



CONCEPT NOTE
PEMPAL 2017 BCOP Plenary Meeting
TOOLS FOR FISCAL MANAGEMENT
April 12-14, 2017
Hyatt Regency
191 Abdrahmanov Street
Bishkek, Kyrgyz Republic, 720011

Background

Public Expenditure Management Peer Assisted Learning (PEMPAL) aims for the Governments of PEMPAL member countries from Europe and Central Asia (ECA) to more efficiently and effectively use public resources resulting from applying good and improved PFM practices developed, promoted or shared with PEMPAL contribution. It does this by providing a well functioning professional peer learning platform through which public finance practitioners from the member countries are networked to strengthen their capacities and to enable them to create and share knowledge and benchmarking.¹ The Budget Community of Practice of PEMPAL focuses on enhancing budget policy and methodology. PEMPAL (www.pempal.org), was launched in 2006 with the help of the World Bank and a number of donors, and is currently supported by the World Bank, the Ministry of Finance of the Russian Federation, and the Swiss State Secretariat for Economic Affairs (SECO).

The Budget Community of Practice (BCOP) of PEMPAL, led by the BCOP Executive Committee,² organizes plenary meetings of its members on an annual basis to discuss common public finance reform issues. In addition to these annual meetings, it also operates two working groups comprising a sub-set of its 21 member countries, on 'budget literacy and transparency' and 'program and performance budgeting' which meet more regularly via videoconference and periodically face-to-face. Study visits to specific countries are also held to examine reforms in more depth. BCOP held 14 knowledge sharing and learning events during 2013 and 2014. In 2015, BCOP held 12 events (half of which were videoconference meetings), and in 2016 it held 8 events (which included participation in two annual OECD Senior Budget Officials (SBO) network meetings (i.e the regional network for Central, Eastern and South-Eastern European Countries (CESEE SBO); and the SBO Performance and Results network). For more information refer to <https://www.pempal.org/event/budget>

For the plenary meeting of 2017, tools for fiscal management was chosen by the BCOP Executive Committee to be the theme to accommodate the variety of priorities requested by members. The BCOP Executive Committee also decided to focus the agenda on specific topics within this theme, based on country level priorities collected from members in the last plenary and other meetings. Thus, discussions will focus on fiscal risk management; program and performance budgeting; and budget literacy and transparency.³

¹ Source: PEMPAL Strategy 2017-22, to be posted at <http://www.pempal.org/strategy>

² Comprising 9 members from Ministries of Finance from 8 member countries: Armenia, Albania, Belarus, Bosnia and Herzegovina, Croatia, Kyrgyz Republic, Russian Federation, and Turkey.

³ Members raised program budgeting as a priority, which the BCOP Executive Committee noted was already being addressed by a working group and could be accommodated within a day dedicated to this group. Fiscal risk management was raised in the past, and an event was planned previously but was rescheduled due to other emerging priorities. Fiscal Responsibility Laws was nominated by several western Balkan countries, but it was decided it would be better addressed by a specific VC meeting for those interested countries.



Fiscal management tools that facilitate sustainable and stable public finances have become increasingly important with the advent of shocks over the last decade such as the global financial crisis. Ensuring there is sufficient fiscal space will allow a Government to cope with any negative macroeconomic developments over the economic cycle in addition to equipping them to meet projected implicit liabilities related to ageing (such as healthcare and pensions) and to manage fiscal risks from the activities of extra-budgetary funds, state-owned enterprises (SOE), sub-national government units, and impacts from fluctuations in commodity revenues.

Tools to strengthen the management of fiscal risks are particularly important for the region given a large number of countries are facing a shrinking working population and rising dependency ratios, and many countries continue to have large SOE sectors that periodically present serious budget risks and which provides opportunities for extra-budgetary spending and patronage. An environment of low and volatile oil prices is also presenting significant challenges to oil-exporting countries and countries that depend on remittances from those countries.

Fiscal management tools that support transparent and accountable Government are also important. Pressures for improved performance and accountability have been driven by citizens, civil society groups and the international community which has led Governments to adopt tools such as:

- **Program and Performance budgeting** which are being used by most Governments around the world, including those from the PEMPAL region, as key tools to demonstrate clear results to citizens from the use of their tax dollars. Such tools have been the subject of several annual BCOP meetings, and are now being addressed by a working group recently established in FY2016.
- **Citizens' Budgets to improve transparency and to facilitate awareness and understanding of the budget.** BCOP has been addressing budget transparency through a working group and has been focusing its recent efforts on breaking challenges of PEMPAL countries in constructing Citizens' Budgets given results from the 2015 Open Budget Index (OBI) showed that less than half the countries from the PEMPAL region have one.⁴
- **Engaging citizens in the budget to increase their understanding and trust in Government.** Scores in 'public participation' are low across the region and around the world, and research in this area is still evolving as evidenced by the ongoing work of the Global Initiative for Fiscal Transparency (GIFT) and the International Budget Partnership (IBP). GIFT's new 2016 'Principles of Public Participation in Fiscal Policy' aims at facilitating a structured and effective process of engagement between the Government and Civil Society, which GIFT has also illustrated through a collation of country case studies.⁵ IBP has also revised its public participation assessment criteria (evolving since their inclusion in the 2012 Open Budget Survey), and GIFT is currently consulting on new criteria in this area for inclusion in the PEFA framework.

Meeting Objectives and Format

The key objectives of the meeting on 'tools for fiscal management' are to:

⁴ Some PEMPAL countries did not participate in the survey eg Armenia, Belarus, and Uzbekistan. Only the following countries reported having one: Azerbaijan, Bulgaria, Croatia, Georgia, Kyrgyz Republic, Tajikistan, Russian Federation, and Czech Republic (IACOP member only).

⁵ Source: http://www.fiscaltransparency.net/pp_principles/



- **Share PEMPAL and international good practice in the use of fiscal management tools** with a focus on fiscal risks management; program and performance budgeting; and budget literacy and transparency.
- **Provide the opportunity for BCOP member countries to exchange experiences** and discuss possible approaches and options to using some of these tools in the context of discussion groups and questions to panels of speakers. ⁶

The format will comprise 2.5 days in total commencing Day 0 with meetings of the BCOP Executive Committee and BCOP Resource Team.

Day 1 will commence with a half day (afternoon) as illustrated in the table below and in more detail in the draft agenda at the *Attachment*, given flight arrivals into Kyrgyz Republic are only feasible early mornings.

Overview	DAY 0	DAY 1	DAY 2	DAY 3
Morning Agenda Topics	Arrivals	Arrivals	Budget Literacy and Transparency	Program and Performance Budgeting
Afternoon Agenda Topics	Meetings of the BCOP ExCom/ Resource Team	Fiscal Risk Management	Cultural Program	Discussion Groups

The two BCOP Working Groups will host parts of the agenda to share the results they are achieving in using some of these tools. This new format also reflects the maturity of the network, whereby a significant proportion of BCOP’s work is now undertaken by these groups (which comprise a sub-set of countries) so annual plenary meetings serve more as an update from those groups, while also ensuring the format includes new information on the relevant topics for the benefit of group members.

For Day 1 on Fiscal Risks Management, after a brief overview of the progress of PEMPAL and BCOP over the last year, **it is proposed to have presentations from the IMF and the World Bank with Albania as the PEMPAL country case study and Latvia as the international country case study.**

- **The IMF will present best practices in analysing and managing fiscal risks** including presenting its recently released expanded toolkit.⁷ This adds to tools already in place such as the IMF’s debt sustainability analysis tools and the fiscal transparency code, which provide detailed guidance on how fiscal risks should be assessed. The new report expands this existing toolkit by providing practical guidance and new analytical tools to assist countries in their risk mitigation strategies. IMF could also briefly cover its new PPP Fiscal Risks Assessment model, developed jointly with the World Bank, which provides a tool to assess the potential fiscal costs and risks arising from Public-Private Partnership (PPP)

⁶ Other sub-objectives include to provide an update to members on the work of PEMPAL and BCOP since the last plenary meeting; and to report back on priorities gathered in the pre-meeting survey to inform the development of the BCOP Action Plan 2017-18. These sub-objectives are important, as the annual plenary meeting is the only time the BCOP Executive Committee brings all BCOP members together.

⁷Source: IMF, 2016, Analyzing and Managing Fiscal Risks, June 2016, available at <http://www.imf.org/external/np/pp/eng/2016/050416.pdf>



projects.⁸ Several infrastructure projects across ECA were impacted negatively by the financial crisis, but PPPs remain a potential and growing option in the region with MoFs playing a role to ensure associated fiscal risks are identified and managed.⁹

- **The World Bank will provide a presentation on MoF's role in performance monitoring of State Owned Enterprises, with a focus on what information is needed to assess and monitor fiscal risks.** This will include sharing the relevant parts of its toolkit for 'Corporate Governance of State-Owned Enterprises (SOEs)'¹⁰ which can assist with facilitating disclosure and control of guarantees held by SOEs.
- **Fiscal risk management is not strong in the PEMPAL region but Albania has demonstrated notable progress.** IMF, in its Fiscal Transparency Evaluation (FTE) of Albania (January 2016), found the government discloses several sources of risk and analyzes them including: revenue and the deficit sensitivity to economic growth; debt including Government guarantees; local governments' spending and revenue; and environmental and financial sector risks.¹¹ Outside the PEMPAL region, Latvia has demonstrated notable progress with its fiscal risk management reforms, as it demonstrated in a presentation at the 2016 OECD Senior Budget Officials meeting in Slovenia, so it could be approached to share its progress with PEMPAL.

Days 2 and 3 will include presentations from the two BCOP Working Groups, with the Budget Literacy and Transparency Working Group presenting on Day 2 morning, before a cultural program is hosted by the Ministry of Finance of the Kyrgyz Republic. The Program and Performance Budgeting Working Group will be presenting on Day 3, including afternoon discussion groups. Each day will be opened by a brief overview presentation by the Chairs of these groups (from the Russian Federation), who will also moderate these days with assistance from the relevant Resource Team representative.

Day 2 will include an overview of progress of the region in budget transparency and literacy, drawing on results from International Budget Partnership (IBP) and PEMPAL surveys, and an outline of the recently released BCOP Knowledge Product on "Breaking Challenges in Constructing Citizens' Budgets in PEMPAL Countries."

- **New resources will be shared such as GIFT's 2016 'Principles of Public Participation in Fiscal Policy' and changes to how public participation is assessed in the IBP's Open Budget Survey.** This will be of interest to Working Group members in particular, as the work on Citizens' Budgets is finishing and this will initiate proposed work on public participation approaches.
- **Possible country case studies in public participation** could be taken from those **countries** that scored relatively well in the IBP's Open Budget Survey of 2015, noting that this assessment mechanism applied by IBP is still developing.¹²

⁸ Source: <https://www.imf.org/external/np/fad/publicinvestment/pdf/PFRAM.pdf>. The tool is available to download at www.imf.org/publicinvestment

⁹Source: Cuttaree, Vickram; Mandri-Perrott, Cledean. 2011. Public-Private Partnerships in Europe and Central Asia : Designing Crisis-Resilient Strategies and Bankable Projects. World Bank. © World Bank. <https://openknowledge.worldbank.org/handle/10986/2274> License: CC BY 3.0 IGO

¹⁰Source: World Bank Group. 2014. Corporate Governance of State-Owned Enterprises : A Toolkit. Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/20390> License: CC BY 3.0 IGO

¹¹ Refer to FTE <http://www.imf.org/external/pubs/ft/scr/2016/cr1605.pdf> More information on IMF's FTEs can be found <http://www.imf.org/external/np/fad/trans/>

¹² Source: Open Budget Survey 2012 and 2015 reports available in English and Russian at <http://www.internationalbudget.org/opening-budgets/open-budget-initiative/open-budget-survey/publications-2/full-report/> with scores for 'public participation' from Annex D.



- PEMPAL country cases include **Kyrgyz Republic** who scored highest in the PEMPAL region with 52/100 followed by **Georgia** (46), and **Romania** (42), which are considerably above the 2015 international average of 25/100.¹³
 - International country case studies could be **South Korea (83), Norway (75), Brazil (71) or Philippines (67)**. GIFT and IBP will also be invited to present their latest developments.
- **A cultural program, to be hosted by the Kyrgyz Republic Government, will be conducted from early afternoon.**

Day 3 on program and performance budgeting will include the following:

- **The results of the recent OECD PEMPAL Performance Budgeting Survey** (to be presented by the BCOP Resource Team) to report on benchmarking of participating countries over the last year.
- **An update of progress from several PEMPAL countries:** Kyrgyz Republic (program evaluation), Bulgaria (spending reviews), Moldova (information systems), Ukraine and Croatia. Working Group members agreed these country case studies at the November 2016 OECD Performance and Results SBO network meeting, and each of these countries will select the focus of their presentations with preliminary topics included in the brackets above. The group also decided not to focus on international country case studies as these had already been extensively covered in previous meetings and OECD case studies would also be covered in the presentation of results from the OECD PEMPAL Performance Budgeting Survey.

Meeting Preparations

A pre-meeting survey will be distributed to collect baseline information to measure the change in BCOP impact over the duration of the PEMPAL Strategy 2017-22. The BCOP Executive Committee, in its discussions on strategy development, decided to conduct such a survey as a tool to demonstrate and track impact of BCOP on country level reforms. The electronic survey will also include questions on country level priorities to assist with the development of the BCOP Action plan. Previous years this has been done during the plenary meeting, but as part of the new strategy, more formal recording of priorities will be undertaken, although the prioritization and final plan will still be presented by the BCOP Executive Committee during the meeting, as done in previous years.

The survey will also ask countries to provide possible questions on program and performance budgeting reforms and challenges for the small groups discussions planned on the afternoon of Day 3. Normally questions for such small group discussions are devised in the days before the plenary meeting by the BCOP Resource Team and only circulated on the day of the discussions, but there is a change of approach this year after feedback from members that they would like more time to prepare for these questions. Thus, questions will be circulated by email a few days before the meeting, and will be based on member feedback gained from this pre-meeting survey.

Participants

It is envisaged that this event will bring together up to 80 participants including BCOP members and external experts. Experts from international organizations (eg World Bank, IMF, IBP and GIFT) will also participate given their key role in providing advice, research and support to countries in public financial management reforms.

¹³ Source: Annex D: Open Budget Survey 2015: Transparency, Public Participation and the Strength of Oversight Institutions.



Partners

The BCOP plenary meeting is being organized in collaboration with a number of key partners, including the World Bank, Ministry of Finance of Kyrgyz Republic, the Ministry of Finance of the Russian Federation, SECO, and the PEMPAL Secretariat.

Contacts

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BCOP Secretariat (Moscow World Bank Office) Ms. Ksenia Galantsova
(kgalantsova@worldbank.org)

Attachment - Agenda of Plenary meeting

Background documents

Available in Box – link has been provided to all meeting participants via email:

Plenary meeting presentations in network languages – English, Russian and BCS
Listing of links to all resources addressed by BCOP in past
BCOP Draft Knowledge Product on Breaking Challenges to Developing Citizens' Budgets
GIFT 2016 Principles of Public Participation in Fiscal Policy

Further information on PEMPAL can be found at www.pempal.org with all materials for this event to be posted on the public website by May at: <https://www.pempal.org/events/bcop-plenary-meeting>

Important Note: In accordance with the PEMPAL Executive's decision to 'go green' to achieve efficiencies, the only documents that will be distributed at the meeting will be the agenda and information letter. Thus, all participants are requested to print out their own documents and bring them to the meeting. Thank you for your understanding and cooperation.



ATTACHMENT

AGENDA

PEMPAL PLENARY MEETING OF BCOP

TOOLS FOR FISCAL MANAGEMENT

APRIL 12-14, 2017

BISHKEK, KYRGYZ REPUBLIC

Objectives

The key objectives of the meeting on '*tools for fiscal management*' are to:

- **Share PEMPAL and international good practice in the use of fiscal management tools** with a focus on fiscal risks management; program and performance budgeting; and budget literacy and transparency.
- **Provide the opportunity for BCOP member countries to exchange experiences** and discuss possible approaches and options to using some of these tools in the context of discussion groups.

Other sub-objectives include to provide an update to members on the work of PEMPAL and BCOP since the last plenary meeting; and to report back on feedback on priorities collected from members in the pre-meeting survey to inform the development of the BCOP Action Plan 2017-18, and collection of baseline data on BCOP's impact for the PEMPAL Strategy 2017-22.

Day Zero, Tuesday 11 April

Arrivals BCOP Executive Committee and Resource Team

12.30-14.00 **Lunch in Hotel**

16.00 **Meeting of BCOP Executive Committee**

18.00 **Meeting of technical Resource Team**

19.00 **Dinner for BCOP Executive Committee hosted by MoF Kyrgyz Republic**



Day One –Wednesday 12 April - Fiscal Risk Management

Moderators: Kanat Asangulov (BCOP Executive Committee, Kyrgyz Republic Ministry of Finance), Maya Gusarova (Lead Coordinator of BCOP Resource Team, Senior Public Sector Specialist, World Bank)

Time	Activity
	Arrivals BCOP members
12.00-13.00	Lunch
13.00-13.30	Registrations
13.30-14.15	Welcome and opening: <ul style="list-style-type: none"> • Adylbek Aleshowich Kasymaliev, Minister of Finance of Kyrgyz Republic • Jean-Michel Happi, Country Manager, World Bank Kyrgyz Republic Office • Introductions and welcome by the BCOP Executive Committee • Introductions of World Bank team, speakers and external experts • Table introductions (10-15 minutes) including introductions of any newcomers
14.15-14.30	Presentation 1: BCOP Executive Committee - <u>Update on BCOP activities including overview of new PEMPAL Strategy 2017-22, Success Story Booklet, and development of BCOP Action Plan 2017-18</u> Kanat Asangulov, BCOP Executive Committee, Head of Budget Policy Department, Kyrgyz Republic, Ministry of Finance
14.30-15.00	Presentation 2: IMF - <u>Fiscal Risk Management</u> – John Zohrab, Fiscal Affairs Department, Regional Advisor, Public Financial Management Division, Central Asia, Caucasus, Kazakhstan and Iran
15.00-15.30	Presentation 3: World Bank - <u>Fiscal Risks and Performance Monitoring of State Owned Enterprises (SOEs)</u> Andrei Busuioc, Senior Financial Management Specialist, Centre for Financial Reporting Reform, Governance
15.30-16.00	Questions to the Panel of speakers
16.00-16.30	Group Photo then coffee break
16.30-17.00	Presentation 4: PEMPAL County Case study - <u>Management of Fiscal Risks by Albania</u> – Gelardina Prodani, Secretary General, Ministry of Finance
17.00-17.30	Presentation 5: International Country Case study - <u>Management of Fiscal Risks by Latvia</u> - Nils Sakss, Director of Fiscal Policy Department, Ministry of Finance
17.30-18.00	Questions to the Panel of speakers
19.30-	Welcome Dinner in hotel



Day Two – Thursday, 13 April – Budget Literacy and Transparency - Hosted by the Budget Literacy and Transparency Working Group

Moderators: Anna Belenchuk (BCOP Chair, Ministry of Finance, Russian Federation), Deanna Aubrey (PEMPAL Strategic Advisor/BCOP Resource Team, World Bank)

Time	Activity
8.30-9.00	Introduction to Day's Agenda Presentation 6: <u>Update on Progress of the Budget Literacy and Transparency Working Group</u> including overview of Knowledge Product on Breaking Challenges in Citizens Budget –Anna Belenchuk, BCOP Executive Committee, Head of Unit of Budget Analysis and Development, Department of Budget Methodology and Financial Reporting, Ministry of Finance, Russian Federation
9.00-9.30	Presentation 7: Global Initiative for Fiscal Transparency (GIFT) Network – <u>Applying the new GIFT' 'Principles of Public Participation in Fiscal Policy'</u> – Juan Pablo Guerrero, GIFT Network Director
9.30-10.00	Presentation 8: International Budget Partnership (IBP) – <u>The Open Budget Survey – what has changed and how will public participation be assessed?</u> – Elena Mondo, Senior Technical Adviser, International Budget Partnership
10.00-10.30	Questions to the panel of speakers
10.30-11.00	Coffee Break
11.00-12.00	Presentations 9 and 10: PEMPAL and International Country Case Studies: (30 minute presentations each) <u>Kyrgyz Republic and Brazil</u> Kyrgyz Republic: Kanat Asangulov, BCOP Executive Committee, Head of Budget Policy Department, Ministry of Finance Brazil: Daniel Pitangueira de Avelino, Institute for Applied Economic Research (IPEA), Ministry of Planning, Development and Management, Federal Government
12.00-12.30	Questions to the panel of speakers
12.30-14.00	Lunch at Hotel
14.00-	Cultural Program hosted by Ministry of Finance, Kyrgyz Republic
19.00	Dinner outside hotel

Day Three – Friday, 14 April - Program and Performance Budgeting - Hosted by BCOP Program and Performance Budgeting Working Group

Moderators: Nicolay Begchin (BCOP Executive Committee, Ministry of Finance, Russian Federation), Naida Čaršimamović Vukotić (Public Finance Management Consultant, BCOP Resource Team, World Bank).

Time	Activity
9.00-9.15	Presentation 11: Introduction to Day's Agenda and overview of Working Group on Program and Performance Budgeting –Nicolay Begchin, BCOP Executive Committee, Deputy Director, Department of Budget Methodology and Financial



	Reporting. Ministry of Finance, Russian Federation
9.15-9.45	Presentation 12: <u>Results of OECD PEMPAL Performance Budgeting Survey</u> - Naida Čaršimamović Vukotić, Public Finance Management Consultant, BCOP Resource Team, World Bank
9.45-10.25	Presentations 13 and 14: PEMPAL Country Case Studies: (20 minute presentations each): Progress and Developments in Reforms in Kyrgyz Republic and Croatia Kyrgyz Republic: Nurida Baisakova, Head of Program Budgeting Sector, Budget Policy Department, Ministry of Finance Croatia: Mladenka Karacic, Head of Accounting Department, State Treasury
10.25-11.00	Coffee Break
11.00-12.00	Presentation 15, 16 and 17: PEMPAL Country Case Studies (20 minute presentations each): Progress and Developments in Reforms in Bulgaria, Ukraine and Moldova Bulgaria: Emil Nurgaliev, Senior Expert, Budget Methodology Division of Budget Directorate, Ministry of Finance Ukraine: Volodymyr Martynenko, Chief Specialist, Department of State Budget, Ministry of Finance Moldova: Vasile Botica, Deputy Head, General Budget Synthesis Department, Ministry of Finance
12.00-12.45	Questions to the panel of speakers
12.45-14.00	Lunch at Hotel
14.00-16.30	Reform Issues and Challenges discussion (parallel discussions on topics as proposed by the participants, in language based groups where possible) <ul style="list-style-type: none"> • Two questions to be addressed: Participants will break into language based groups to discuss 2 questions (to be circulated by email a few days before the meeting based on member feedback from pre-meeting survey). A scribe and presenter should be appointed at the beginning of the discussions. • Coffee break served from 15.00 (in or near discussion rooms)
16.30-17.00	PEMPAL member group presentations from Groups 1, 2, and 3 (5-8 minutes each)
17.00-18.00	Community Building. Moderated and led by the BCOP Executive Committee. <ul style="list-style-type: none"> - Learnings related to content of meeting: Tables to be given 10 minutes to provide their learnings and to give feedback on how we can improve PEMPAL BCOP meetings - Social report on meeting and certificate/picture distribution, PEMPAL Secretariat
19.00	Dinner in the hotel

Saturday 15 April Departures