

Public Financial Management

Technical Assistance in Fiscal Year 2018

Afghanistan (October 2-6, March 26-30)

In the context of the ongoing program supported by the Extended Credit Facility, the authorities are committed to continue to implement strong fiscal reform efforts. In the PFM area, their priorities include (i) improving formulation, execution and reporting of the budget, (ii) ensuring a pro-growth composition of expenditures, and (iii) strengthening commitment control and cash management.

To support the ongoing consolidation of PFM reforms, in October 2017, METAC organized a one-week seminar aimed at deepening the understanding of PFM issues for staff who are engaged in capacity building projects and institutional reform. Using a mixture of lectures and group discussions, the seminar built understanding of priority reforms, effective sequencing, and the linkages between the components of PFM capacity building activities and improved economic and fiscal performance.

In March 2017, METAC experts presented good practices and international experiences on budget formulation, budget execution, and public investment management, and discussed approaches and measures to further strengthen the budget reliability and the predictability and control in budget execution. This off-site mission supported the development of institutional arrangements and capacities required to prepare a realistic budget, strengthen controls on key steps of budget execution, and foster the development of an adequate public investment management framework.

Algeria (November 7-21)

The fiscal position of Algeria deteriorated significantly in 2015 as oil revenues plummeted. To support fiscal consolidation, in 2016 the government adopted a three-year (2017-2019) fiscal framework, which includes multi-year ceilings on recurrent and investment spending. However, these ceilings have not exercised sufficient constraint during the preparation of the 2018 budget, which sharply deviates from the scenario set by the 2017-2019 fiscal framework. Against this background, the authorities have requested a joint FAD-METAC mission to help them strengthen the institutional framework for medium-term fiscal planning and related capacities. In addition, as the difficulties encountered by the government in complying with the 2017-2019 medium-term budget framework (MTBF) could be partly linked to the materialization of significant budgetary risks, the mission analyzed the main fiscal risks facing Algeria, and advised on the institutional framework for monitoring and managing them. The mission organized two workshops to present international standards and country experiences, which gathered more than 100 participants each from both the ministry of finance and line ministries.

Djibouti (May 17-30)

Djibouti is expanding its infrastructure to leverage its strategic location and foster growth. Consequently, public debt has risen from 50 to 85 percent of GDP between 2014 and 2016. In this context, a joint IMF-METAC mission assessed the ability of the PFM system to finance the budget in an efficient and transparent way, the framework to manage fiscal risks arising from public enterprises, and key institutions of the public investment management framework. The mission included 4 mini-seminars aiming at sharing international experiences and IMF analytical work with representatives of institutions involved in PFM. It recommended developing mechanisms, such as a debt rule and an Medium-Term Budget Framework (MTBF), to ensure predictability, sustainability, and efficiency of public investment. It also reviewed the draft law on debt management and

discussed approaches to improve cash forecast. Regarding public enterprises, it proposed to set-up a matrix and indicators to monitor the risks and profitability of public enterprises.

Egypt (June 8-9, September 13-21, April 3-12)

Improving fiscal risk monitoring and management and top-down expenditure control are priorities for the Egyptian authorities in the context of their ongoing program supported by the IMF Extended Fund Facility (EFF). Building on FAD and METAC past advice and training, a first fiscal risks statement, including a report on the outstanding stock of State guarantees, was prepared in April 2017. In June 2017, METAC's PFM advisor held meetings with the authorities in Cairo to define a short-term workplan to further strengthen their fiscal risk management toolkit. It was agreed that METAC would provide hands-on support to build further capacity on managing risks related to SOEs and State guarantees.

In September, METAC provided hands-on support. A "Sovereign Guarantee Committee" (SGC) assesses requests from SOEs and EAs for government guarantees. Its proceedings are supported by a "Technical Secretariat". METAC provided capacity building to the Secretariat staff and other key stakeholders (including the SGC) to operationalize the SGC. The expert assisted the authorities in developing an implementation plan, clarifying the operational processes, and building the required capabilities to further strengthen their assessment, management and reporting of fiscal risks. Practical workshops were held for representatives from the MoF on analyzing guarantee applications and monitoring guarantee exposures. Guidelines and templates for the analysis, monitoring, and reporting were provided. The implementation plan identified the steps to be taken by the authorities, both within the MoF and externally, to successfully operationalize the SGC.

In April, building on the recommendations of a November 2017 HQ-led mission, a joint FAD-METAC experts visit assisted the MoF in identifying a cluster of ministries with which medium-term expenditure planning will be explored and piloted. The experts discussed with the Budget Directorate and selected line ministries current efforts to plan medium-term expenditure and the necessary inputs to achieve better baselines and costing scenarios. They also investigated opportunities for a more consolidated budget discussion structured around the function of ministries and agencies rather than individual discussions with each ministry and agency.

Iraq (February 28 – March 2, March 6-9)

In February-March 2018, a joint FAD-METAC mission worked with representatives of the ministry of finance, line ministries, Federal Board of Supreme Audit, the Central Bank, and State banks to take stock of the progress made, explore remaining challenges, and define an action to build a more resilient budget execution process and prevent the resurgence of payment arrears.

Facing cash constraints resulting from the collapse of oil prices and the cost of the conflict with the Islamic State of Iraq and Syria (ISIS), Iraq has embarked on a set of reforms aiming at improving the efficiency of its cash management. In March 2018, a joint FAD-METAC mission worked with representatives of the ministry of finance, line ministries, Central Bank, and State banks to strengthen the institutional arrangements related to cash management and further develop a phased approach to implement a Treasury Single Account. METAC will work in the coming months with the recently created Cash Management Unit to further develop its capacity to forecast cash and effectively inform financial management and budget execution choices.



*Mission on Budget Execution and Commitment
Control, Lebanon
February 28-March 5, 2018*

Jordan (September 25 – October 3, February 20 – March 5)

In the context of the ongoing program supported by the EFF, Jordan continues to implement structural fiscal reforms to reduce public debt and strengthen the fiscal policy framework. Measures to strengthen PFM aim at improving the management of fiscal risks and the monitoring of government's underlying fiscal position, including through a substantial reform of public sector accounting practices. Since November 2014, an "IPSAS Implementation Roadmap", which aims at publishing the 2019 government financial statements in compliance with the requirement of the IPSAS, is being implemented. Following the publication of the 2015 cash-flow statement in accordance with Cash Basis IPSAS, the authorities have initiated the development of accounting and reporting of all assets and liabilities. A METAC expert supported the authorities to (i) review the consistency of the IPSAS action plan with capacities and (ii) analyze the organization and process required to produce timely and reliable financial and fiscal reports.

For several years, Jordan has faced challenges to prevent the growth of government's payment arrears related to the health sector. In this context, a METAC expert joined an FAD mission on expenditure rationalization to propose a package of measures to prevent the occurrence of such arrears. He identified weaknesses of the public financial management arrangements at the level of the Civil Health Insurance Fund (CHIF), which are contributing to the accumulation of arrears and proposed a set of actions to address them. He also stressed the need to improve budget execution and cash management, and establish a proper framework for in-year monitoring and reporting of arrears, at the central government level. An action plan to support the objective of zero accumulation of new health arrears starting in FY 2019 has been proposed and could benefit from further METAC's support, if requested.

Morocco (September 5-14)

Strengthening public investment is a priority for the Moroccan government as part of their strategy to enhance growth and meet social expectations regarding access to public infrastructure. Given the fiscal constraints and their commitment to bring debt down to 60 percent of GDP by 2021, the authorities are taking measures aiming at improving efficiency and quality of public investment. Using the Public Investment Management Assessment (PIMA) methodology, a joint FAD - METAC-World Bank mission assessed the efficiency of Jordan's public investment, outlined its relative institutional strengths and weaknesses, and provided practical recommendations to enhance the efficiency and impact of public investment. The assessment findings will inform the finalization of the authorities' action plan to strengthen public investment management.

Sudan (July 23-30, February 25 – March 5, April 25-29, April 25-29)

FAD and METAC assist the Ministry of Finance and Economic Planning of Sudan in designing and implementing PFM reforms. These reforms are essential to cope with macroeconomic challenges arising, inter alia the loss of oil revenues following the secession of South Sudan in 2011 and US sanctions.

METAC has set up a work program aiming at providing sound macroeconomic foundations to the budget formulation. In July 2017, an expert supported the development of capacities related to macro-fiscal forecasting within the Sudanese government. The expert delivered hands-on training on forecasting and reporting, and provided support to update the macro fiscal framework, using in-year forecast of the 2017 budget. Then, during February 25 – March 5, 2018, the expert facilitated the preparation of a baseline forecast and helped the MTF team to prepare a brief management report outlining the baseline results. Following this visit, the Financial Programming and Policies framework was updated; the MTF team developed its ability to analyze the performance of the various sectors

and understand how they are interlinked; and a template for a quarterly baseline report was prepared.

In April 2018, a mission provided training on fiscal risk management, with a special emphasis on public corporations. It worked closely with the recently created Fiscal Risk Unit to review its objectives and institutional arrangements. The mission also helped the authorities initiate a review of their budget documentation against the standards defined by the IMF's Fiscal Transparency Code, and initiated discussions on a possible roadmap to implement program budgeting over the medium term. At the end of the mission, a medium-term roadmap for follow-up TA from METAC was proposed.

In April 2018, an expert took stock of the TSA implementation and current cash management practices. She discussed extensively her findings and shared international experiences. At the end of her visit, she proposed a roadmap to further strengthen institutional arrangements related to cash management, develop cash forecasting practices, and enhance the TSA structure that could be supported by METAC TA.

Tunisia (September 18-25, September 19-25, January 8-12)

In the context of the ongoing program supported by the Extended Fund Facility, the Tunisian authorities are committed to improve the institutional arrangements related to cash management and to consolidate all central government banking accounts within the Treasury Single Account (TSA), with a view to maximize cash availability and minimize financing costs. Against this background, METAC continued its assistance on TSA consolidation, short-term cash forecast, and the operationalization of a cash management office. It organized two missions in FY18:

The first mission worked closely with the relevant stakeholders to build a detailed and operational roadmap to strengthen institutional arrangements related short-term cash management and consolidate all central government banking accounts within the Treasury Single Account (TSA).

The second mission aimed to support the implementation of this roadmap. A METAC expert advised the authorities on practical issues related to the creation of a Cash Management Committee and the preparation of an agreement, formalizing the relationship between the Ministry of finance and Central Bank of Tunisia for the management of the TSA and other banking services. He also helped to identify key actions to improve cash forecasting. This visit will be complemented by at-distance and on-demand expertise until late April 2018.

Strengthening the framework to manage fiscal risk arising from the 104 State-Owned Enterprises (SOEs) – which employ 6% of the active population - is another priority in the Tunisia's ongoing program with the IMF. A METAC mission (i) shared international experiences regarding institutional arrangements and tools to manage fiscal risks, and (ii) proposed a short-term roadmap to strengthen the MoF ability to effectively monitor and mitigate these risks.

West Bank and Gaza (August 27-31, April 8-19)

The political situation in WBG remains characterized by uncertainty. While the social and security situation is volatile, the economic outlook remains fragile, with a growth rate that is insufficient to improve the population's living standards and a deteriorating fiscal stance. Reducing the recurrent fiscal deficit and improving the quality of public expenditure require, among other actions, a renewed effort to strengthen PFM. In this context, the Palestinian authorities have adopted a new PFM reform strategy covering the period 2017-22. A METAC mission discussed with the authorities the prerequisites to translate it into an action plan for the next 12-24 months that could be supported by the development partners.

In April 2018, METAC initiated a medium-term project to support the development of the Macro-Fiscal Unit's capacities, continuing an earlier Belgium financed IMF assistance. A first expert visit (i) built capacity to manage the fiscal database, including filling any data gaps, (ii) supported the preparation of analytical monthly and quarterly reports, and (iii) facilitated the preparation of intra-year projections based on a 2018 budget.