <li><a href="#">Remita</a> is a widely-used e-payment platform in Nigeria, facilitating electronic tax and fee collections by government agencies from citizens and businesses.</li> </ul>	<b>6. E-Payment</b> 	<ul style="list-style-type: none"> <li><a href="#">Government e-Payment Gateway</a>, an electronic payment system for government expenditures used by countries like Uganda, Estonia, Tanzania, United States, Australia, and others.</li> </ul>

# e-Government Development Index (EGDI)

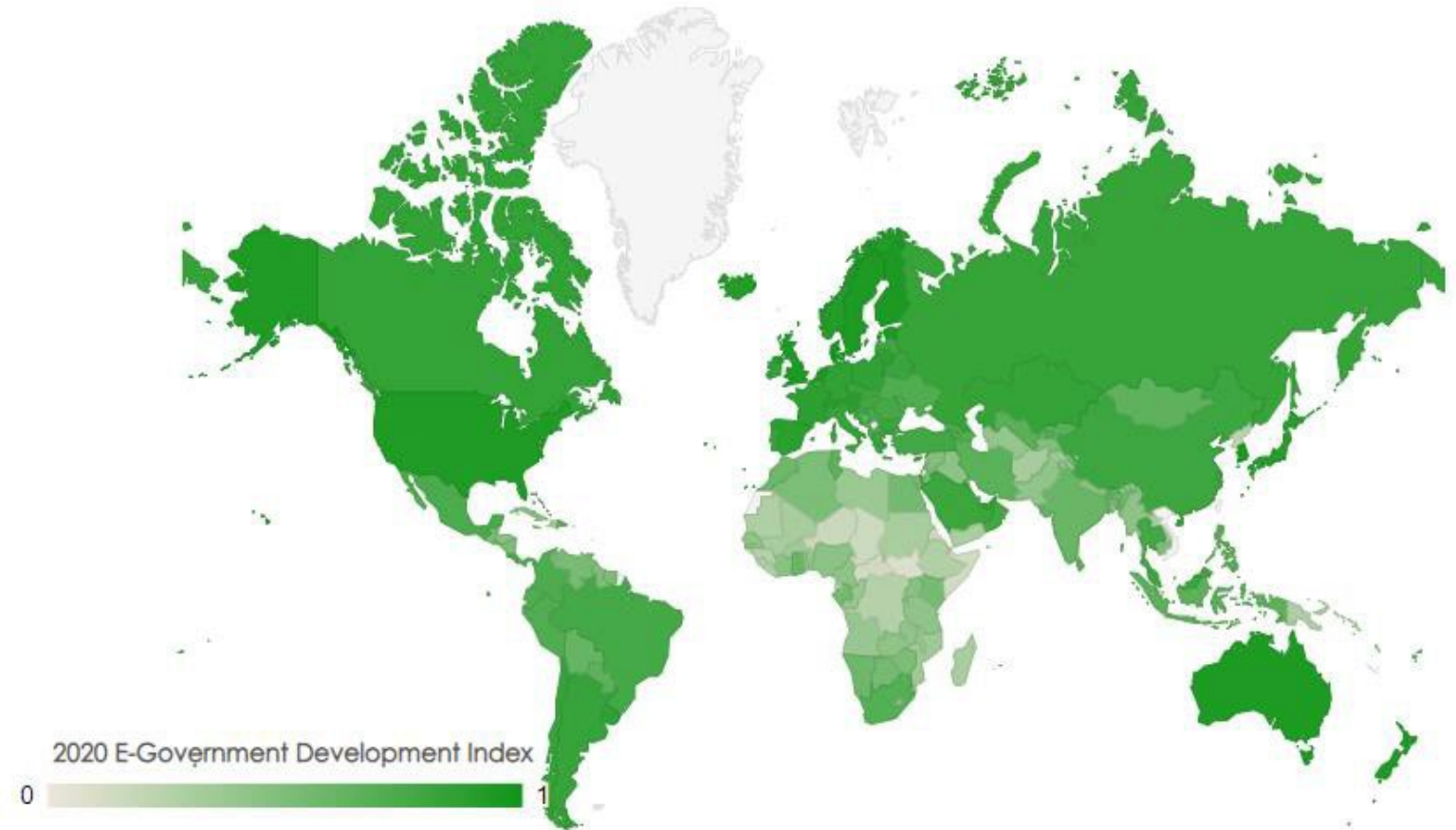
The e-Government Development Index (EGDI) presents the state of e- government development of the United Nations Member States.

✓ Along with an assessment of the website development patterns in a country, the EGDI incorporates the access characteristics, such as the infrastructure and educational levels, to reflect how a country is using information technologies to promote access and inclusion of its people.

✓ The EGDI is a composite measure of three important dimensions of e-government:

- **Provision of online services**
- **Telecommunication connectivity**
- **Human capacity**

✓ The EGDI which has been published since 2003 indicates a **rising global trend in e-government development**, with increased adoption of e-government services. The index has been continuously evolving since its inception.



Source: UN' EGDI

# Mobile Payment Example in Liberia



## USAID's Revenue Generation for Governance and Growth (RG3)

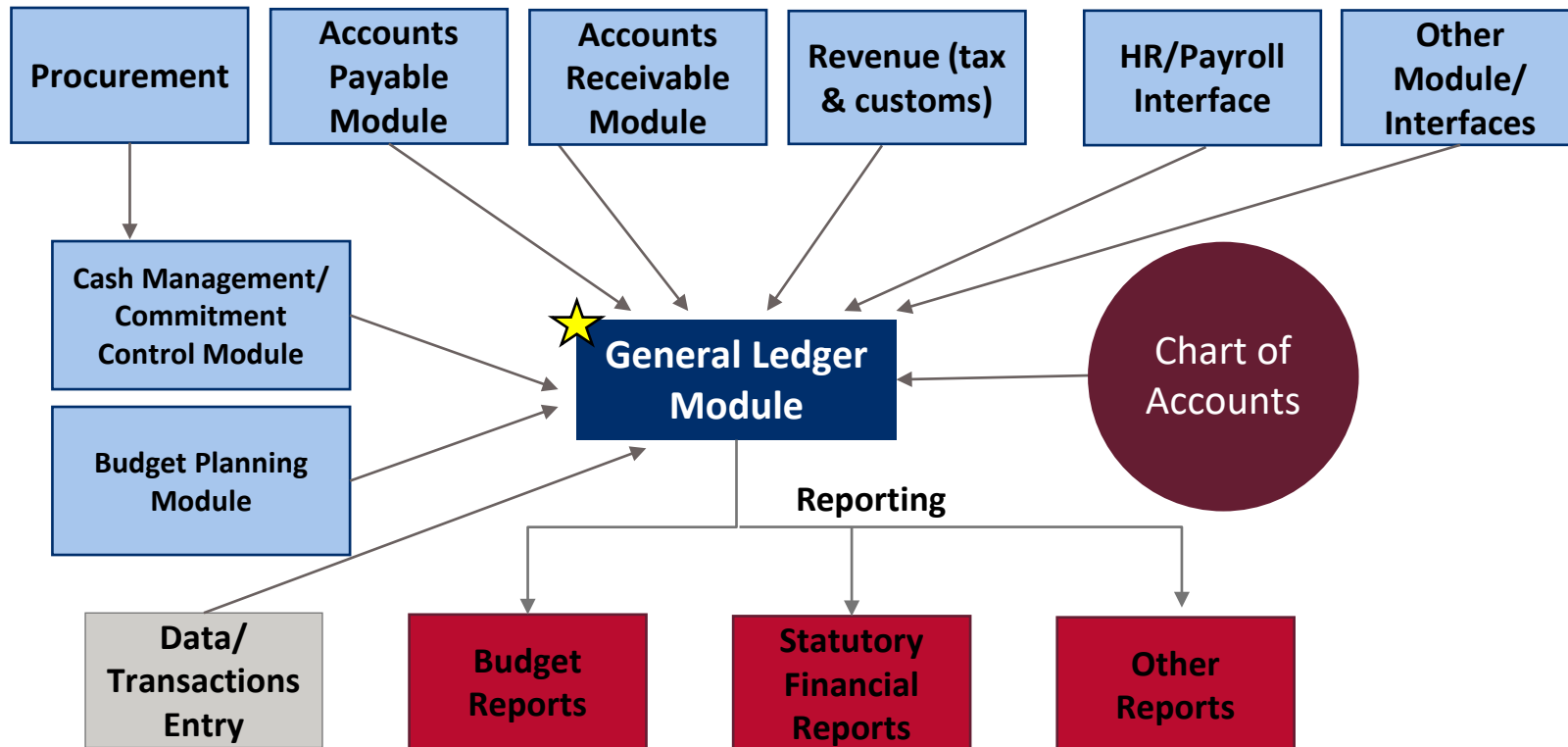
In 2018, RG3 helped Liberia's Tax Administration (LRA) design a **M-payment solution for tax and non-tax payments** and successfully piloted in 5 agencies. It expanded to 8 additional agencies, covering a total of more than 50 fees charged by various government agencies, making it a **comprehensive tool for financial transactions** across the Liberian government. The fees included a range of government-related payments such as license and permit fees, customs and import duties, service charges, and administrative fees.

The adoption of M-payments **resulted in** faster certification processes, reduced administration costs, reduced opportunity for fraud and corruption, and **full remittance of revenues generated** to the Ministry of Finance and Development Planning's (MFDP) Central Bank of Liberia Accounts. It assisted in collecting fees outside Monrovia where banking services are far less developed. This adoption resulted in **71,320 mobile transactions over 4 years** and **US \$14.37 million in revenue generated**.



# PFM Reform 2: Financial Management Information System (FMIS)

FMIS is a powerful tool for supporting real-time, meaningful financial reporting. Reporting is essential throughout the PFM cycle as it provides valuable data to all stakeholders, including the public, and is a fundamental tool for managers and policymakers.



## A Comprehensive FMIS will:

**Provide** timely, accurate, and consistent data for management and budget decision-making

**Support** government-wide as well as agency level policy decisions

**Integrate** budget preparation and budget execution data, allowing greater financial control and reducing opportunities for discretion in the use of public funds

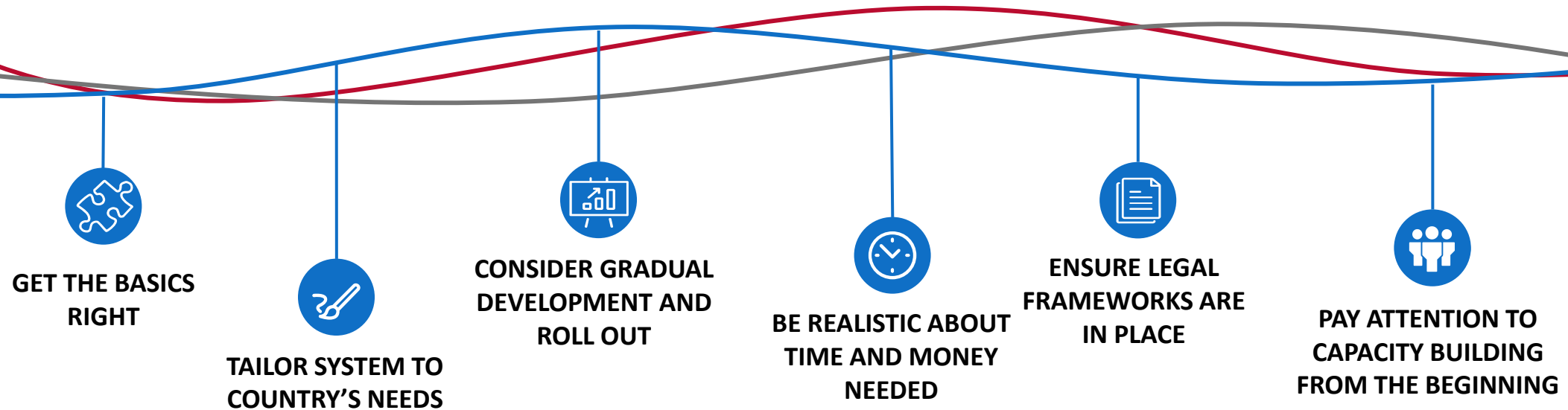
**Provide** information for budget planning, analysis, and government wide reporting

**Facilitate** financial statement preparation

**Provide** a complete audit trail

# Considerations for Tackling a FMIS Project

While implementation of an FMIS is an accepted leading practice, many countries have struggled to implement a well-functioning system.



**Phasing the implementation of an FMIS has proven to be a successful approach whereby a country can break-up implementation into different user groups and gradually increase the complexity of the system as financial and human resources allow.**



# PFM Reform 3: Use of Local Systems



The **Paris Declaration on Aid Effectiveness**, signed in 2005, underlines the commitment to using and strengthening government systems.



Emphasizes principles like "Country Ownership," encouraging partner countries to lead in developing and implementing their development strategies, including **using their own systems**.

## Benefits of Using Local Systems



**Efficiency:** Local systems are often better equipped to handle the intricacies of local financial management.



**Sustainability:** Strengthening local systems contributes to the long-term sustainability of reforms.



**Alignment:** Aligning with local systems ensures that reform efforts are closely tied to the country's development agenda.

## Government-to-Government (G2G) Collaboration

- G2G involves working **directly with in-country government entities and organizations** to build capacity and strengthen their systems.
- Utilizes another key principle: "Alignment with Country Systems" which stresses the importance of **donors aligning their support with the recipient country's priorities and processes and systems**.

# PFM Reform 4: Climate and PFM

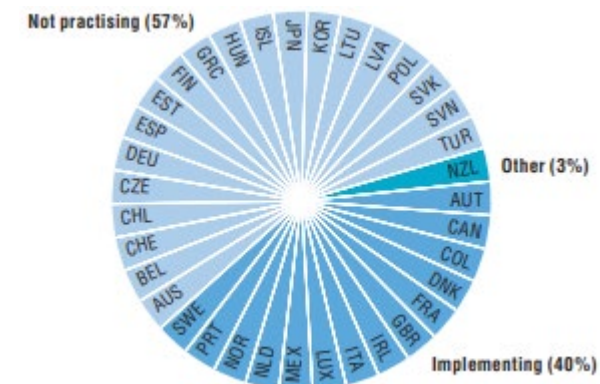
In 2012, the Economic Co-operation and Development (OECD) launched the Paris Collaborative on Green Budgeting, aiming to design new and innovative tools to assess and drive improvements in the alignment of national expenditure and revenue processes with climate, biodiversity, and other environmental goals.

## Types of Interventions

<h1>1</h1> <p><b>Evaluations of Environmental Impacts of Policies</b> (Budgetary and Fiscal)</p> <p>Plus an assessment of their alignment for achieving climate commitments</p> <p><b>Example</b> Environmental impact assessments and green perspective spending reviews</p>	<h1>2</h1> <p><b>Incorporation of Environmental and Climate Objectives</b> (into National Budget Documents)</p> <p><b>Example</b> Integrate environmental and climate goals into performance objectives and targets through green budget tagging and a green perspective</p>	<h1>3</h1> <p><b>Reporting on Cross-National Benchmarking of Climate Indicators</b></p> <p><b>Example</b> Publishing Green Budget Statements or a Citizen's Green Budget document</p>	<h1>4</h1> <p><b>Leveraging Data to inform Creation of Coherent Environmental and Climate Policy</b></p> <p><b>Example</b> Ecosystem services that put a price on environmental externalities through taxes and emissions trading systems</p>
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## Green Budgeting in Action

- In 2019, at least 120 of 153 developing countries had undertaken activities to formulate and implement national adaptation plans (NAPs) to combat the effects of climate change.
- In 2020, 14 out of 35 OECD countries (40%) reported practicing green budgeting according to the Joint Survey on Emerging Green Budget Practices.





# PEFA Climate Framework

PEFA developed and launched a specialized framework in 2020 known as the "PEFA Climate Framework" to assess and enhance the alignment of public financial management systems with climate-related objectives.







The PEFA Climate Framework was introduced *in response to the growing recognition of climate change* as a critical global challenge. It acknowledges the need for **governments to integrate climate considerations into their budgeting and financial management processes.**

## Objectives

-  To provide countries with a comprehensive tool for evaluating their capacity to manage climate-related expenditures effectively and transparently
-  To assist governments in directing financial resources towards climate adaptation and mitigation efforts

## Key Elements

-  Budgeting and allocation of climate-related funds
-  Monitoring and reporting mechanisms for climate expenditures
-  Transparency and public participation in climate budgeting
-  Integration of climate goals into budgetary decision-making

# PFM Reform 5: Assessing PFM system's Disaster Response

Coming out of the COVID-19 pandemic, enhancing the resilience of PFM systems has emerged as a critical theme. Evaluating the disaster response capabilities of these systems is paramount in building a more resilient future.

## Post-Disaster Financial Management Review and Engagement Framework (PD-PFM Review) - 2019



**Objective:** To help countries **assess the capability of their PFM systems to respond to natural disasters** by measuring the extent to which disaster-response considerations are integrated into key PFM functions and activities.

**Focus:** Integrates 4 key elements of PFM – legal and institutional foundations, budget appropriations arrangements, financial management controls, and procurement arrangements.

**Participating Countries:** The PD-PFM Review was developed and tested as part of a program to support resilience in selected Caribbean countries: Antigua and Barbuda, Belize, Dominica, Grenada, Guyana, Jamaica, St. Lucia, St. Vincent and the Grenadines, and Suriname.

**Assessment Strategy:** The PD-PFM Review assessed the **degree of integration of disaster response considerations** into key PFM functions, categorized as low, basic, moderate, advanced, or fully integrated.

# Survey Questions

- ① Is your government undertaking a PFM Reform Effort? Yes/No
- ② If yes, what PFM Reform efforts are underway? (Indicate below)

PFM Reform Area	
1. e-Government	
2. FMIS	
3. Use of Local Systems	
4. Green Budgeting (or other Climate-related initiatives)	
5. PFM system Disaster Response Assessment	
6. Other	



At the top of your screen click **View Options** and then **Annotate**

# Approaches to Sequencing PFM Reforms

Sequencing PFM reforms involves strategically planning and implementing reforms in a systematic order to maximize their effectiveness in improving budgetary and financial processes within governments. Effective sequencing is crucial as most countries can't simultaneously address all recommended reforms.



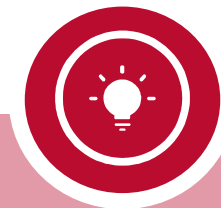
## BASICS FIRST APPROACH

- ✓ **Focuses on implementing basic laws, policies, and practices** for good PFM, such as governments being able to properly account for cash, before introducing more sophisticated PFM practices, such as accounting for accruals.
- ✓ This approach is particularly **appropriate for governments whose technical or political capacities are weaker**.
- ✓ It does not, however, facilitate progression to more complex reforms, and tends to add to the duration of development assistance.



## PLATFORM APPROACH

- ✓ **Proposes** that PFM reforms be **implemented as a package** rather than emphasizing individual measures.
- ✓ **Each platform is defined by improved outcomes** and is used as a “step” towards the next package, or platform, of reforms.
- ✓ Proponents of the platform approach suggest that it provides a **more comprehensive concept** allowing for more sustainable development of PFM systems when compared to the basics first approach.

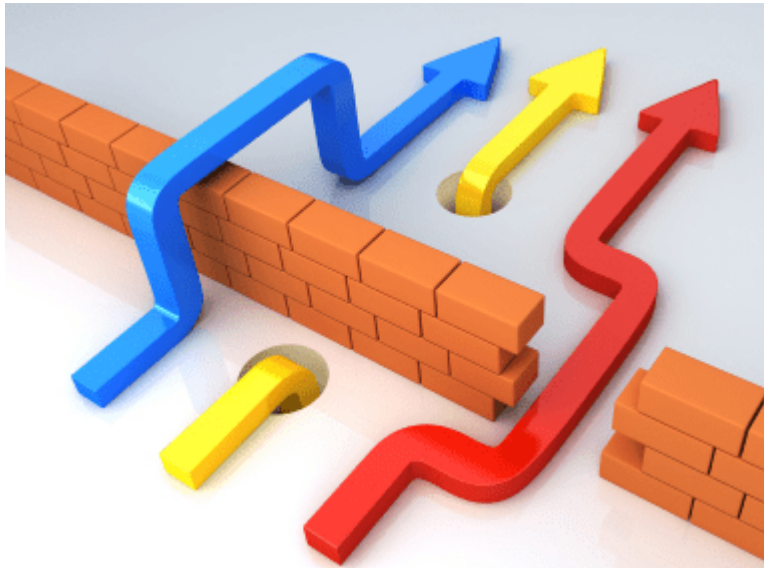


## EVOLUTIONARY APPROACH

- ✓ **Emphasizes a complete systems approach** within each platform, rather than the general approaches in the platform strategy that include actions toward multiple sub-systems in each platform.
- ✓ Includes **3 successive reform sequences**:
  1. Transaction platform
  2. Policy/performance platform
  3. Legislative oversight platform

# Challenges to PFM Reform

Barriers to PFM reform can hinder progress towards achieving more efficient and transparent financial management systems. Recognizing and addressing these challenges is crucial for successful reform efforts.



## Political Resistance

PFM reforms often involve changes in power dynamics and can face resistance from political stakeholders.



## Lack of Capacity

Insufficient technical expertise and capacity within government agencies can impede reform implementation. This includes challenges in financial planning, budgeting, and monitoring and evaluation.



## Corruption and Accountability Issues

Weak internal controls, corruption, and lack of accountability can undermine the effectiveness of PFM reforms.



## Fiscal Constraints

Limited financial resources can pose challenges to implementing comprehensive PFM reforms. Budget constraints may lead to prioritizing short-term needs over long-term reform efforts.



## Resistance to Technological Adoption

Embracing modern technology for PFM improvements may face resistance due to concerns about data security, privacy, and the cost of technology adoption.



## Public Opposition

Reforms that impact public services or fiscal policies can face opposition from citizens who may not fully understand the benefits of the changes.

# Lessons Learned on PFM Reform

1

PFM reform efforts can take years to see visible impact (i.e., Tax Reform), but much of that depends on country-specific characteristics (e.g., political economy). In the short to medium term, reform efforts that take advantage of low-hanging fruit can help incentivize staff and build momentum based on a track-record of success.

2

Reform efforts primarily driven by **technological enhancements, do not precede capacities** (people) or **processes** in importance.

3

**Citizens provide strong mandates for reform** through elections; however, citizens' demands may play a limited role in driving PFM reforms, even in countries with relatively active civil society organizations.

4

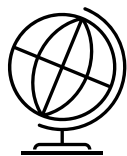
Effective PFM reform is **tailored to the partner country's context**, prioritized based on local needs, implemented incrementally, and **driven by the country** itself rather than by development partners.

5

**Reform does not have to be perfect**, it just has to be better than what would have been had no action been taken. The approach can be refined during implementation.



# Concluding Remarks



## Significance of PFM Reform

**PFM reform is vital** for efficient resource allocation, enabling effective public service delivery, ensuring economic stability, and equipping financial systems to tackle modern challenges.



## Strategic Insights from Global PFM Reforms

The experiences of PFM reforms worldwide underscore the **significance of embracing an integrated approach** that incorporates change management elements, utilizing local systems, emphasizing the importance of reform, and addressing challenges.



## Lessons Learned: Guiding PFM Reforms for Success

Lessons learned from PFM reform efforts highlight the importance of context, gradual implementation, and country-driven strategies. While results may take time, **even imperfect reforms can pave the way for positive change**, ultimately benefiting both governments and citizens alike.



# Q&A Session

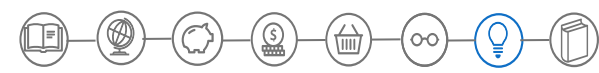
This is your time to ask any questions, seek clarifications, and share your thoughts. Feel free to ask anything!





# References

1. [Public Financial Management Primer, 2013-2018 | Leadership in Public Financial Management](#)
2. [PEFA Climate Framework \(2020\)](#)
3. [Reflections on Two Decades of Public Financial Management Reforms](#)
4. [Revenue Generation for Governance and Growth \(RG3\)](#)
5. [Green budgeting – OECD iLibrary](#)
6. [Disaster Response: A Public Financial Management Review Toolkit](#)
7. [World Bank – Managing Change in PFM System Reforms \(2015\)](#)



# End of Session 7





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# Session 8

Course Closure



**ASAP II**



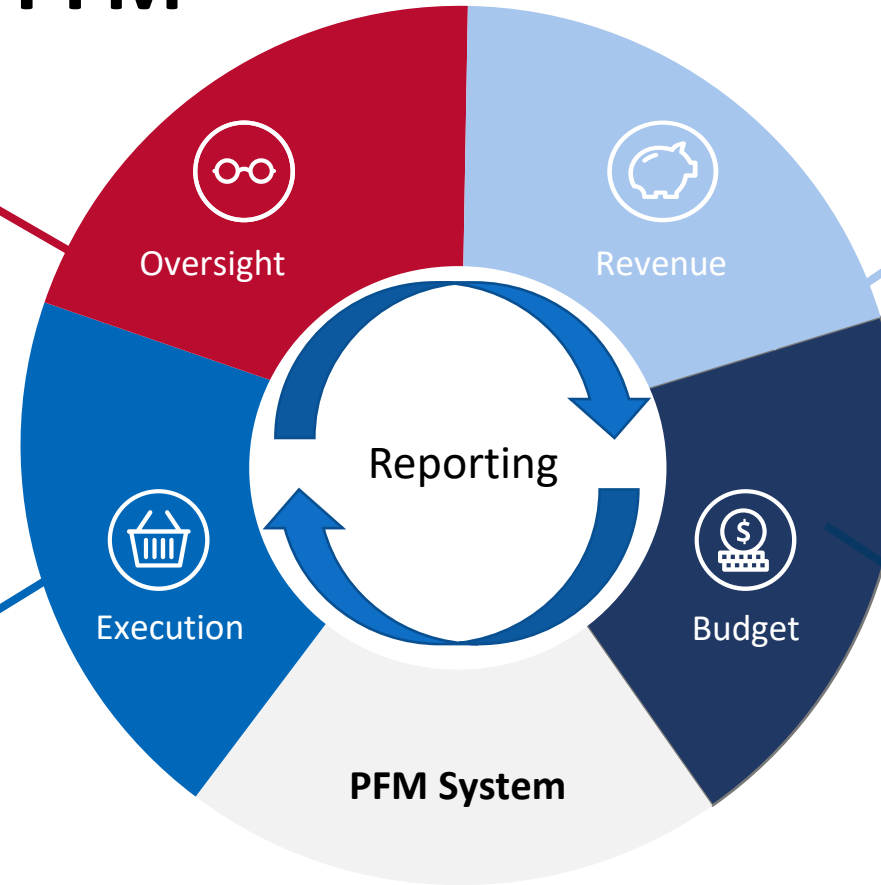
# Key Elements of PFM

## Control, Audit, Fiscal Transparency

- Sufficient internal control environment reduces the risk of fraud, waste, and abuse
- External scrutiny of governmental regulatory compliance, operational effectiveness, and financial accuracy increases accountability
- Public disclosure of governmental information and data promotes transparency and accountability to citizens

## Budget Execution

- Agile and effective procurement supports efficient resource utilization and provision of needed goods, services, and investments
- Effective cash management enables seamless operations and ensures sufficient cash-on-hand to meet government's obligations
- Accurate accounting of financial transactions forms the basis of financial reports and improves decision-making

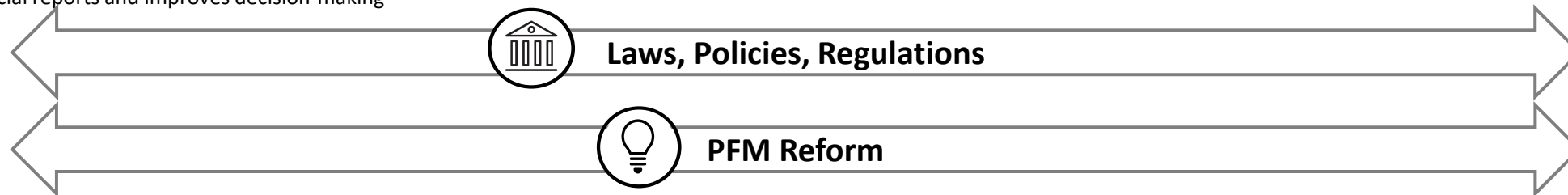


## Domestic Resource Mobilization

- Modern and simple tax codes and laws empower tax authorities to improve collection practices
- Fiscal decentralization enables sub-national governments to diversify sources of income
- Efficient and effective DRM practices allow governments to fund poverty reduction and public services

## Budget Planning & Preparation

- Budgeting links high-level government strategic and/or sectoral priorities with fiscal policy and resources
- Sound budget preparation relies on a credible medium-term fiscal framework
- Modern budget practices include considerations on performance and targeting of resources



# Recap of Training



## Overview of PFM & Fiscal Policy

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- PFM is a system that includes all components of a country's budget process
- Ministries of Finance are key players, but PFM includes a variety of stakeholders
- PFM systems should be credible, comprehensive, policy-based, predictable, accounting, external scrutiny



## Efficient Domestic Resource Mobilization

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- Process through which countries raise and spend their own funds
- Includes tax and non-tax revenue
- Should generate sufficient revenue to cover resource needs, be simple, introduce limited distortions, be stable, and equitable



## The Budget as a Strategic Policy Tool

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- Budget cycle includes Budget preparation, budget approval, budget execution, budget oversight (repeat)
- Common types of budgeting include Line-based, Program, Performance, Zero-based



## Providing Goods & Services through Budget Execution

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- Budget execution involves establishing budget plans and strategies to implement government policies such as procuring goods, services, and works.
- Procurement Process: Requisition request, Bid solicitation, Bid evaluation, Contract negotiation, Contract management, Verification



## Audit, Fiscal Transparency & Accountability

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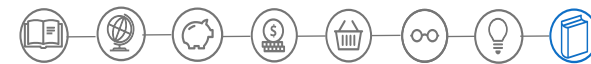
- FTA in public finances is one of the main prerequisites for better macroeconomic and fiscal stability
- Both Internal and External Audit functions are critical for promoting regulatory compliance, operational effectiveness, and financial accuracy



## PFM Modernization & Reform

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- PFM reform is the systematic improvement of government financial processes, vital for good governance, economic stability, effective public service delivery, and sustainable development.
- Recent reforms include e-gov't, climate, use of local systems among others



# PFM Resources

- [USAID Public Financial Management Primer, 2018](#) provides an introductory but comprehensive guide to basic PFM concepts and components.
- [The International Consortium on Government Financial Management \(ICGFM\)](#) is a non-profit professional association that provides training and provides a platform for research, learning, and collaboration in the field of PFM.
- [Government Finance Statistics Manual \(GFSM\)](#), 2014, the international standard for compiling and disseminating government finance statistics, including for publication in the IMF GFS Yearbook.
- [Public Investment Management Assessment \(PIMA\)](#) instrument, IMF tool which evaluates 15 institutions that shape decision-making at the three key stages of the public investment cycle: planning sustainable investment across the public sector; allocating investment to the right sectors and projects; and implementing projects on time and on budget.
- [Public Expenditure and Financial Accountability \(PEFA\)](#) (jointly with other partners), a tool that helps governments assess public financial management (PFM) practices.
- [Tax Administration Diagnostic Assessment Tool \(TADAT\)](#) (jointly with other partners), which is designed to provide an objective assessment of the health of key components of a country's system of tax administration.
- [Public Financial Management Risk Assessment Framework \(PFMRAF\)](#), Part of USAID's ADS Chapter 220, designed to assess not only the PFM environment of the partner country government but also governance and public accountability factors, including legal and regulatory matters, political will for non-corruption, transparent, accountable and effective governance.
- International Budget Partnership's [Guide to Transparency in Government Budget Reports](#) (Open Budget Survey)
- [G20 Anti-corruption Open Data Principles \(2014\)](#) which form the foundation for access to, release and use of open government data to strengthen the fight against corruption. The Principles recognize that open data provides a platform to help expand social participation and enhance co-responsibility in areas such as public procurement, political financing standards, and fiscal and budget transparency.
- [G20 Guiding Principles on Integrity in Public Procurement \(2015\)](#) which note that public procurement represents a large share of G20 countries' economies - 13% of GDP on average – and that financial management controls and other safeguards are necessary to ensure integrity and value-for-money.
- [Governance for Development | World Bank Blogs](#), part of the World Bank Blogs site which provides articles and thought pieces on a variety of PFM topics including institution building, anti-corruption, procurement, eGovernment, taxation, and fiscal policy.
- [IMF PFM BLOG](#), founded in 2008 to create a platform for sharing expertise and experience on PFM and related topics, highlight new research and trends in the PFM field.





**What have you learned during this training that you can take back to your own countries?**

*Share your thoughts in the chat*

# Closing Remarks

# ASAPI II

ACCELERATING SUPPORT TO ADVANCED LOCAL PARTNERS II

— Thank you for your time.

*This publication is made possible by the support of the American people through the United States Agency for International Development (USAID) and the President's Emergency Plan for AIDS Relief (PEPFAR). The contents are the sole responsibility of IntraHealth International and do not necessarily reflect the views of USAID or the United States Government.*

