

GLOBAL TRENDS IN PUBLIC FINANCIAL MANAGEMENT



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ICAS Annual Day Seminar

New Delhi, India: March 1, 2016

Views and errors are mine alone

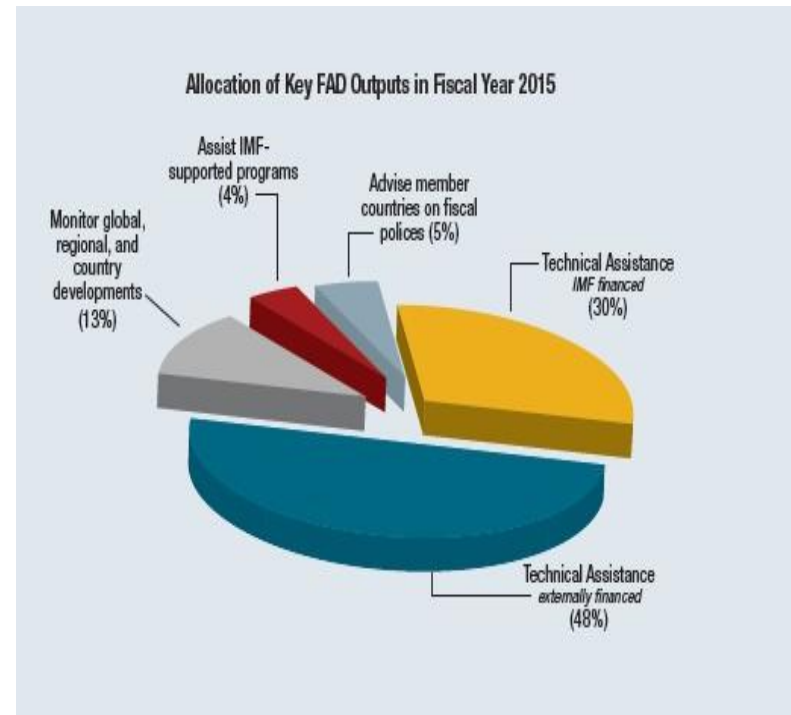
Overview

- About FAD
- Budget institutions for credible fiscal management
- Trends: G20 and global
- Implications for India

About FAD

An Overview of FAD: What We Do

- Monitor and analyze global and regional fiscal trends
- Research, policy development, technical notes
- Advise our members on fiscal issues
 - Demand-driven technical assistance, to about 130 countries each year
 - In close cooperation with the IMF country teams
- Help design and implement IMF-supported programs

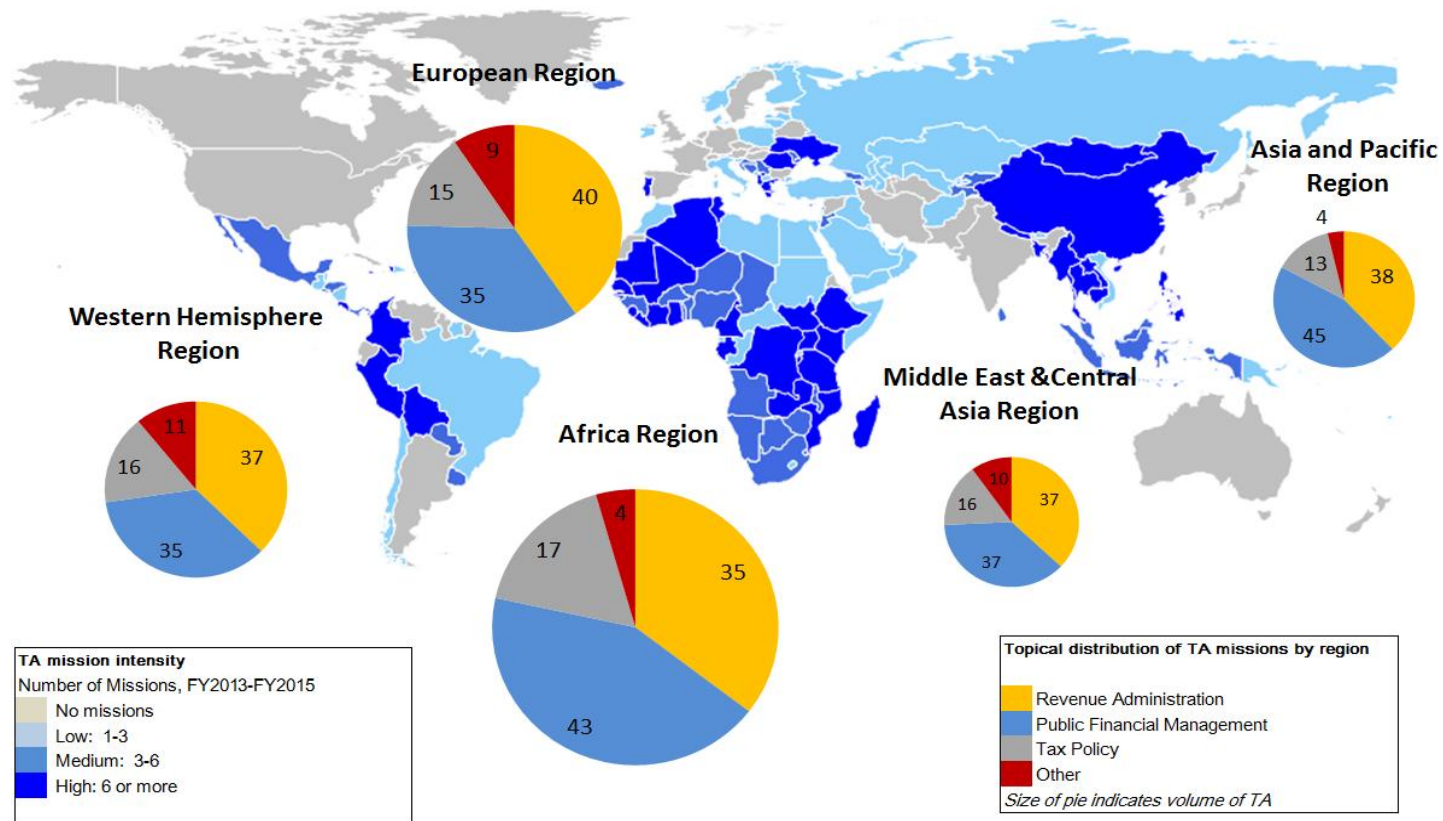


FAD Technical Assistance

- Demand-driven
- Key fiscal TA areas:
 - Public financial management (PFM): 40 HQ staff, 39 field-based
 - Expenditure policy; Tax policy and administration
 - Other, e.g. fiscal decentralization...
- Modalities:
 - HQ missions, long- and short-term experts
 - Regional centers, next expected New Delhi
- Rigorous supervision and quality control

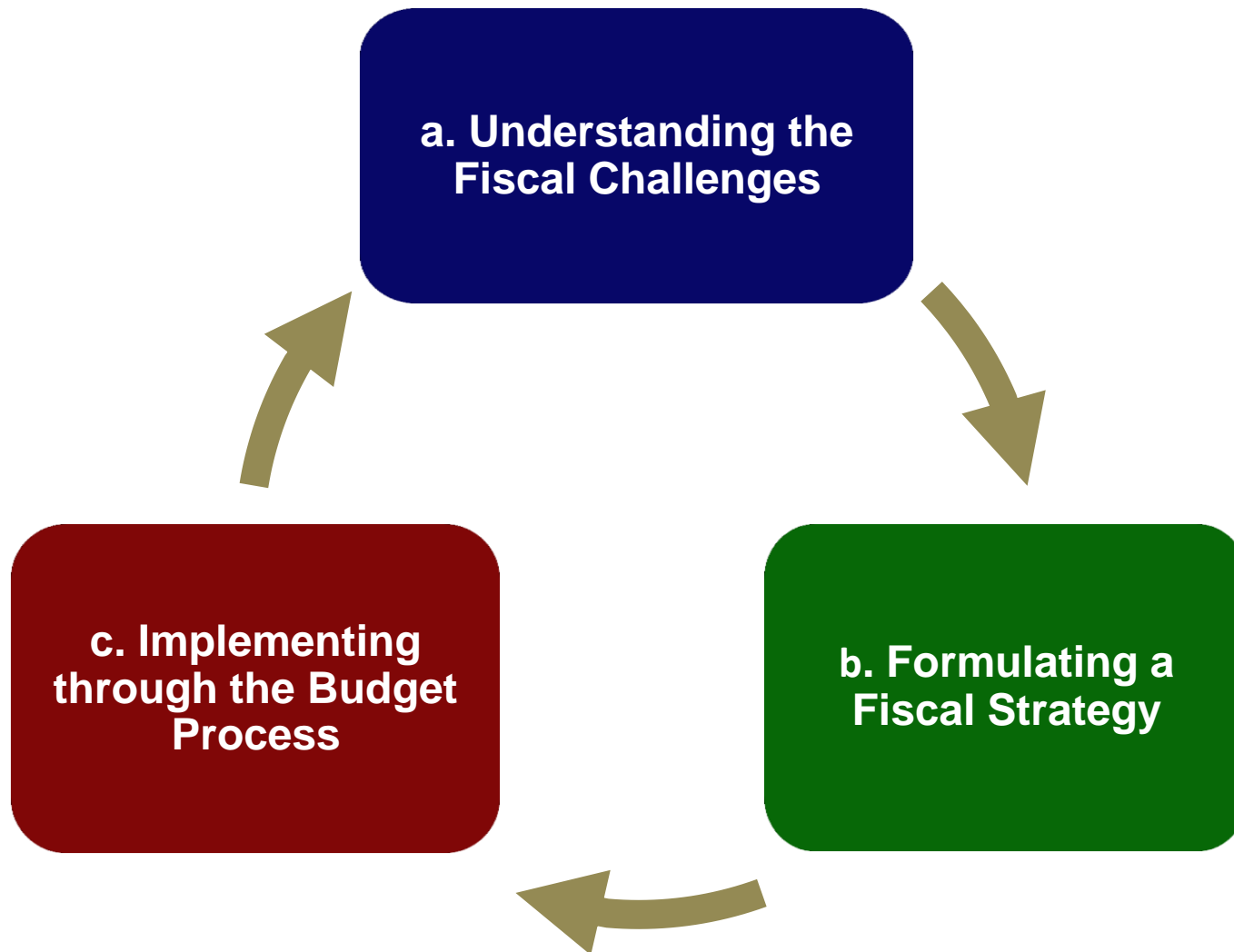
Where we do it

FY2013- FY2015 Technical Assistance Missions from the Fiscal Affairs Department



Budget Institutions for Credible Fiscal Management

Three Stylized Phases



Twelve Key Budget Institutions

a. Understanding the Fiscal Challenges

1. Fiscal Reporting
2. Macro-Fiscal Forecasting
3. Fiscal Risk Management
4. Independent Fiscal Agency

b. Formulating a Fiscal Strategy

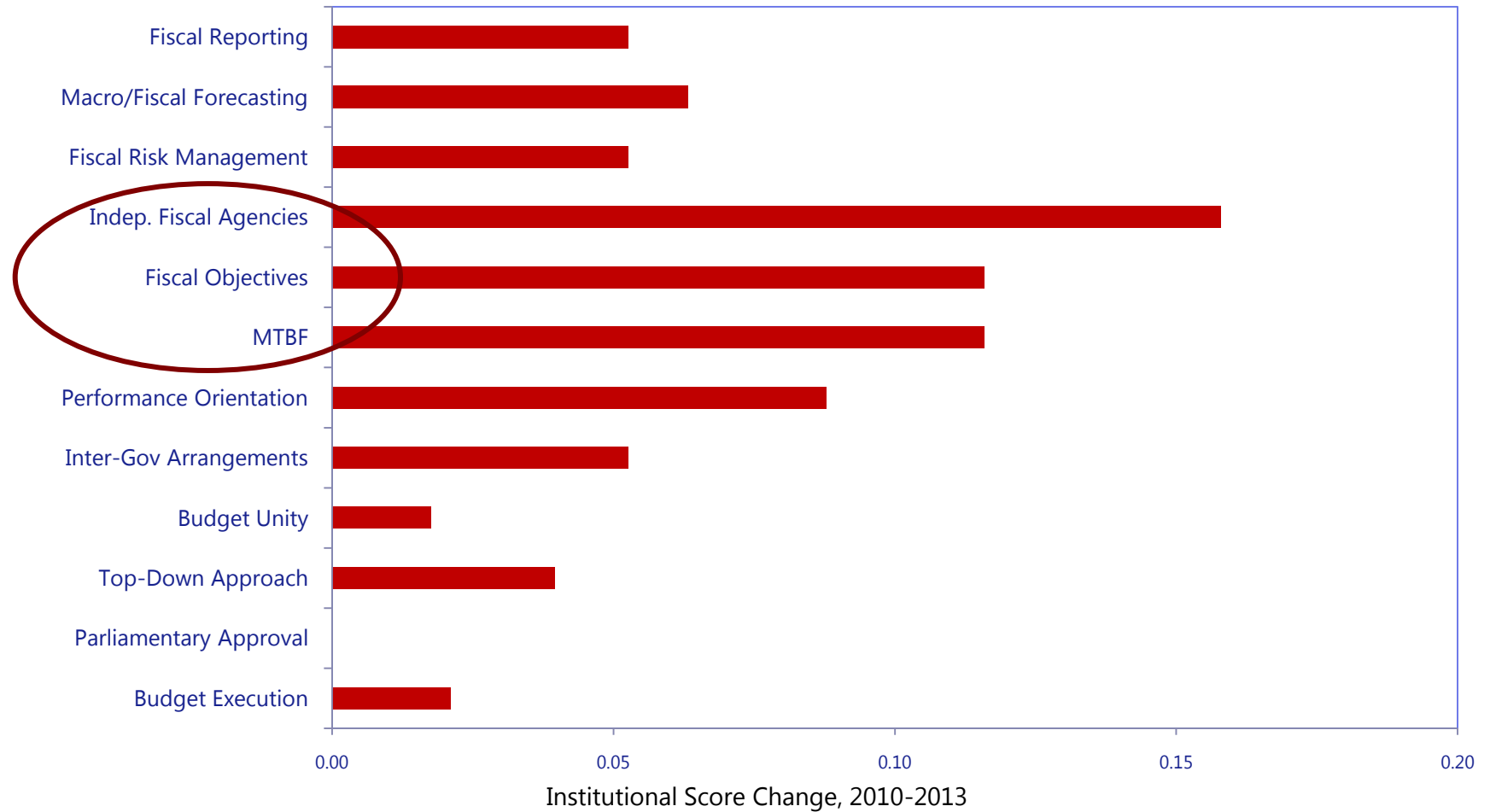
5. Fiscal Objectives and Rules
6. Medium-term Budget Framework
7. Performance Orientation
8. Inter-govt. Fiscal Arrangements

c. Implementing through the Budget Process

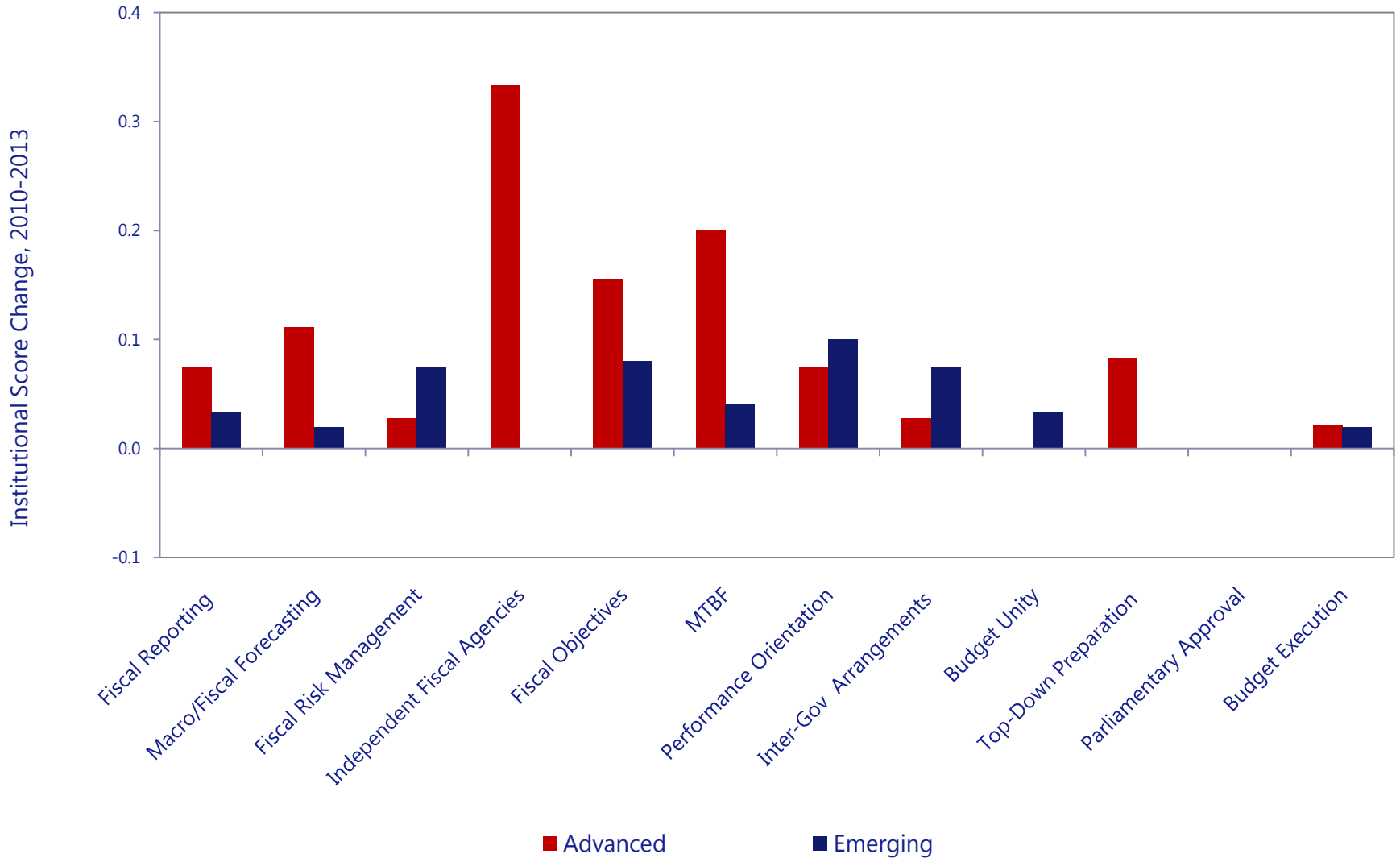
9. Budget Unity
10. Top-Down Budgeting
11. Parliamentary Approval
12. Budget Execution

Trends: G20 and Global

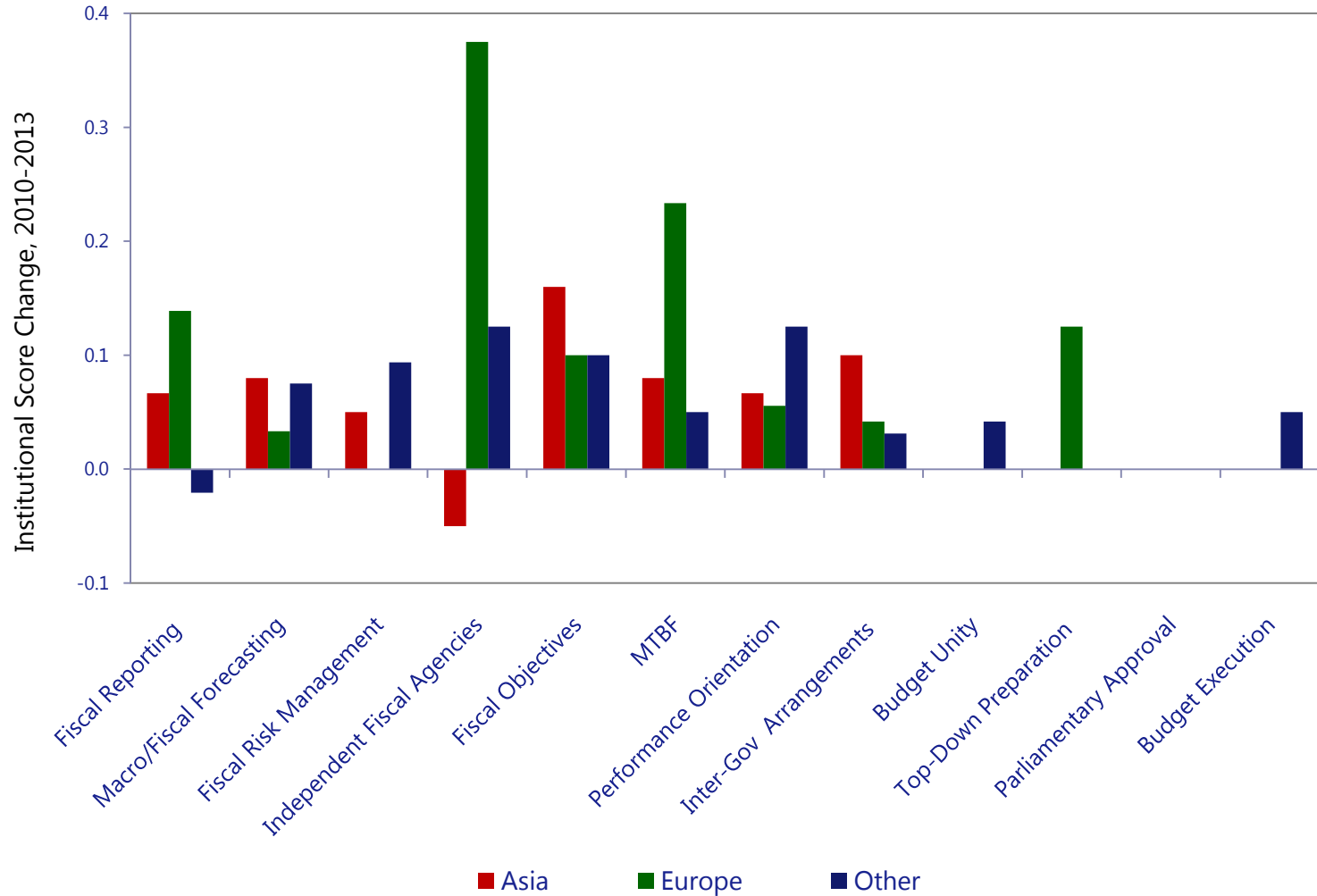
Institutional Strengthening in G20: Overall,..



By Income Level,...



....and by Region



PFM Trends: Key Innovations

- **Fiscal rules:** 5 countries had fiscal rules in 1990; 82 did in 2013
- **Fiscal Councils:** From about 6 in 1990 to around 40 in 2014
- **MTBF:** Less than 20 countries had an MTBF in 1990; over 130 did in 2008
- **Performance budgeting:** Since 2007, 80% of OECD produce performance information; by 2011 about 2/3rd had a performance budgeting framework
- **Fiscal Reporting:** Countries reporting at least a financial balance sheet to the IMF increased from 21 in 2004 to 41 in 2011
- **Fiscal Risk Disclosure:** A small but growing number of governments publish detailed annual fiscal risk statements.
- **Fiscal Transparency:** 111 countries have had a “ROSC” since 1999; 14 have had a Fiscal Transparency Evaluation (FTE)

Fiscal Transparency Evaluation

- Evaluates a country's fiscal transparency practices against the new Fiscal Transparency Code
- Output, and not process, focused evaluation of information quality and content
- Attaches relative importance to the identified deficiencies within the country context
- Provides a comparison with comparator countries and international standards
- Modular structure—fiscal reporting, budgeting, risk management—for selective application.
- An optional targeted and sequenced action plan to address the main weaknesses

#	DIMENSION	PRINCIPLE	PRACTICES		
			BASIC	GOOD	ADVANCED
I	FISCAL REPORTING	Fiscal reports should provide a comprehensive, relevant, timely, and reliable overview of the government's financial position and performance			
1.1	Coverage	<i>Fiscal reports should provide a comprehensive overview of the fiscal activities of the public sector and its sub-sectors according to international standards</i>			
1.1.1	Coverage of Institutions	Fiscal reports cover all entities engaged in public activity according to international standards.	Fiscal reports consolidate all central government entities.	Fiscal reports consolidate all general government entities and report on each subsector.	Fiscal reports consolidate all public sector entities and report on each subsector.
1.1.1.3	Coverage of Stocks	Fiscal reports include a balance sheet of public assets, liabilities, and net worth.	Fiscal reports cover all cash, deposits, and debt	Fiscal reports cover all financial assets and liabilities.	Fiscal reports cover all financial and non-financial assets and liabilities, and net worth.
1.1.1.2	Coverage of Flows	Fiscal reports cover all public revenues, expenditures, and financing.	Fiscal reports cover cash revenues, expenditures and financing.	Fiscal reports cover cash flows and accrued revenues and expenditures, and financing.	Fiscal reports cover cash flows, accrued revenues, expenditures, and financing, and other economic flows.

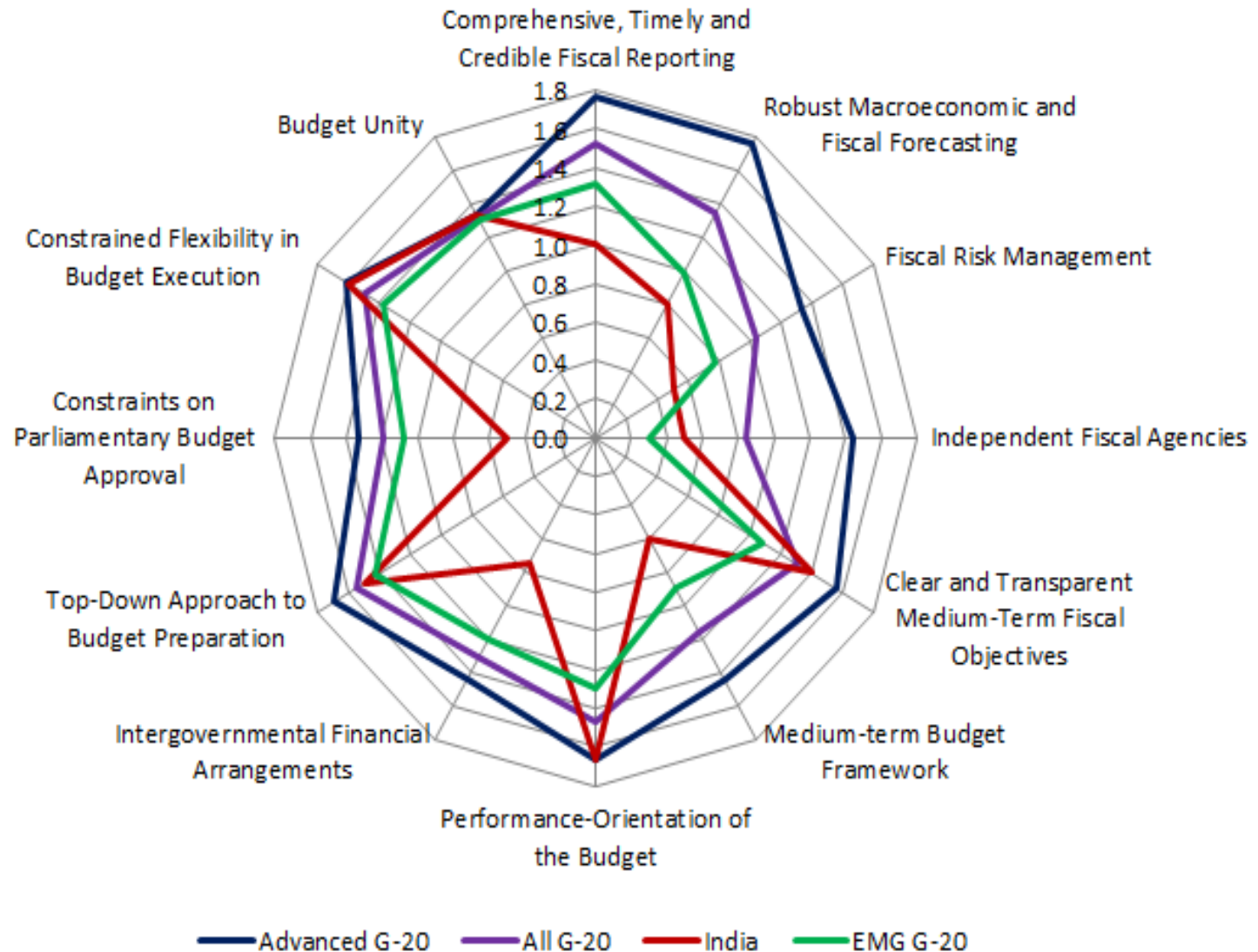
	PRINCIPLE	ASSESSMENT	IMPORTANCE	REC
1.1	Coverage of Institutions	Good: Fiscal reports consolidate all general government units	High: Public corporations with expenditure of 28% of GDP in 2012 outside consolidated fiscal reports	1
1.2	Coverage of Stocks	Good: Fiscal reports cover all conventional financial and non-financial assets and liabilities	High: Subsoil assets of 200% of GDP and pensions liabilities of 285% of GDP not included in balance sheets.	2,3
1.3	Coverage of Flows	Good: Fiscal reports cover cash and accrued revenues and expenditures	Medium: Non-recognized non-recoverable claims of 0.4% of GDP reduce reliability of the fiscal balances	3
1.4	Tax Expenditures	Basic: There is annual disclosure of revenue loss due to some tax reliefs subsidies	Medium: Estimated 1-2% of GDP in annual revenue foregone due to tax expenditures.	4
2.1	Frequency of In-year Fiscal Reports	Advanced: Cash-based budget execution reports are published on a monthly basis	Low: Monthly fiscal reports are published within 30 days	
2.2	Timeliness of Annual Financial Statements	Advanced: Annual financial statements are published in a timely manner	Low: Annual reports are published within 5 months of the end of the financial year	
3.1	Classification	Good: Fiscal reports include an administrative, economic and functional, classifications comparable with international standards	Medium: Inconsistent classifications of some transactions lead to different levels of the fiscal balances	
3.2	15

PFM Trends: Evolution of Support Systems

- Automation of payment processing and accounting enabling production of more comprehensive and timely information
- Electronic channels for more efficient payments and revenue collection
- Consolidation of cash in a treasury single account (TSA), exploiting advances in banking technology
- Stronger relationship between cash and debt management
- Risk-based approaches to auditing

Implications for India

Comparing with Other G20



Further Reforms

- Better understand and disclose general and specific fiscal risks
 - Indonesia, Philippines: Good examples of comprehensive fiscal risk statement
- Strengthen fiscal reporting
 - China, Philippines, Thailand: Real progress in accrual-based financial statements
 - Consolidated reporting integral to these reforms
 - Consolidation need not await introduction of accruals
- Implement a medium-term budget framework (MTBF).
 - Pre-requisite for success already present
 - No single MTBF model: designs should be adjusted to country circumstances.
 - Establishing firm control over commitments—particularly multi-year commitments – will be essential to enforce MTBF's credibility

For more information...



IMF POLICY PAPER

BUDGET INSTITUTIONS IN G-20 COUNTRIES: AN UPDATE

April 7, 2014

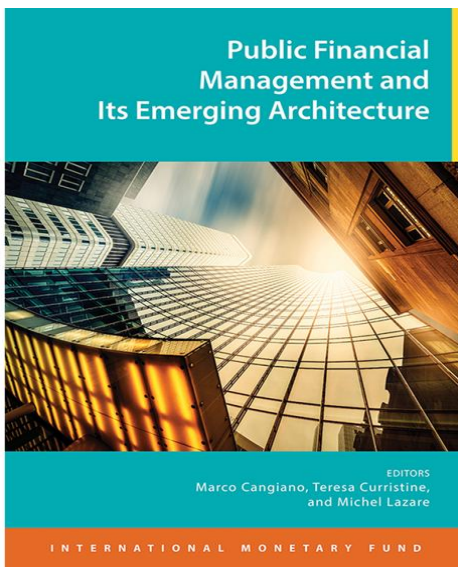
IMF staff regularly produces papers proposing new IMF policies, exploring options for reform, or reviewing existing IMF policies and operations. The Staff Report on Budget Institutions in G-20 Countries: An Update, prepared by IMF staff and completed on April 7, 2014, has been released.

The Staff Report was issued to the Executive Board for information.

The policy considerations in this paper should be attributed to IMF staff and not to the IMF or its Executive Board. The analysis was prepared by the Staff of the Fiscal Affairs Department and has benefited from comments and suggestions by staff from other IMF departments, as well as by Executive Directors.

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

<http://www.imf.org/external/np/pp/eng/2014/040714c.pdf>



- FAD Technical Notes and Manuals

<http://www.imf.org/external/pubs/ft/tnm/2014/tnm1403.pdf>

<http://www.imfbookstore.org/>

The screenshot shows the 'Public Financial Management Blog' homepage. The main article is titled 'Fiscal Risk: What is Going on at the Leading Edge, and Where to Next?' dated February 18, 2014, by Jason Harris. The article discusses fiscal risks, macro-fiscal analysis, and the impact of the global financial crisis. It mentions that fiscal risks are big, bad, and occur more frequently than commonly anticipated. The article also notes that the global financial crisis demonstrated just how large, consequential and serious are the fiscal risks that sit outside of the normal budget forecasts.

<http://blog-pfm.imf.org/pfmblog/>

The screenshot shows the IMF Fiscal Transparency page. The main heading is 'FISCAL TRANSPARENCY'. Below the heading, there is a section for 'Resources' with links to the 'Fiscal Transparency Code (2014)' in Arabic, Spanish, and French, and the 'Fiscal Transparency Manual (2007)'. There is also a 'Country Reports' section listing published reports for various countries like Bahrain, Belize, Costa Rica, Finland, Iceland, Kazakhstan, Peru, Portugal, Romania, Russia, and Philippines. A 'Country Reports' section lists published reports for Bahrain, Belize, Costa Rica, Finland, Iceland, Kazakhstan, Peru, Portugal, Romania, Russia, and Philippines. The page also features a search bar and a 'Send us your feedback' button.

<http://www.imf.org/external/np/fad/trans/>