Asian Regional Seminar on Public Financial Management

_PFM Reforms: The Lessons Learnt - Promises and Tears_

**AGENDA**

November 25–26, 2014

Phnom Penh Hotel
Phnom Penh, Cambodia
DAY 1 – TUESDAY, NOVEMBER 25th

9:00 – 9:30  Registration

9:30 – 10:00  Welcome Remarks:
Gerd Schwartz, Deputy Director, Fiscal Affairs Department, IMF

Opening Remarks:
H.E. Yuji Kumamaru, Ambassador of Japan

Opening Statement:
H.E. Aunporn Moniroth, Minister for Economy & Finance, Cambodia

10:00 – 10:30  Keynote Presentation: PFM Reform: Promises and Tears- The Lessons Learnt
Presentation by Graham Scott, Former Secretary to the Treasury, New Zealand

This session sets the theme of the seminar. PFM Reforms have been introduced in many Asian countries. They have often been broad-ranging and comprehensive covering such topics as medium-term expenditure frameworks, performance management, fiscal deconcentration and decentralization, treasury modernization, public enterprise reform, IFMIS development, accrual accounting, internal audit, etc. The aim of this raft of reforms has been to improve the quality of PFM systems and ensure better service delivery to citizens. Yet the degree of success originally envisaged has generally not been achieved. Ambitions have had to be scaled back and implementation has been fraught with difficulties. This seminar attempts to identify the reasons for the lack of success with large PFM reform programs, and tries to distill lessons from country experiences. It also discusses successful reforms in a number of key topical areas and reviews the reasons for success and failure in these areas. The benefits and limitations of diagnostic instruments, like the Public Expenditure and Financial Accountability (PEFA) assessments and the IMF’s new Fiscal Transparency Evaluation (FTE), in guiding reforms is also discussed. The seminar aims to identify successful approaches in reform design and implementation in key reform areas, and learn from the experience of others. The focus is on learning from the mistakes made, not merely applauding success.

10:30 – 10:45  Coffee break

10:45 – 12.30  Session 1: PFM Reform Strategies – A Critical Review

Presentation by Sok Saravuth, Under Secretary of State, Ministry of Economy and Finance, Cambodia: The Platform Approach
Presentation by Holger van Eden, Deputy Division Chief, Fiscal Affairs Department, IMF: *Supply-driven versus Basics First Reforms – Is there a Choice between the Overloaded vs. the Uninspiring Agenda?*

Presentation by Ali Hashim, Expert: *IT Driven Reform Processes – Successes and Failures*

**Discussion: Chair:** Lam Dorji, Finance Secretary, Bhutan

**Discussants:** Ruijin Yang, Deputy Director General, Ministry of Finance, China; Jon Blondal, OECD; Jim Brumby, World Bank

Q&A

12:30 – 14:00 Lunch (all participants are invited)

14:00 – 15:30 Session 2: Performance Management and Budgeting Reforms: Necessity or Bridge too Far?

This session focuses on performance management and budgeting reforms – the type of systems introduced, the problems and constraints that countries have faced, and the effectiveness of reforms in actually improving the budget formulation process and the efficiency of expenditure programs. The session will aim to learn from country experiences of implementing these advanced measures and using the new system for decision-making. Have the benefits been commensurate with the costs in the end? What actions and mistakes need to be avoided in implementing these reforms?

Presentation by Prajapati Trivedi, Former Secretary to the Government of India: *Fulfilling the Promise of Performance Budgeting - Implementation Constraints and Lessons Learnt*

Presentation by Koshy Thomas, Head Outcome-based Budgeting, Ministry of Finance, Malaysia: *Lessons from Introducing Performance Budgeting in Malaysia*

**Discussion: Chair:** H.E. Vongsey Vissoth, Secretary of State, Ministry of Economy and Finance, Cambodia

**Discussants:** Laura Pascua, Undersecretary, Department of Budget and Management, the Philippines (TBC); Holger van Eden, Deputy Division Chief, Fiscal Affairs Department, IMF

Q&A

15:30 – 15:45 Coffee Break

15:45 – 17:30 Session 3: Modernizing Budget Execution

This session examines issues in budget execution. Detailed line-item control by finance ministries is common in developing countries, but the direction of reform is to plan and control the budget at a more aggregate level. This increases flexibility for line ministries, and reduces the burden of the central agencies of approving virements, providing them space for a more strategic role. The session will aim to identify the right balance between control and flexibility, and will discuss pre-requisites that will make it easier for ministries of finance to relax ex-ante controls. The session will also discuss issues related to capacity building in line ministries, which is critical for the success of most budget reforms. Internal audit is essential for providing assurance on the reliability of line ministry systems, but is
often overlooked as an important element of capacity building.

*Presentation by Sandeep Saxena, Senior Economist, Fiscal Affairs Department, IMF: Changing Control Levels in Budget Execution – Prerequisites and Phasing*

*Presentation by Agung Widiadi, Director of Budget, Indonesia: Indonesia’s PFM Reform*

*Presentation by Akihiro Tsuchiya, Director of International Organizations Division, Ministry of Finance, Japan: PDCA Cycle of Japan’s National Budget*

*Presentation by William Rafuse, Expert: Why Internal Audit is the Backbone of PFM Reforms*

**Discussion: Chair:** Jack Diamond, Expert

**Discussants:** Lam Dorji, Finance Secretary, Bhutan; Shankar Prasad Adhikari, Financial Comptroller General, Nepal; Wimol Chatameena, Director, Fiscal Policy Bureau, Thailand

**Q&A**

**DAY 2 – WEDNESDAY, NOVEMBER 26**

**09:00 – 10:45 Session 4: Diagnostic Tools and their Contribution to PFM Reforms-What Worked and What Did Not**

PEFA assessment is a major PFM diagnostic tool. Many countries formulated reform programs based on the weaknesses identified by PEFA assessments. Some undertook repeat assessments to measure progress made. Based on country experiences, this session will explore whether the linkage between PEFA assessments and reform action plans is straightforward. The session will also aim to draw lessons from repeat assessments. The IMF will present its new Fiscal Transparency Evaluation (FTE) and discuss how this diagnostic tool can complement PEFA assessments in directing PFM reforms.

*Presentation by Jack Diamond, Expert: PEFA as Tool for PFM Reform*

*Presentation by Sok Saravuth, Under Secretary of State and Suhas Joshi, IMF Regional PFM Advisor: PEFA Assessment in Cambodia*

*Presentation by Ismail Ali Manik, Finance Secretary, Maldives: Using PEFA to Develop PFM Reform Action Plan in Maldives*

*Presentation by Gerd Schwartz: Fiscal Transparency Evaluations and their Use in PFM Reform*

**Discussion: Chair:** H.E. Hean Sahib, Secretary of State, Ministry of Economy and Finance, Cambodia

**Discussants:** Shankar Prasad Adhikari, Financial Comptroller General, Nepal; Sandeep Saxena, IMF; Graham Scott, Former Secretary to the Treasury, New Zealand
10:45 – 11:15  Coffee break

11:15 – 13:00  Session 5: Public Enterprise Reform - The Need for a New Policy and Monitoring Framework

Public enterprises (PEs) form a very large part of the general government sector in many developing countries. The costs and fiscal risks of operating them are often understated. This session will discuss the desirable elements of a policy and governance framework for PE management. The issues discussed will include: how PEs can be made to function more effectively and with less cost to the taxpayer; what are the elements of a policy framework that make PE’s flourish; and how governments should control and monitor them.

Presentation by Prof. Naoki Tanaka: Lessons from the Privatization of Japan Post

Presentation by Jim Brumby, the World Bank: Modernizing SoE Governance

Presentation by Prajapati Trivedi, Former Secretary to Government of India, and Suhas Joshi, IMF Regional PFM Advisor: Public Enterprises -From Commanding Heights to a New Governance Framework

Discussion Chair: H.E Ngy Tayi, Secretary of State, Ministry of Economy and Finance, Cambodia

Discussionants: Country Representative, Cambodia; Yonghee Chang, Deputy Director, Ministry of Strategy and Finance, Korea; Susan Creane, Center Coordinator, Technical Assistance Office for Lao and Myanmar, IMF

13:00–14:30  Lunch (all participants are invited)

14:30 – 16:00  Session 6: Managing Fiscal Decentralization –Has it fulfilled its promise?

This session focuses on issues related to de-concentration and decentralization of financial management to sub-national levels of government. Many countries in the region have introduced reforms in this area. Fiscal decentralization involves considerable risks, and the benefits of this process often take time to reap. The session will aim to identify elements of successful approaches to fiscal decentralization. A key concern for the ministries of finance has been to ensure that decentralization improves and not deteriorates overall management of resources. The session will aim to identify decentralization approaches that have worked, the problems faced in implementing them, the lessons learnt and come to a better understanding of the way forward.


Presentation by Truong Ba Tuan, Vice President, National Institute for Finance: Fiscal Decentralization in Vietnam – Outcomes and the Way Forward

Discussion Chair: H.E Dr. Chou Kimleng, Secretary of State, Ministry of Economy
16:00 – 17:00  **Session 7: General Lessons Learned (Round Table Discussion)**

This session sums up the PFM reforms have been introduced in several countries, highlighting the key reform areas of managing performance, decentralization and de-concentration, Internal Audit, PE reforms financial and budgetary control. It will then focus on the gap between theory and practice, intent and outcome and identify what did not work and why, and what worked.

**Discussion Chair:** Gerd Schwartz, Deputy Director, Fiscal Affairs Department, IMF

**Discussants:** Country Representative, Cambodia; Ruijin Yang, Deputy Director General, Ministry of Finance, China; Jon Blondal, OECD; Jack Diamond, Expert; Suhas Joshi, IMF Regional PFM Advisor; Graham Scott, Expert

**Q&A**

17:00 – 17:25  **Closing Remarks**

*H.E. Vongsey Vissoth, Secretary of State, Ministry of Economy and Finance, Cambodia*