



Trends in Program Budgeting, Budget Openness,
Climate Change Responsive PFM, and Health Sector PFM

Key Takeaways from the PEMPAL BCOP 2023 Plenary Meeting

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PREFACE AND ACKNOWLEDGEMENTS

This report summarizes the key discussions from the Public Expenditure Management Peer Assisted Learning (PEMPAL) Budget Community of Practice (BCOP) 2023 Annual Plenary Meeting held on March 22-24, 2023 in Ljubljana, Slovenia, hosted by the Ministry of Finance of the Republic of Slovenia.

The meeting brought together over 74 participants, including 49 budgeting officials from 17 BCOP member countries (Armenia, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, Georgia, Kazakhstan, Kosovo, Kyrgyz Republic, Moldova, Montenegro, North Macedonia, Romania, Serbia, Türkiye, Ukraine, and Uzbekistan). In addition to presentations by PEMPAL BCOP member countries, thematic presentations were delivered by the Ministry of Finance of the Republic of Slovenia, the World Bank, the PEFA Secretariat, OECD's Public Management and Budgeting Division, the International Budget Partnership (IBP), the Global Initiative for Fiscal Transparency (GIFT), and the PEMNA network.

The 3-day plenary meeting, the first since 2019 in a face-to-face format, provided the opportunity for BCOP members to:

- i. Examine recent experiences and knowledge in the areas of:
 - a. program and performance budgeting
 - b. budget openness
 - c. climate change-responsive public finance management (PFM)
 - d. health sector PFM.
- ii. Share developments from BCOP's working groups and collect member countries' feedback on their priorities for future work.

Based on the presentations and discussions during the event, this document outlines some key takeaways on measures for improving the effectiveness and openness of public spending.



The report was drafted by the BCOP Resource Team (Naida Carsimamovic Vukotic, PEMPAL BCOP Resource Team, World Bank; Iryna Shcherbyna, World Bank Senior Public Sector Specialist, PEMPAL BCOP Resource Team Coordinator; and Richard Allen, BCOP Strategic Advisor), with guidance from Ms. Aynura Bakaybaeva (BCOP Chair, Ministry of Finance of Uzbekistan) and Emil Nurgaliev (Deputy BCOP Chair, Ministry of Finance of Bulgaria).

BCOP would like to thank the following individuals for their contributions.

The external speakers included: Ms. Sasa Jazbec, State Secretary of the Ministry of Finance of the Republic of Slovenia; Mr. Srinivas Gurazada, Head of the Public Expenditure and Financial Accountability (PEFA) Secretariat; Mr. Driss M. Zine-Eddine El-Idrissi, Lead Health Economist from the World Bank; Mr. Andrew Park, Policy Analyst in the Public Management and Budgeting Division of the Organization for Economic Development And Cooperation (OECD); Ms. Katja Lautar, Director-General of the Economic and Fiscal Policy Directorate of the Ministry of Finance of the Republic of Slovenia; Ms. Miranda Groff Ferjančič, Deputy Director-General of the Budget Directorate of the Ministry of Finance of the Republic of Slovenia; Mr. Andrés Ponce, Program Officer from the International Budget Partnership (IBP); Mr. Juan Pablo Guerrero, Director of the Global Initiative for Fiscal Transparency (GIFT); and Ms. Quyen Hoang Vu, the World Bank Senior Governance Specialist and Public Expenditure Management Network in Asia (PEMNA) Team Leader. PEMPAL BCOP members who contributed by presentations and lead discussant remarks include Aynura Bakaybaeva, Lead Economist in the State Budget Department of the Ministry of Finance of Uzbekistan and BCOP Chair; Emil Nurgaliev, State Expert in the Budget Policy



Division of the Budget Directorate in the Ministry of Finance of Bulgaria, and BCOP Deputy Chair; Alija Aljovic, Assistant Minister for Budget in the Federal Ministry of Finance in Bosnia and Herzegovina; Vasile Botica, Head of the Division for Sectoral Budget Policies in the Ministry of Finance of Moldova; and Nevenka Brkic, Head of the Sector for Budget Preparation and Financing of Local and Regional Self-Government Units in the Ministry of Finance of Croatia. Richard Allen, BCOP Strategic Advisor, provided the concluding remarks for the event. We also thank all of the BCOP members who participated in the plenary meeting for their active contributions to panel discussions and group work.

More information about this meeting, including the agenda and presentation materials, is available on the PEMPAL website. Please refer to the BCOP Fact Sheet¹ for additional information about BCOP.

www.pempal.org/events/bcop-plenary-meeting-hosted-ministry-finance-republic-slovenia-trends-public-spending

¹ <https://www.pempal.org/event/budget>

EXECUTIVE SUMMARY

Government budgets across the world are under increasing pressure amid the interlinked global crises, fiscal stress, and demands for more effective public services and more open budgeting.

The BCOP 2023 Annual Plenary Meeting, held in Ljubljana on March 22-24, 2023, examined the current trends and directions of different issues related to public spending effectiveness and accountability. This includes program and performance budgeting, budget openness, climate change responsive PFM, and PFM in the health sector. The meeting brought together over 74 participants, including 49 budgeting officials from 17 BCOP member countries. Presentations were delivered by PEMPAL BCOP member countries, the Ministry of Finance of the Republic of Slovenia, the World Bank, the PEFA Secretariat, the OECD's Public Management and Budgeting Division, IBP, GIFT, and the PEMNA network.

During the meeting, speakers introduced the latest developments and shared core lessons learned in several key areas:

- i. **The Slovenian process of strategic planning, program budgeting, and the green budgeting elements applied in Slovenia:** A link is being established between strategic planning and budgeting and the Slovenian program budgeting classification which comprises 24 policy areas, 114 programs, and 310 subprograms. After almost 15 years of experience in program budgeting, it has been recognized in Slovenia that their current program budgeting structure should be simplified in the future, and linked more closely to the country's national development strategy.
- ii. **Legal basis, methodology, and recent developments in program budgeting in Bulgaria:** The recently strengthened budgeting



approach in Bulgaria has streamlined its use of programs and Key Performance Indicators (KPIs) both at the national and sectoral levels. This approach is in line with OECD Good Practices on Performance Budgeting and the BCOP's Knowledge Product on *Performance Budgeting in Spending Reviews in PEMPAL Countries: Current Practices, Challenges, and Recommendations*.²

- iii. **Results of the IBP's Open Budget Survey (OBS) for 2021 and plans for the 2023 round of the Survey:** In 2021, the ECA region on average scored just below 60 on the OBS, compared to the score of around 50 in 2008. BCOP's work on budget openness over the last decade has contributed to this improvement. There is still a lot of space for further improvement in budget openness in BCOP countries, most notably through including performance information in budget documentation and greater public participation in the budget process.
- iv. **Public participation and use of digital tools in the budget cycle:** The availability of innovative digital tools that facilitate budget openness is constantly expanding. GIFT's presentation included an overview of adaptable open-source tools and examples of up-to-date good practices in public participation.
- v. **Key elements and methodology of the PEFA Climate Assessment:** Participants learned about the PEFA Climate Framework; key roles of government authorities, including Ministries of Finance and Ministries of Environmental Protection; approaches for delivering these assessments; practical examples of the assessments that have taken place; and other available tools, notably the IMF's PIMA-C.
- vi. **Green and climate finance in East Asia:** as presented by the Public Expenditure Management Network in Asia (PEMNA). Efforts to green revenues, expenditures, assets, and liabilities



in PEMNA countries were discussed, as well as examples of fiscal policy responses to address environmental issues.

- vii. **Experiences of health sector spending reviews in OECD countries:** In a fiscally constrained context, spending reviews can help in identifying fiscal space to address emerging health priorities, reallocate spending from lower-priority sectors, and improve efficiency gains. Examples from the Netherlands and Ireland were presented.
- viii. **The World Bank's Public Expenditure Reviews (PERs) in the health sector:** These PERs examine the distribution of health-related expenditures among the population, the efficiency of public interventions, the impact of public spending on equity, bottlenecks in budget planning and execution, and the alignment of strategic planning and budgeting. Examples of recent PERs that included the health sector were discussed.

This paper outlines some key takeaways from the meeting's thematic sessions on the most recent directions related to measures for improving the effectiveness and openness of public spending. More information about this meeting, including the agenda and presentation materials, is available on the PEMPAL website.³

² <https://www.pempal.org/knowledge-product/performance-budgeting-and-spending-reviews-pempal-countries-practices-challenges>

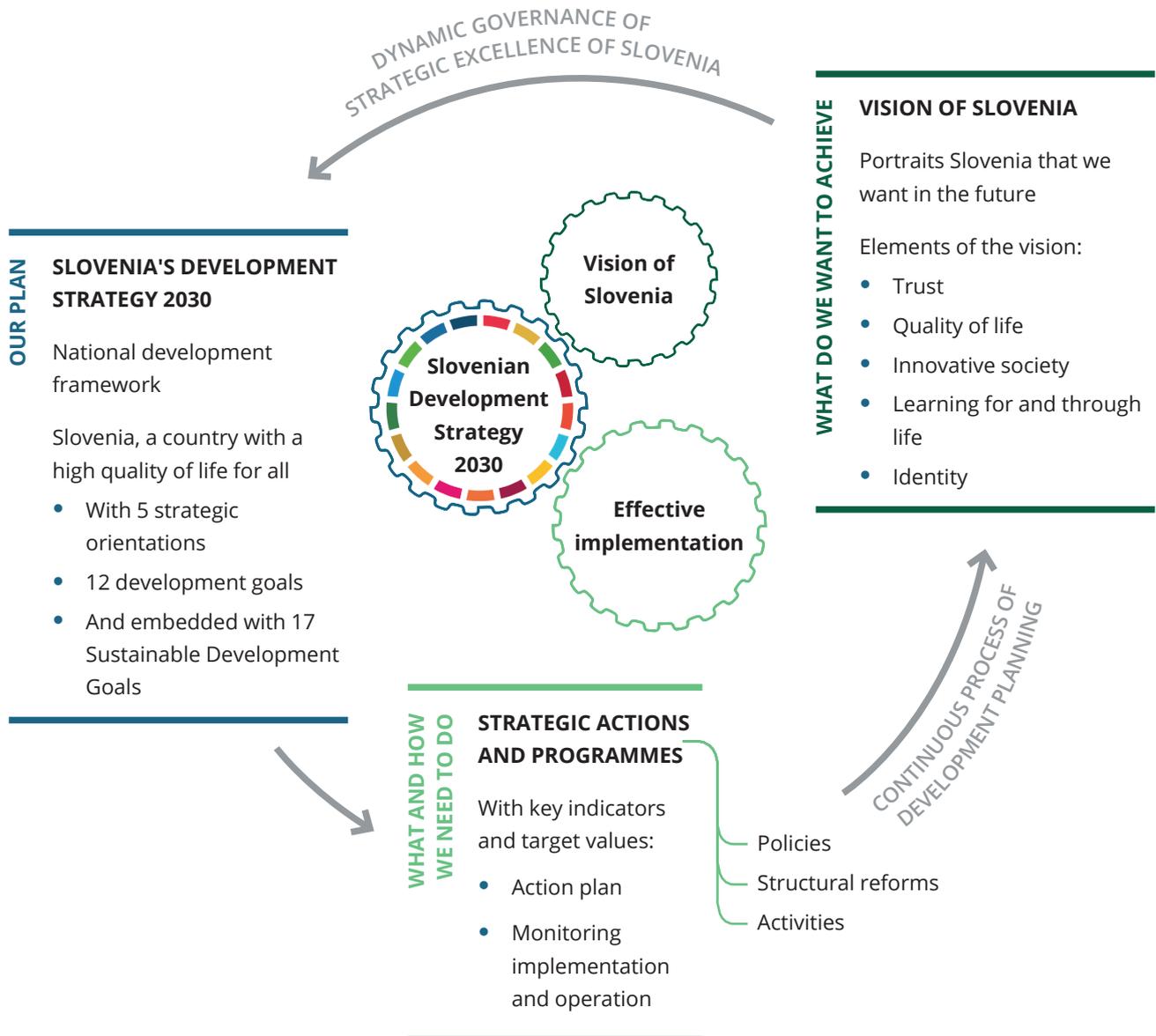
³ <https://www.pempal.org/events/bcop-plenary-meeting-hosted-ministry-finance-republic-slovenia-trends-public-spending>

PART 1.

PROGRAM AND PERFORMANCE BUDGETING: TAKEAWAYS FROM THE SLOVENIAN AND BULGARIAN EXPERIENCE AND PLANS

In order to ensure that the national development strategies can be operationalized and integrated into the budget process, it is important that the budgeting department of the Ministry of Finance be strongly involved in the process of strategy development. At the same time, line ministries need to take an active part, especially in targeting Key Performance Indicators (KPIs), to ensure their ownership and accountability. This participative approach helps to ensure cross-sectoral linkages and horizontal coordination, thus moving away from silo operations and thinking. The Ministry presented the experience of Slovenia in setting the KPIs in the 2030 Slovenian Development Strategy and the Slovenian program budgeting model.

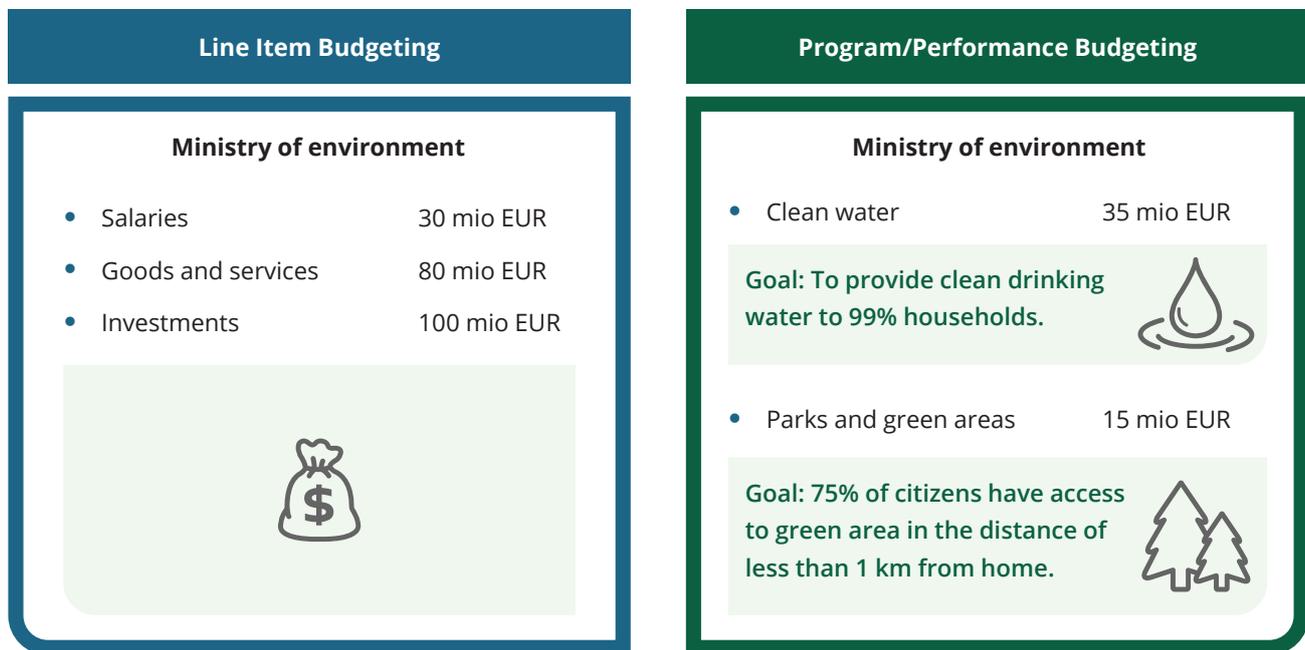
The Slovenian Development Strategy is based on the Sustainable Development Goals (SDGs), while also reflecting the country's specificities. This included a focus on challenges related to the relatively low productivity and the challenges brought on by the aging population. The Slovenian KPIs include SDGs, as well as additional indicators relevant to the country. **Exhibit 1** shows the development planning model in Slovenia, which puts the welfare of people at the center. The KPIs and the government's strategic objectives are integrated with the program budgeting structure and indicators.

EXHIBIT 1. The Development Planning Model of Slovenia

Source: Presentation by Katja Lautar, Director-Genera of the Economic and Fiscal Policy Directorate in the Ministry of Finance of Slovenia at the BCOP 2023 Annual Plenary Meeting in March 2023 in Ljubljana

It is intended to streamline Slovenia's program budgeting structure by focusing on higher-level outputs and outcomes, which are key for the Government's and Parliament's decision-making. The current Slovenian program budgeting classification comprises 24 policy areas, 114 programs, and 310 subprograms. **Exhibit 2** shows an example of a presentation of economic and program classification in the Slovenian budget.



EXHIBIT 2. Presentation of Different Budget Classifications in Slovenian Budget

Source: Presentation by Miranda Groff Ferjančič, Deputy Director-General of the Budget Directorate in the Ministry of Finance of the Republic of Slovenia at the BCOP 2023 Annual Plenary Meeting in March 2023 in Ljubljana

The recently strengthened program budgeting approach in Bulgaria has followed a similar direction as Slovenia – streamlining and strengthening linkages with strategic planning.

In the plenary meeting, the Ministry of Finance of Bulgaria presented the legal basis, methodology, and recent developments in program budgeting in the country. The program budgeting structure has been streamlined and directly connects KPIs from the national and sectoral strategies with program budgeting. This approach is in line with OECD Good Practices on Performance Budgeting and BCOP's knowledge product on *Performance Budgeting in Spending reviews in PEMPAL Countries: Current Practices, Challenges, and Recommendations*.⁴

KPIs should be integrated into the program budgeting structure at the highest level of the structure (as these usually indicate high/long-term outcomes), while the second level of the program

structure should include lower-level indicators (i.e., intermediate outcomes and outputs) to measure what the institutions are directly doing to contribute to KPIs. The Ministry of Finance of Bulgaria presented its model for including KPIs from strategic documents in program budgeting. KPIs are reflected in the highest level of the program budgeting structure, called policy objective areas in Bulgaria, while the second level of the program budget structure, called budget programs in Bulgaria, include intermediate outcome and higher-level output indicators, thus operationalizing the KPI and policy objectives.

Budget program information should, inter alia, entail the objectives connected to strategic documents, linkages with organizational structure, and performance indicators. Exhibit 3 shows in detail the main elements of budget programs in Bulgaria. The program budgeting format in Bulgaria

⁴ <https://www.pempal.org/knowledge-product/performance-budgeting-and-spending-reviews-pempal-countries-practices-challenges>



is defined in a budget document that presents the medium-term objectives of a budgetary organization that require relevant financing, expenditures under budget programs that once implemented will lead to the achievement of objectives, as well as performance indicators that include information necessary to measure the results achieved and the implementation of the budget programs. The explicit linkage of Bulgaria's program structure with the country's organizational structure is in line with the OECD's advice (as discussed in the February 2023 OECD meeting of the Working Party on Performance and Results within the Draft OECD Performance Budgeting Framework). They note that the program classification

of the budget closely follows the organizational structure of a ministry, with a clear program manager assignment.

Other PEMPAL countries, such as Bosnia and Herzegovina, are also currently working on streamlining their program budgeting structures. Linking strategic planning with program budgeting is a key challenge in most PEMPAL countries, including Bosnia and Herzegovina and Moldova (who served as key discussants for the program budgeting session).

In modern program and performance budgeting systems in most countries, performance indicators are used to inform budgetary decisions, as contextual information, rather than being directly tied to budget allocations. Given the complex nature of government activities and their relation with high-level outcomes, direct performance budgeting is not recommended. This approach was confirmed during the discussions at the plenary meeting. It is also in line with the recent OECD and BCOP advice (see the OECD Good Practices on Performance Budgeting and BCOP's 2020 knowledge product mentioned above). The recent phase of program budgeting reform in several PEMPAL countries (such as Bulgaria and Bosnia and Herzegovina) follows this approach.

EXHIBIT 3. Information Contained in Budget Programs in Bulgaria

The description of the budget program should contain information on

program objectives (mostly operational) which should be linked and contribute for the achievement of the strategic objectives of the relevant policy/functional area

all defined products/services/activities should be subject to **costing and the necessary funds for realization** should be within the allocated resources under the budget program

performance indicators with reference values as well as information on the availability and quality of data. The performance indicators should be measurable and relevant to the respective products/services

organizational structures participating in the program as well as the responsibility for the implementation of the program

provided within the program **products/services** (departmental expenditures) and the related activities for their provision;

external factors which may affect the achievement of the program objectives

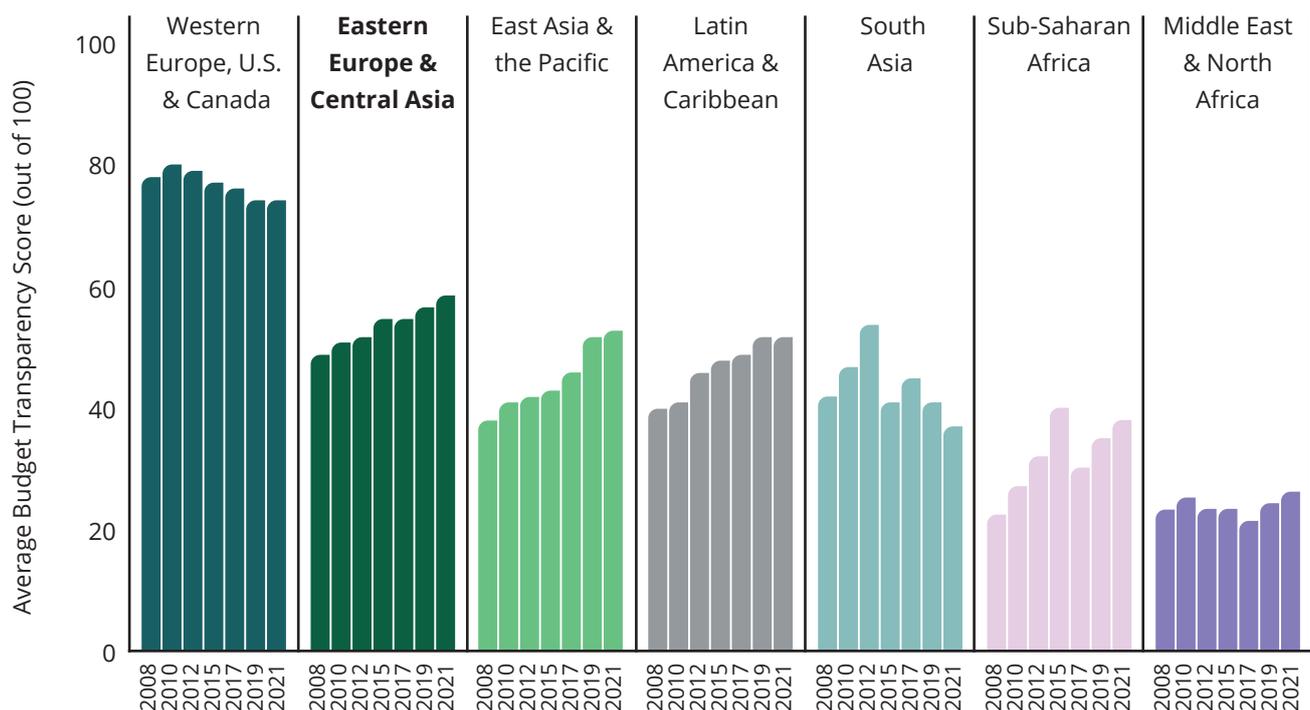
PART 2.

CURRENT STATUS AND GOOD PRACTICES IN BUDGET OPENNESS: ADVICE FROM IBP AND GIFT

Budget openness at the global level remained fairly stable between 2019 and 2021, despite the Covid crisis, but no country worldwide meets the minimum IBP's standards for adequate accountability on all three measures – transparency, oversight, and participation. IBP presented the results of their Open Budget Survey for

2021 and the plans for the 2023 round of the Survey. At the global level, the score for transparency is 46, for oversight 52, and for participation 14, compared to the benchmark of an acceptable level of 61. **Exhibit 4** shows the progress in regional average scores on transparency since 2008.



EXHIBIT 4. Average Regional Scores on Transparency Pillar of the Open Budget Survey, 2008-2021

Source: Presentation by Andrés Ponce, Program Officer, Training, Technical Assistance & Networking in International Budget Partnership (IBP) at the BCOP 2023 Annual Plenary Meeting in March 2023 in Ljubljana

The ECA region is on track to be the first region to advance to the adequacy budget openness threshold score, as shown in the previous exhibit. BCOP's work on budget openness over the last decade has contributed to this remarkable improvement. Twelve BCOP countries have improved

their transparency score on OBS since 2008 (in order of improvement): the Kyrgyz Republic, Georgia, Kazakhstan, Azerbaijan, Russia, Bulgaria, Albania, Türkiye, Ukraine, Croatia Romania, and Serbia (see **Exhibit 5**). Georgia has the highest current score among PEMPAL countries.

EXHIBIT 5. 2021 OBS Scores for PEMPAL Countries

Country	Transparency	Participation	Oversight
Georgia	87	44	74
Russia*	73	28	78
Bulgaria	71	26	61
Slovenia	66	11	83
Moldova	65	11	63
Slovakia	65	22	56
Ukraine	65	39	82
Croatia	64	17	65
Kazakhstan	63	9	61
Romania	63	7	43
Kyrgyz Republic	62	26	61
Armenia	61	6	50

Country	Transparency	Participation	Oversight
Czech Republic	60	15	83
Poland	60	22	82
Azerbaijan	57	9	63
Turkey	55	0	61
Albania	52	6	67
Serbia	46	2	54
Hungary	44	0	57
North Macedonia	36	6	54
Bosnia and Herzegovina	32	9	57
Tajikistan	16	0	43
Regional average	57	14	63

Source: Presentation by Andrés Ponce, Program Officer, Training, Technical Assistance & Networking in International Budget Partnership (IBP) at the BCOP 2023 Annual Plenary Meeting in March 2023 in Ljubljana

Nevertheless, there is still a lot of space for further improvement in budget openness in the PEMPAL region. This applies across all three pillars, most notably in the public participation pillar, as well as in including in the budget documentation the performance information and information on the policy impact of the budget on different groups of citizens. Recommendations for PEMPAL countries to further improve their OBS scores include: i) improving the executive's budget proposal comprehensiveness (current average score is 55/100), ii) improving the comprehensiveness of year-end budget reporting (current average score is 56/100), iii) publishing a mid-year review of the budget (not published in 9 countries; not produced in 6), iv) strengthening public participation in the budget by continuing to use and refine technologies, online tools and innovative practices, and v) further strengthening of peer learning practices through active engagement in regional bodies such as PEMPAL. Examples of innovative approaches to participation in several countries were also presented by the IBP, including Indonesia, Argentina, Moldova, and South Korea.

It is important to keep in mind what is behind the goal of budget openness, rather than treating these efforts as a “tick a box” exercise. In the budget process, public participation refers to the variety of ways in which civil society, businesses, and

other non-state actors interact directly and publicly with the government on fiscal issues including government taxation and revenue collection, resource allocation, actual spending and performance, auditing and the management of public assets and liabilities. In its presentation, GIFT reminded participants that budget transparency (combined with adequate budget literacy) enables direct engagement in budget planning by the public, which in turn increases the accountability for the stewardship of public resources and delivering value for money by public officials. Greater accountability contributes to improved policy outcomes, which in turn contributes to improved social, economic, and environmental outcomes for the citizens.

There is evidence of the fiscal benefits of fiscal openness. They include higher tax collections; increased demand for sovereign debt and lower borrowing costs; lower misallocations of resources and fewer occasions of state capture; increased accountability; greater public oversight of government institutions; and improved budget credibility development outcomes. These are the findings of GIFT's study (*When Do Open Budgets Transform Lives: Progress and Next Steps in Fiscal Openness Research* (2022)).⁵ GIFT's Principles of Public Participation in Fiscal Policies are shown in **Exhibit 6**.

⁵ <https://fiscaltransparency.net/fiscal-openness-research-2022/>

EXHIBIT 6. GIFT's Principles of Public Participation in Fiscal Policies

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1
ACCESSIBILITY

Facilitate public participation in general by disseminating complete fiscal information and all other relevant data, in formats and using mechanisms that are easy for all to access, understand, and to use, re-use and transform, namely in open data formats.
- 

2
OPENNESS

Provide full information on and be responsive with respect to the purpose of each engagement, its scope, constraints, intended outcomes, process and timelines, as well as the expected and actual results of public participation.
- 

3
INCLUSIVENESS

Pro-actively use multiple mechanisms to reach out to engage citizens and non-state actors, including traditionally excluded and vulnerable groups and individuals, and voices that are seldom heard, without discrimination on any basis including nationality, race, ethnicity, religion, gender, sexual orientation, disability, age or caste; and consider public inputs on an objective basis irrespective of their source.
- 

4
RESPECT FOR SELF-EXPRESSION

Allow and support individuals and communities, including those directly affected, to articulate their interests in their own ways, and to choose means of engagement that they prefer, while recognizing that there may be groups that have standing to speak on behalf of others.
- 

5
TIMELINESS

Allow sufficient time in the budget and policy cycles for the public to provide inputs in each phase; engage early while a range of options is still open; and, where desirable, allow for more than one round of engagement.
- 

6
DEPTH

Support each public engagement by providing all relevant information, highlighting and informing key policy objectives, options, choices and trade-offs, identifying potential social, economic, and environmental impacts, and incorporating a diversity of perspectives; provide timely and specific feedback on public inputs and how they have been incorporated or not in official policy or advice.
- 

7
PROPORTIONALITY

Use a mix of engagement mechanisms proportionate to the scale and impact of the issue or policy concerned.
- 

8
SUSTAINABILITY

All state and non-state entities conduct on-going and regular engagement to increase knowledge sharing and mutual trust over time; institutionalize public participation where appropriate and effective, ensuring that feedback provided leads to review of fiscal policy decisions; and regularly review and evaluate experience to improve future engagement.
- 

9
COMPLEMENTARITY

Ensure mechanisms for public participation and citizen engagement complement and increase the effectiveness of existing governance and accountability systems.
- 

10
RECIPROCITY

All state and non-state entities taking part in public engagement activities should be open about their mission, the interests they seek to advance, and who they represent; should commit to and observe all agreed rules for engagement; and should cooperate to achieve the objectives of the engagement.

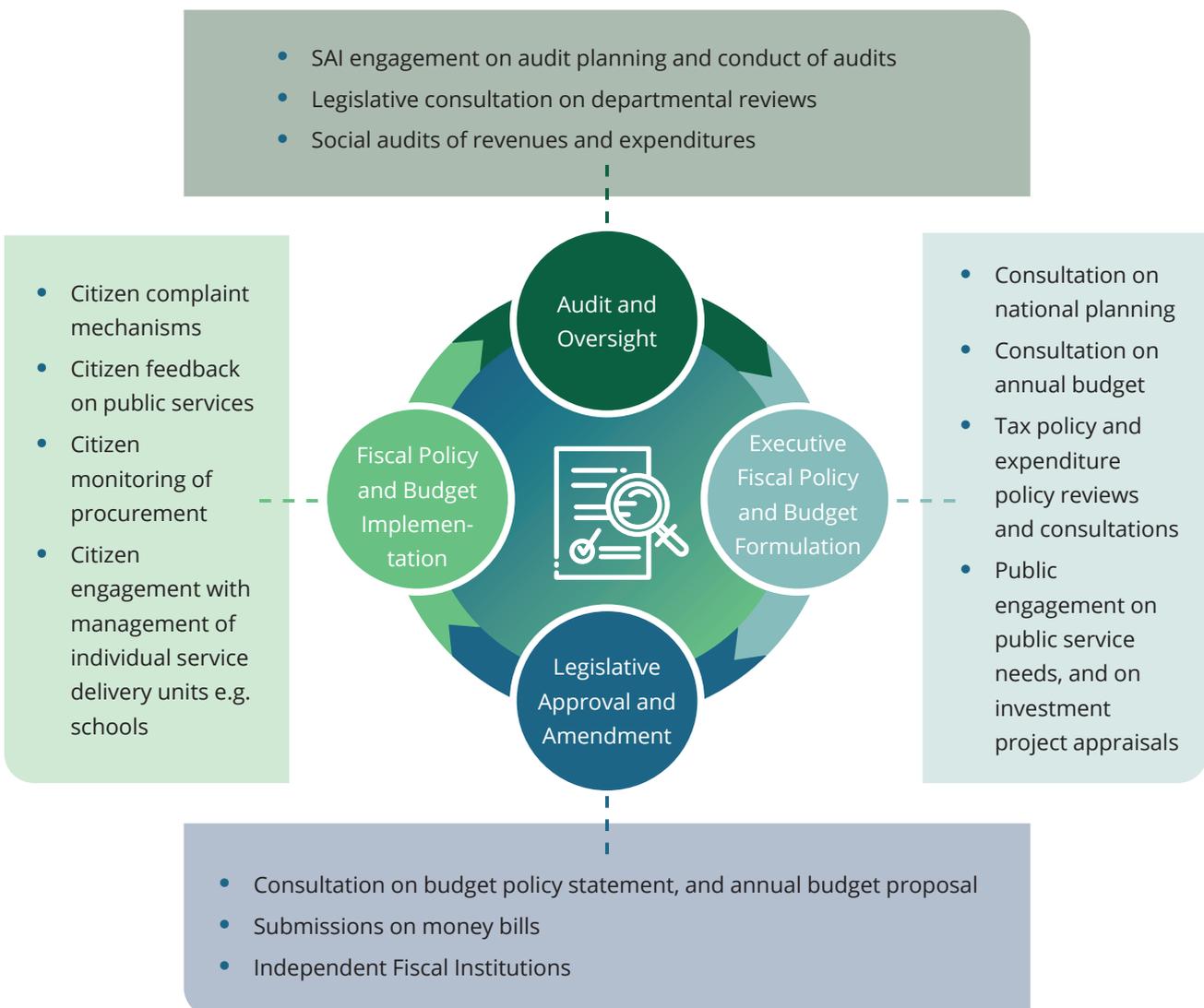
Technology can contribute to more efficient, transparent, equitable, and impactful fiscal policies. The availability of innovative digital tools that facilitate budget openness is constantly expanding. This includes adaptable/customizable open-source tools, which GIFT presented, such as Decidim (used in Barcelona), YourPriorities (used in Reykjavik), and Consul (used in Madrid, Wurzburg, Porto Alegre, etc.). Digital tools can be used for information and (open) data disclosure and dissemination, public consultations, consultation over legislation, participatory budgeting, project monitoring, and the collection of complaints/feedback. Exhibit 7 shows examples of public participation in the budget cycle, with the use of digital tools highlighted. GIFT also

presented several examples of up-to-date good practices in public participation, including Benin, Canada, Georgia, Nigeria, Peru, the Philippines, South Africa, and the USA.

BCOP members from Uzbekistan and Croatia led discussants in the budget openness session, reflected on IBP's and GIFT's presentations, and provided updates on their countries' reforms.

Issues discussed included the application of public participation at both the central and subnational levels of government, and how national elections have delayed the adoption of budget documents and thus resulted in lower OBS scores for some of the PEMPAL countries.

EXHIBIT 7. Examples of Public Participation in the Budget Cycle



Source: Presentation by Juan Pablo Guerrero, Director of the Global Initiative for Fiscal Transparency (GIFT) at the BCOP 2023 Annual Plenary Meeting in March 2023 in Ljubljana

PART 3.

SUPPORTING THE IMPLEMENTATION OF GOVERNMENT CLIMATE CHANGE POLICIES THROUGH PFM: PEFA CLIMATE ASSESSMENT AND EXPERIENCES FROM EAST ASIA

PEFA Climate is a useful standard methodology for assessing how well PFM systems can support the implementation of government climate change policies. It builds on the PEFA Framework, is undertaken at the request of the government, and is conducted jointly by PFM and climate change experts. The Head of the PEFA Secretariat presented The PEFA Climate approach and methodology. The assessment tool was developed in 2020 and several pilot assessments have been conducted so far.



PEFA Climate can be undertaken as a part of a bundle of assessments (PEFA + or PEFA ++) or as **a standalone assessment**. The key elements of the assessment include an inception questionnaire, based on which a Country Climate Change Profile is developed. The assessment outlines a country's climate change context, its policy priorities, and international commitments. The assessment comprises 3 outcomes, 7 pillars, 14 indicators, and 29 dimensions. Performance indicators cover the full budget cycle and are further disaggregated into dimensions. **Exhibit 8** shows the scoring methodology and the indicators.

The roles in the process of conducting PEFA Climate assessment were discussed. The role of the PEFA Secretariat includes training, advice to the government and assessment team, and quality assurance. The government's roles include oversight of the PEFA Climate team, data collection, the arrangement of technical meetings, and peer review. The assessment team gathers evidence, conducts cross-checking, drafts the reports, and presents the findings. Pilot assessments conducted so far include Costa Rica, Ethiopia, Rwanda, and Samoa. Participants noted that other climate-related assessment tools were also available, notably, the IMF's comprehensive C-PIMA tool which has been conducted in more than 80 countries.

EXHIBIT 8. PEFA Climate Assessment Indicators and Scoring Methodology

A	Climate impact analysis is mainstreamed in the relevant PFM institutions, processes, or systems
B	Climate impact analysis is partially mainstreamed in the relevant PFM institutions, processes, or systems
C	Initial efforts have taken place to mainstream climate impact analysis in the relevant PFM institutions, processes, or systems
D	Performance is less than the basic level of performance

Each dimension is scored separately. Aggregation method is M2 for all indicators.

INDICATORS	
CRPFM-1 Budget alignment with climate change strategies	CRPFM-8 Climate responsive procurement
CRPFM-2 Tracking climate related expenditure	CRPFM-9 Climate responsive revenue administration
CRPFM-3 Budget circular	CRPFM-10 Compliance of climate related expenditure
CRPFM-4 Legislative scrutiny	CRPFM-11 Climate responsive fiscal decentralization framework
CRPFM-5 Climate responsive public investment management	CRPFM-12 Climate related performance information
CRPFM-6 Climate responsive non-financial asset management	CRPFM-13 Climate related evaluation
CRPFM-7 Climate related liabilities	CRPFM-14 Expenditure outturn for climate activities

Source: Presentation by Srinivas Gurazada, Head of the Public Expenditure and Financial Accountability (PEFA) Secretariat at the BCOP 2023 Annual Plenary Meeting in March 2023 in Ljubljana

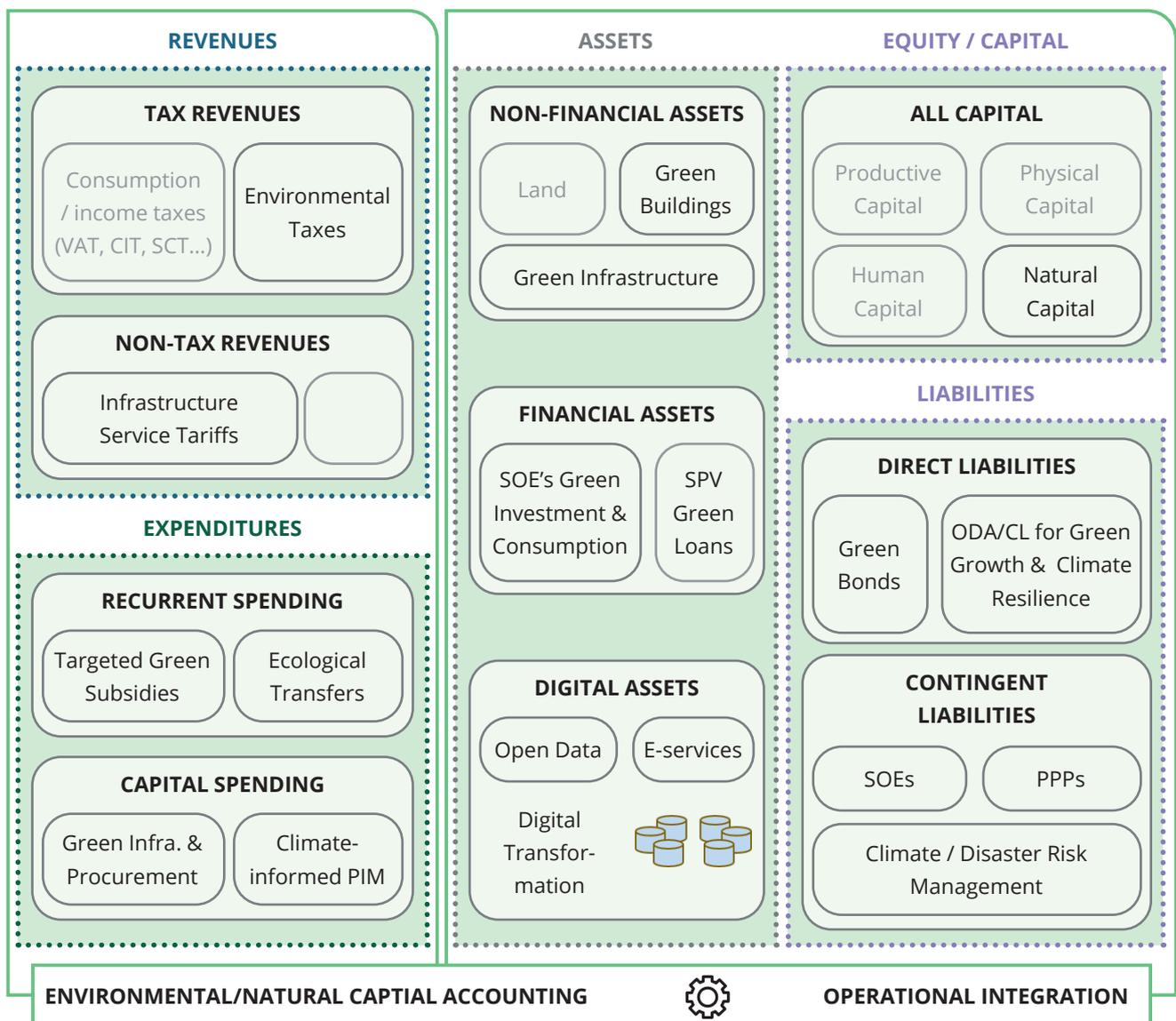
East Asia, the region that suffers significantly from extreme weather events, has a critical role in the global green transition and is increasingly investing efforts in climate action, including through PFM measures. Public Expenditure Management Network in Asia (PEMNA) BCOP delivered a presentation on green and climate finance in East Asia. Efforts of greening revenues, expenditures, assets, and liabilities were discussed.

Efforts at greening revenues, expenditures, assets, and liabilities were discussed. Specific country examples (from Asia and elsewhere) of fiscal policy responses to address environmental issues were presented. **Exhibit 9** shows the elements of the

government balance sheet that can include climate change responsive/green measures.

BCOP members were especially interested in the country examples of fiscal policy responses to address environmental issues presented at the meeting. These included tax/fee/subsidy incentives, fiscal transfers to increase subnational government participation, innovative financing, climate budget tagging, environmental taxes, consolidation of climate projects into a single fund, customized program and performance budgeting systems, green procurement, and green and disaster risk financing. **Exhibit 10** shows some examples of green expenditure measures from the PEMNA region.

EXHIBIT 9. Greening the Whole-of Government Balance Sheet



Source: Presentation by Quyen Hoang Vu, World Bank Senior Governance Specialist and Public Expenditure Management Network in Asia (PEMNA) Team Leader at the BCOP 2023 Annual Plenary Meeting in March 2023 in Ljubljana

EXHIBIT 10. Green Expenditure Measures in PEMNA Region

SOUTH KOREA: Consolidate climate projects into a single fund to reach carbon-neutral by 2050, to increase efficiency/ synergy while preventing redundancy in climate projects due to separate, siloed management by different ministries.

Climate Response Fund (US\$1.8B in 2022):

- 42% in GHG emission reduction,
- 26% in establishing foundational system,
- 24% in low-carbon ecosystem, and
- 8% for fair transition.

CAMBODIA:

- 4 Program Budgeting & Performance-informed Budgeting for environment protection, management and conservation of national resources and community development, policy formulation and sustainable development, and supporting Program.
- Established Environment and Social Fund in 2016 under MoE (total US\$16.1M during 2017-22).

MALAYSIA:

- Government Green Procurement (GGP) takes into account 40 criteria, started in 2021. Valued at RM617M (US\$140M), involving 27 ministries.

INDONESIA:

- In the last 5 years, the average gov CC spending of Rp89,6 trillion in year (3.9% from the state budget), equivalent to 34% average annual mitigation matching needs (Source: Indonesia Biennial Update Report).
- Considering Results-Based Payment (RBP) for the results of emission reductions.

**PHILIPPINES:**

“Build, Better, More” Program (US\$20B or about 5%-6% GDP for 2023-28) with Three-Year Rolling Infrastructure Program (TRIP):

- Climate data and risk assessment and green building standards in the design, construction, and renovation of government buildings/facilities.
- Since 2022, introduced climate-informed PIM (all gov. projects subjected to multi-scenario, probabilistic risk assessment, adaptation/mitigation planning). Promoted energy-saving solutions.

PART 4.

ADDRESSING EMERGING SPENDING PRESSURES IN THE HEALTH SECTORS: OECD AND WORLD BANK'S ADVICE ON HEALTH SECTOR ASSESSMENT TOOLS

A strengthened spending review framework can help support emerging spending pressures in the health sector. This framework was presented by the OECD's Public Management and Budgeting Division. Spending reviews are tools for systematically analyzing the government's existing expenditures. They are widely used in OECD countries and they complement program and performance budgeting. Spending reviews can help governments: i) manage the aggregate level of expenditure, ii) align the budget with their policy priorities, and iii) Improve the efficiency and effectiveness of spending programs and policies. They have been widely used, especially in

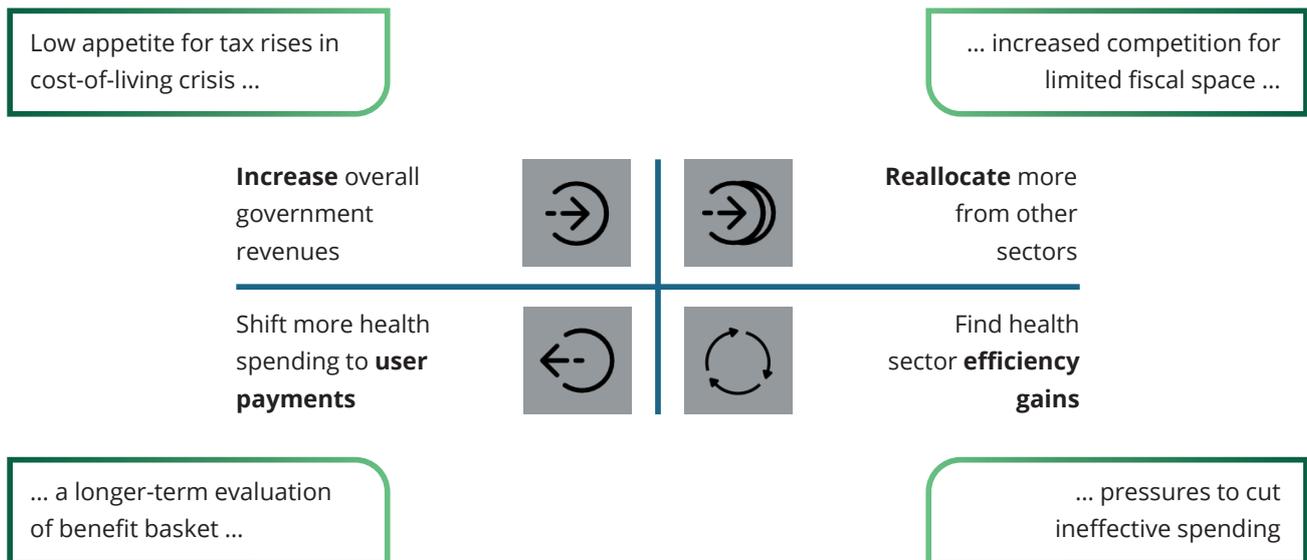
OECD countries, as a core instrument for expenditure prioritization and reallocation.

Healthcare systems cannot sustain current levels of spending in the long run without putting significant strain on government budgets. Health expenditure has typically outpaced economic growth in OECD countries. To fund this increase in health expenditure, OECD countries would need to dedicate 20% of their revenues to health by 2040, up 5 percentage points from 2018. **Exhibit 11** shows the options for financing additional health sector resources needs.

In a fiscally constrained context, spending reviews can help: identify fiscal space to address emerging health priorities, reallocate spending from lower-priority sectors, and achieve efficiency gains in the health sector. OECD Best Practices for Spending

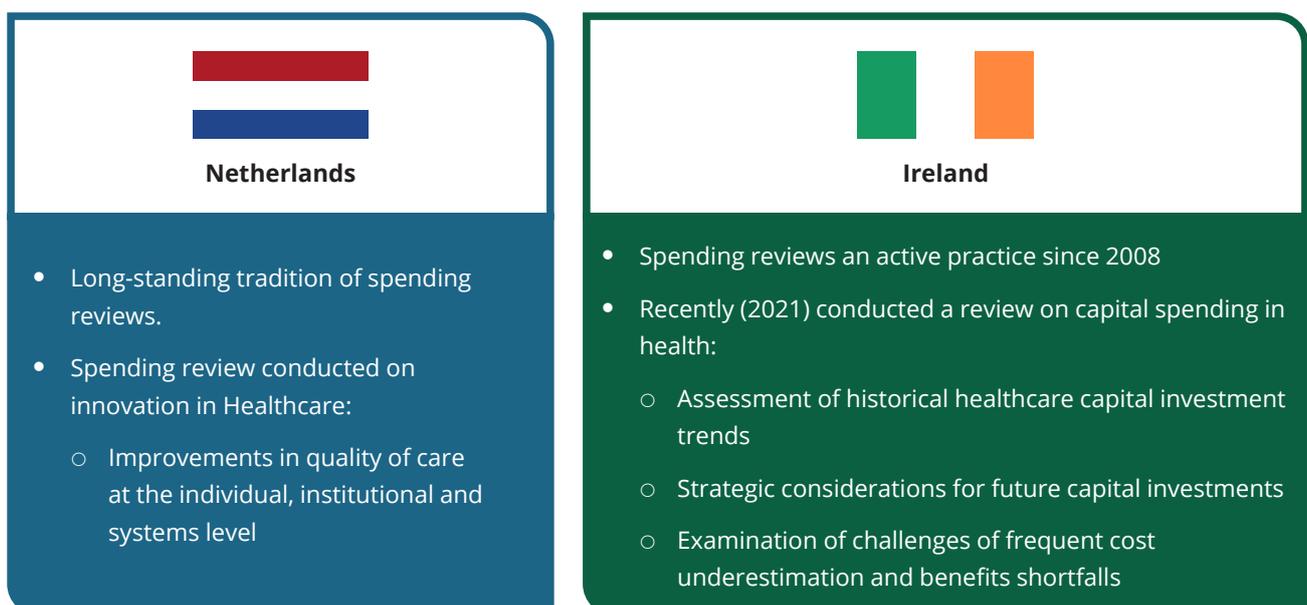
Reviews were presented, as well as the experience of conducting health sector spending reviews in OECD countries such as the Netherlands and Ireland, as shown in **Exhibit 12**.

EXHIBIT 11. Viable Options for Financing Health Sector Needs in the Short-run



Source: Presentation by Andrew Park, Policy Analyst in the Public Management and Budgeting Division of the OECD at the BCOP 2023 Annual Plenary Meeting in March 2023 in Ljubljana

EXHIBIT 12. Examples of Health Sector Spending Reviews in OECD Countries



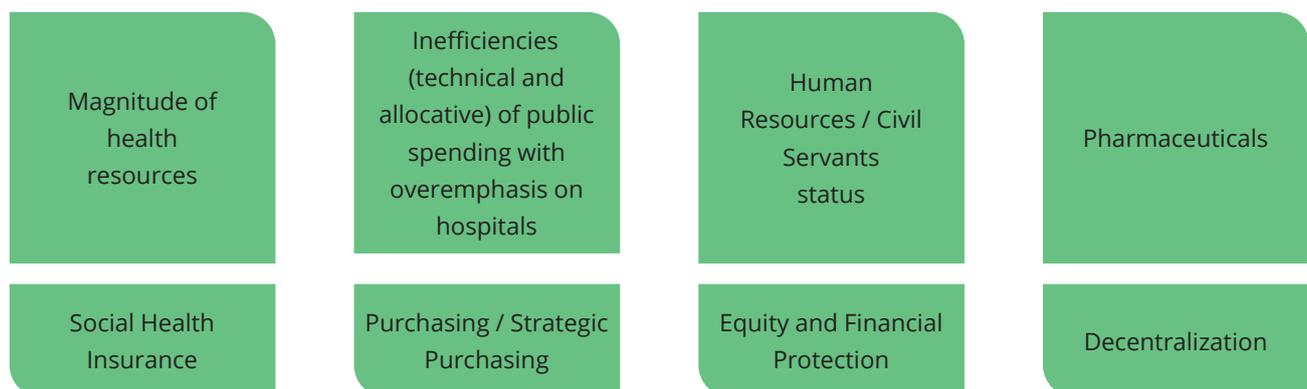
Source: Presentation by Andrew Park, Policy Analyst in the Public Management and Budgeting Division of the OECD at the BCOP 2023 Annual Plenary Meeting in March 2023 in Ljubljana

The World Bank's Public Expenditure Review (PER) is another useful tool for assessing PFM in the health sector. The World Bank's Lead Health Economist explained that these reviews presented a financial analysis of a country's public institutions' spending and resources, as well as other issues such as the effectiveness and equity of health spending. Thus, in the health sector, PERs examine the distribution of public services among the population, the efficiency of public interventions, the impact of public spending on equity, bottlenecks in budget planning and execution, and the alignment of strategic planning and budgeting.

Examples of PERs that included the health sector, including 11 studies of BCOP countries, were discussed. The scope of work of such PERs is shown in **Exhibit 13**.

There are challenges and constraints in undertaking health PERs. These include inadequate information systems and data on healthcare indicators, the productivity of healthcare centers and hospitals, pharmaceutical supplies and prices, as well as the differences in the definition and scope of public expenditure in the health sector (commitments vs. verifications vs. payment authorizations vs. payments). The roles of the health PER in policy dialogue include identifying additional studies required for defining evidence-based health policies, providing technical advice on PFM issues in the health sector, providing advice on health system reforms, and identifying areas of potential additional World Bank support, including interventions to help countries advance the Universal Health Coverage Agenda. Similarities and differences between PERs in the health sector and the Health Accounts (SHA 2011) were also discussed, with a conclusion that rigorous standardization would be useful.

EXHIBIT 13. Scope of Work of the World Bank's PER in Health Sector Conducts in ECA Countries



Source: Presentation by Driss M. Zine-Eddine El-Idrissi, Lead Health Economist in the World Bank at the BCOP 2023 Annual Plenary Meeting in March 2023 in Ljubljana

CONCLUDING REMARKS

The plenary meeting's thematic presentations (summarized in the previous chapters of this document) and the presentations about BCOP's working groups were used as the basis for the participants' work in discussion groups to plan for the future work of BCOP. Within the discussion groups, member countries' feedback on their priority topics was collected, as inputs into the planning of BCOP's FY24 activities. Members proposed 13 topics for the program and performance budgeting thematic area and 12 topics for the budget openness thematic area for BCOP to examine in the next period.

Richard Allen, BCOP Strategic Advisor, delivered the closing remarks for the event, noting that the three-day meeting was very productive and interesting, with rich discussion. He recalled the interesting presentations delivered by government officials from the region, IBP, GIFT, PEFA Secretariat,

PEMNA, OECD, and the World Bank. Mr. Allen also noted that the presentations of the recent work of the BCOP's two working groups (Program and Performance Budgeting Working Group and Budget Literacy and Transparency Working Group) showed that BCOP has been very productive.

Mr. Allen emphasized that the participants' group discussions were very interesting and lively, resulting in innovative and interesting proposed topics, and he highlighted some of the proposed ideas with his additional reflections. One of the topics on which he reflected was budget tagging. There is a clear interest in the tagging of certain categories on public spending, especially in relation to environmental protection and climate change, as well as gender equalization. However, caution should be taken to take into account the significant resources it requires and the potential diversion of attention



from other equally high-priority areas of spending by focusing on one specific aspect (such as climate change budget tagging). In terms of SDGs, innovative approaches for financing the delivery of the SDGs could be examined, given the enormous financing gaps that exist in most countries. Within the thematic area of budget openness, it would be important to examine how the budget impacts different regions, income groups, and other demographic or social categories (e.g., the disabled or young people). In particular, it is important that such information be presented in budget documents in an understandable and transparent form, including the citizens' budget material. Mr. Allen also highlighted the importance of raising awareness among citizens of fiscal policy issues and budget decisions. Awareness of these matters is generally very low among many categories of citizens and taxpayers globally. Attention should be given to the types of training programs for different categories of the public (e.g., journalists, young people, the unemployed or disabled, etc.). Delivery mechanisms for such training should also be carefully considered (e.g., delivered by the government, schools, training institutes, etc.).

BCOP Executive Committee met after the plenary meeting and discussed and synthesized the collected priority topics to put the top topics for members' vote. There were significant overlaps and/or common threads in proposed topics, thus three merged topics for each of the working groups' broad thematic areas were identified.

These proposed topics were put forward to BCOP members after the plenary meeting in an online survey for voting:

Program and performance budgeting topics

1. Linking strategic planning to budget planning
2. Integrating budget tagging into program budgeting, such as green, gender, SDG budgeting, etc.
3. Institutional roles in targeting and assessing the performance of budget programs

Budget openness topics:

1. Budget openness measures targeting different categories of the public, including citizen budget material, budget literacy measures, and public participation measures
2. Recommendations for comprehensive detailed content and structure of budget documentation/explanation
3. Recommendations for engaging the public in pre-budget policy stages in addition to the budget planning stage

