

# How to Strengthen The PFM System in Myanmar

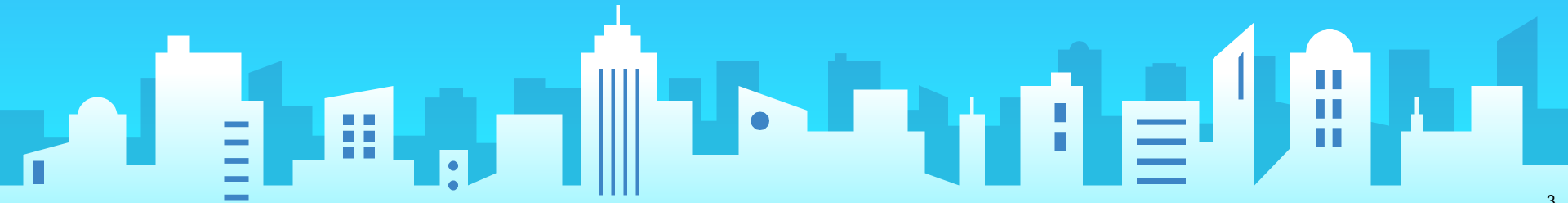
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# Presentation Outline

- What is PFM and Why PFM
- Myanmar PFM system overview
- Reviewing the current PFM system using PEFA dimensions
- Recommendations to strengthen the PFM system in Myanmar

# I. What is PFM and Why PFM



# What is PFM?

- Public Financial Management (PFM) includes all phases of the budget cycle, including preparation of the budget, internal control and audits, procurement, monitoring and reporting arrangements, and external audits (WB).
- PFM includes all components of a country's budget process, both upstream (i.e. strategic planning, medium-term expenditure framework, annual budgeting) and downstream (i.e. revenue management, procurement control, accounting, reporting, monitoring and evaluation, audit and oversight) (OECD 2009).
- A sound public financial management system allows governments to make the best use of its resources to improve quality of life in society. PFM underlies all government activity. It includes the mobilization of revenue, the allocation of these funds to various activities, expenditures, and accounting for spent funds (Rebecca, Natasha and Imran, 2011).
- The broad objectives of public financial management are to achieve overall fiscal discipline, allocate resources to priority needs, and conduct efficient and effective allocation of public services (WB).

# Why PFM?

## To grasp the opportunity

- Transitional period as a new democracy.
- Resource rich country, large youth population (about 55% under the age of 30 in 53.68m population).
- Open official development assistance due to a historic transformation toward democracy, a market economy, and peace and stability.

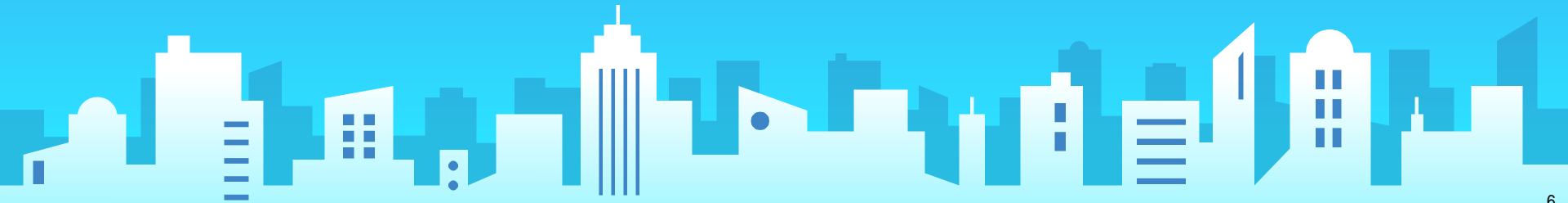
## For development needs

- To fully utilize its locational advantage by being more competitive in these markets.
- To make best use of its resources to improve quality of life of its people.
- To have effective, efficient, responsive public service deliveries during the country's developmental process.
- To eradicate poverty and secure sustainable development for people.

## To overcome challenges

- To ensure that developmental assistance is used most effectively for genuine improvement of the life of the country's people.
- To provide the huge infrastructure needs by ensuring debt sustainability within 5% deficit to GDP ratio.
- To implement the country's development priority investment programs effectively and efficiently.
- To strengthen intuitional capacities (according to the UNDP HD Report 2016, Myanmar's 2015 HDI value was 0.556, which is below the average of 0.720 for countries in East Asia and the Pacific).

## II. Myanmar PFM system overview



# Myanmar PFM system overview

## Budget structure and administrative framework

- Union Government budget (Union Fund Account)
- 14 State and Regional Government budgets (14 State and Regional Fund Accounts)
- Budget Department responsible for preparing the annual budget, supplementary grant budget, Union Budget Law and Union Supplementary Appropriation Law
- Planning Department responsible for organizing preparation of the capital budget.
- Internal Revenue Department for tax collection and assisting with taxpayers' services
- Myanmar Economic Bank (MEB) provides commercial banking services and development banking services to both the public and private sectors.
- The government's Union Fund Account is located at MEB, and all government agencies need to open their respective agency account at MEB in order to spend their expenditure and to collect their revenue.
- Treasury Department responsible for cash and debt management and for reporting and accounting for financial statements.
- CBM plays the roles of issuer of domestic currency and as a banker to the Government, inspector and supervisor for the financial institutions, and banker for the financial institutions.

# Myanmar PFM system overview

## Budget Preparation

- 1st April to 31st March (coming soon: 1st October 1 to 30rd September)
- Preparation includes medium term fiscal framework (MTFF) forecasting, budget formulating, and issuing budget calendar (July to October).
- The guidelines for budget requests include ceilings by MTFF (first week of September).

## Budget Scrutinizing

- October to mid-January
- Scrutinized by MOPF and vetted by Vice Presidents and the Financial Commission.
- Using recommendations from the Financial Commission, the Cabinet submits the budget request and drafts a budget law for Parliament.

## Budget Approval

- After the seventeen budget groups are reviewed by Parliament and scrutinized by the Joint Public Account Committee and Joint Bill Committee, the budget is approved by the Parliament.



# Myanmar PFM system overview

## Budget Execution

- Spending unit can start withdrawing by opening drawing limit account (DL) at the MEB.
- The payment system is centralized by the MEB, which maintains Union Fund Accounts (UFAs) for making receipts and payments of all union level agencies, including SEEs.
- Treasury Department manages the consolidated account of the government, “the Government Deposit Account”, which is held at the CBM.
- CBM maintains Government Deposit Account for issuing debit and credit of subsidies for state and regional governments, SEEs contribution, treasury bonds/bills issuance, repayment, redemption, renewal and surplus or deficit of UFA.

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### III. Reviewing the current PFM system using PEFA dimensions

# Reviewing the current PFM system using PEFA dimensions

## What is PEFA?

- Public Expenditure and Financial Accountability (PEFA).
- A methodology for assessing public financial management performance.
- Identifies 94 characteristics (dimensions) across 31 key components of public financial management (indicators) in 7 broad areas of activity (pillars).
- Provides the foundation for evidence-based measurement of countries' PFM systems. A PEFA assessment measures the extent to which PFM systems, processes and institutions contribute to the achievement of desirable budget outcomes: aggregated fiscal discipline, strategic allocation of resources, and efficient service delivery.

Source: <https://pefa.org/content/pefa-framework>

	Overall	Dimensions			
	Score	i.	ii.	iii.	iv.
A. PFM OUT TURNS: Credibility of the Budget					
PI-1. Aggregate expenditure out-turn compared to original approved budget	C	C			
PI-2. Composition of expenditure out-turn compared to original approved budget	D+	D	A		
PI-3. Aggregate revenue out-turn compared to original approved budget	B	B			
PI-4. Stock and monitoring of expenditure payment arrears	N/R	N/R	D		
B. KEY CROSS CUTTING ISSUES: Comprehensiveness and Transparency					
PI-5. Classification of the budget	D	D			
PI-6. Comprehensiveness of information included in budget documentation	D	D			
PI-7. Extent of unreported government operations	D+	D	C		
PI-8. Transparency of inter-governmental fiscal relations	D	D	D	N/A	
PI-9. Oversight of aggregate fiscal risk from other public sector entities	C	C	N/A		
PI-10. Public access to key fiscal information	D	D			

C. BUDGET CYCLE					
(i) Policy-based Budgeting					
PI-11. Orderliness and participation in the annual budget process	C+	C	D	A	
PI-12. Multi-year perspective in fiscal planning, expenditure policy and budgeting	D+	D	B	D	D
(ii) Predictability and Control in Budget Execution					
PI-13. Transparency of taxpayer obligations and liabilities	C+	C	B	C	
PI-14. Effectiveness of measures for taxpayer registration and tax assessment	D+	D	C	D	
PI-15. Effectiveness in collection of tax payments	D+	D	A	C	
PI-16. Predictability in the availability of funds for commitment of expenditures	D+	D	A	A	
PI-17. Recording and management of cash balances, debt and guarantees	C+	C	C	B	
PI-18. Effectiveness of payroll controls	D+	D	B	C	D
PI-19. Competition, value for money and controls in procurement	D	D	D	D	D
PI-20. Effectiveness of internal controls for non-salary expenditure	D+	D	D	B	
PI-21. Effectiveness of internal audit	D+	D	D	C	

<b>(iii) Accounting Recording and Reporting</b>					
PI-22. Timeliness and regularity of accounts reconciliation	C+	D	A		
PI-23. Availability of information on resources received by service delivery units	D	D			
PI-24. Quality and timeliness of in-year budget reports	C	C	C	C	
PI-25. Quality and timeliness of annual financial statements	D+	C	A	D	
<b>(iv) External Scrutiny and Audit</b>					
PI-26. Scope, nature and follow-up of external audit	C+	C	N/A	B	
PI-27. Legislative scrutiny of the annual budget law	N/A	N/A	N/A	N/A	N/A
PI-28. Legislative scrutiny of external audit reports	N/A	N/A	N/A	N/A	
<b>D. DONOR PRACTICES</b>					
D1. Predictability of direct budget support	N/A				
D2. Donor financial information provided for budgeting and reporting on project/ program aid	D	D	D		
D3. Proportion of aid that is managed by use of national procedures	D	D			

*Note: "Not Rated" (N/R) is used when adequate evidence is not available; "Not Applicable" (N/A) is used when a new system or process has not yet been in place for at least a full fiscal year.*

# World Bank PEFA dimensions and current PFM system in Myanmar

## Findings in 2013 PEFA assessment for Myanmar

- Most, but not all, of the PEFA assessment results present the real image of the Myanmar PFM system at the time of assessment.
- *“Only considers indicators/dimensions PI-5 to PI-28, as indicators PI-1 to PI-4 cover PFM system outcomes and performance but not the quality of PFM systems per se” (Ronsholt 2011).*

# Reviewing the current PFM system using PEFA dimensions

## I. Creditability of the budget

- Improvement in **aggregate expenditure deviation between original estimate and provisional actual expenditure (PI-1)** for FY 2013–14, 2014–15 and 2015–16 under 10%, and also improvement in **composition of expenditure out-turn compared to original approved budget (PI-2)** within 20%, but follow up question is how it contributes to government policies to ensure effective service deliveries.
- Improvement in **aggregate revenue out-turns compared to original approved budget (PI-3)** within 7% deviation in FY 2013–14 to 2015–16, but it is difficult to measure the accuracy of revenue forecasting, which depends on consistency of country's legal and institutional capacities.
- Public debt management law was established on January 5<sup>th</sup>, 2016; **stock and monitoring of expenditure payment arrears (PI-4)** is better than before.



# Reviewing the current PFM system using PEFA dimensions

## II. Comprehensiveness and Transparency

- **Classification of the budget (PI-5)** is still not based on the GFS broad economic categories or COFOG (United Nation Classifications of the Functions of Government). Instead, it is under implementation using the GFS Manual 2014 for data dissemination.
- Improved **comprehensiveness of information included in budget documentation (PI-6)** by including a medium term fiscal framework, fiscal strategy statement, macro-economic statement, completed annual budget presentation, finance minister's performance progress on previous year's commitment, explanation on previous budget executions by ministry wise, public debt status, citizen budget summary, and SEE's commercial account activities in budget documentation.
- 2017 public finance management regulations in chapters 17 and 18 regarding with recording and reporting procedure of Other Account receives and expenditures, also at chapter 16 for grant receiving and recording procedure to reduce the **extent of unreported government operations (PI-7)**
- Improved **transparency of inter-governmental fiscal relations (PI-8)** by providing the state and regional governments' deficits using a formula and sharing tax revenue information to the state and regional governments according to the ratio formulated under the MTFF.
- Preparing to establish a SEE performance monitoring manual and report to strengthen the **oversight of aggregate fiscal risk from other public sector entities (PI-9)**

# Reviewing the current PFM system using PEFA dimensions

## III. Policy based budgeting

- Improved in **orderliness and participation in the annual budget process (PI-10)** by issuing a budget calendar indicating the recurrent and capital expenditure ceiling for line ministries starting from fiscal year 2015–2016.
- MOPF forecast three years of fiscal aggregate using the medium term fiscal framework but provides a ceiling for just one year to agencies; the Treasury Department is working with the IMF and the World Bank for debt sustainability analysis and with ADB for strengthening public debt management, but it is still under progress in program budgeting. Some progress in **Multi-year Perspective in Fiscal Planning, Expenditure Policy and Budgeting (PI-11)** has been made.

# Reviewing the current PFM system using PEFA dimensions

## IV. Predictability and control in budget execution

- Improved in some ways for **transparency of taxpayer obligation and liabilities (PI-13)**: developed a compliance improvement strategy, drafted tax administration and procedures law, almost 100 percent of large taxpayers submitted their 2016/2017 annual returns on time, increase income tax revenue.
- Established Large Taxpayer Office and Medium Taxpayer Office, introduced self assessment system, currently implementing a framework to introduce an Integrated Tax Administration System, practicing tax auditing for **effectiveness of measures for taxpayer registration and tax assessment (PI-14)**.
- Improved in **effectiveness in the collection of tax payments (PI-15)**, especially in income tax and commercial tax collection.
- Some progress in **predictability in the availability of funds for commitment of expenditures (PI-16)** by establishing the Treasury Department under MOPF for cash management, debt management, accounting and financial reporting.

# Reviewing the current PFM system using PEFA dimensions

## IV. Predictability and control in budget execution (cont.)

- **Recording and management of cash balances, debt and guarantees (PI-17)** improved in some ways by establishing the Treasury Department to consolidate debt stock and reporting according to the public debt management law and debt strategy.
- **Effectiveness of payroll controls (PI-18):** under processing for central database wage bill, Digital IDs for employees and human resource management information system; chapter 23 of the new financial management regulation includes regulations regarding the internal audit functions for all agencies; drafting an IA charter and manual.
- **Improved in transparency, competition and complaints mechanisms in procurement (PI-19):** “Tender Procedure for Procurement of Goods, Services, Rental and Sale for the Government Departments and Organizations” was issued on April 4<sup>th</sup>, 2017, including ceiling amounts to advertise at national newspaper and respective Minister’s office’s website for transparency, fairness and full competitiveness.
- New Financial Management Regulation was enacted and covers **effectiveness of internal controls for non-salary expenditure (PI-20)**.
- **Effectiveness of internal audit (PI-21):** chapter 23 of the new financial management regulation includes regulations regarding the internal audit functions for all agencies.

# Reviewing the current PFM system using PEFA dimensions

## V. Accounting Recording and Reporting

- On track to meet **timeliness and regularity of accounts reconciliation (PI-22)** by establishing the MEB core banking system for automatic overnight consolidation of balance.
- **Availability of information on resources received by service delivery units (PI-23)** is improved in some ways under chapter 17 of the new financial management regulation that each state and regional MEB branch needs to prepare tables 1 to 9 and provide additional explanations about expenditures.
- On track to improved **quality and timeliness of in-year budget reports (PI-24)**, but still challenging due to the use of manual systems.
- **Quality and timeliness of annual financial statements (PI-25)** is improved in some ways by “control over fund related bank accounts” in chapter 17 and “deposits or other accounts” in chapter 18 of the new financial management regulation (2017). Under these regulations, a state fund account must be opened for each state, and financial statements must be reported. The Treasury Department is collaborating with the IMF for preparation of a new financial statement format that will be easier to understand.

# Reviewing the current PFM system using PEFA dimensions

## VI. External scrutiny and audit

- **Scope, nature and follow-up of external audit (PI-26)** improved in some ways by amending the Auditor General of the Union Law (2014) and submitting the Auditor General of the Union Law (2017) draft to Parliament.
- Improved **legislative scrutiny of the annual budget law (PI-27)** and **legislative scrutiny of external audit reports (PI-28)**: Parliament established the Joint Public Account Committee, which reviews the budget proposals and audit reports and submits findings and suggestions to the Parliament in a timely manner; results can also be viewed by the public.

## VII. Donor Practices

- Improved **predictability of direct budget support (D-1)**, **financial information provided by donors for budgeting and reporting on project and program aid (D-2)** due to the establishment of the Development Assistance Coordination Unit-DACU led by the State Counselor, and the Ten Sector Coordination Groups under DACU. These groups were created to help with implementing and supervising development assistance. The Development Assistance Policy was established by the DACU on December 12, 2017, including approval procedures and monitoring evaluation. Aid information is also available at <https://mohinga.info/en/>
- Improved **proportion of aid that is managed by use of national procedures (D-3)** by regulating chapter 16 of the new financial management regulation (2017), which describes how to record the budget and spend foreign grants within the national PFM system.

# Reviewing the current PFM system using PEFA dimensions

## Remarks on progress of the PFM system

- Myanmar could make some progress with the existing PFM system as mentioned above; the main reason is that Myanmar has started from such a low level (mostly scoring Ds) in the 2013 assessment.
- However, Myanmar would be expected to make more progress in the future through PFM reform sequencing, where progress requires actually implementing a new law or regulation or coordinating the work of many agencies .
- It is encouraging to achieve results in more functional features because even in the more difficult areas, progress is possible.

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## IV. Recommendations to strengthen the PFM system in Myanmar



# Recommendations to strengthen the PFM system in Myanmar

- PFM legal framework
- Policy and strategic framework in budget planning
- Budget preparation
- Budget execution, accounting and reporting
- External oversight
- Human resource management and ICT
- Outcome-oriented budgets among central and regional governments by sequencing PFM reform

# Recommendations to strengthen the PFM system in Myanmar

Area of PFM	Recommendations
<b>I. To strengthen the PFM legal framework</b>	<p>(1) To revisit, analyze and redefine existing PFM related laws, rules and regulations in order to make sure the providing framework for well-functioning PFM (i) attains short term macro fiscal stability and medium term fiscal sustainability, (ii) enhances allocation of budgetary resources, (iii) improves efficiency of spending, (iv) ensures cash managed optimally, and (v) improves the quality of budget information presented to Parliament and the public. Efforts should be made to strengthen the capacity of PFM core institutions and to “administer the spending institutions and enforce PFM related laws, rules and regulations.”</p> <p>(2) To develop Myanmar’s main PFM law by designing a strategic framework to guide the budget process that includes (i) basic principles of budgeting, (ii) the budget preparation process, (iii) documents to accompany the annual budget and budget adoption by the legislature, (iv) submission of annual budgets to the legislature, (v) budget execution and audit procedures, (vi) government accounting and reporting, and (vii) external audits that are not mentioned in the annual budget law. This framework should be created in order to execute the budget within clearly defined procedures and regulations.</p> <p>(3) To develop public procurement law, tax administrative and procedure law by including legal obligation of the government for timely publication of fiscal information for fiscal transparency, and legal documentation of liability and asset management, including the granting of rights to use or exploit public assets.</p>

Area of PFM	Recommendations
<b>II. To strengthen policy and strategic framework in budget planning</b>	<p>(1) To develop an overall strategic framework by underpinning formulation of sectoral policy, provided that it is a genuine and concrete strategy, in order to prepare line ministries and agencies with their own strategic plan including (i) their mandate consistent with statutory requirement, (ii) a set of outcomes, (iii) the approaches to achieving these outcomes, (iv) a description of how activities and process will be used to achieve these objectives, and (v) a broad cost estimate by strengthening coordination and harmony in decision making as mechanisms for budgeting and policy formulation.</p> <p>(2) To build the capacity of PFM core institutions on macroeconomic forecasting, developing medium term expenditure framework for strategic investment programming, revenue and expenditure forecasting including budget analyzing and reviewing public expenditure, preparation of an annual cash plan and a budget implementation plan to reflect recent revenue and expenditure trends, underlying macroeconomic developments, institution's obligation/mission statement and well-defined policy commitments.</p> <p>(3) To develop a multi-sectoral, multi-year, overall government, policy-oriented investment program in order to link the overall government budget ceiling and ministerial and sector ceilings, to policy priorities, and to public investment allocation by having realistic and systematic assessment of overall public investment commitments and the quality of individual projects.</p> <p>(4) To develop a revenue forecasting model by considering the previous year's actuals as the baseline, assessing if there is a trend over time, understanding what drives the tax, making informed assumptions as to how the drivers will change, applying these assumptions to generate an estimate, making informed assumptions on other factors such as inflation, exchange rates and nominal GDP growth, and stating these assumptions clearly in any documentation, factor in likely gain from improvements in tax administration, factor in any potential impact from policy changes, and factor in new revenue opportunities coming on stream and develop database method in parallel with the output of the revenue forecasting mode.</p>

Area of PFM	Recommendations
<b>III. To strengthen budget preparation</b>	<p>(1) To guide strategic government priority investment programs and strengthen the existing Medium Term Fiscal Framework formula for accuracy, effectiveness and efficiency by developing a comprehensive medium-term macroeconomic and fiscal policy framework, fiscal targets, a government policy priority for fairness and sustainability, and to complete a comprehensive framework within the targeted time for a budget calendar.</p> <p>(2) To develop and issue a budget calendar including fiscal policy objectives, government policy priorities, and resource availability by indicating fiscal rules clearly in order to be consistent and predictable by spending agencies. This calendar should be released as early as possible to allow adequate time for the budget preparation process.</p> <p>(3) To strengthen the budget preparation process by having decisions with fiscal impact, financial constraints, policy coordination mechanisms (budget-policy link) and operational efficiency (accountability for implementation) and by paying attention to the source of financing and the project approach.</p> <p>(4) To develop multi-year commitments for both capital and recurring costs of those government priority investment programs in order to ensure to fully cover the costs of completing, operating and maintaining such projects and related facilities.</p> <p>(5) To build the capacity of ministries and agencies on “how to link sector strategies/plans to budgeted investment programs by costing credibility for investment programs” and “how to propose realistic budget by developing agency’s strategic framework including (i) their mandate consistent with statutory requirement, (ii) a set of outcomes, (iii) the approaches to achieving these outcomes, (iv) a description of how activities and process will be used to achieve these objectives, and (v) a broad cost estimate by strengthening coordination and harmony in decision making as mechanisms for budgeting and policy formulation” in order to reduce approving supplementary budget by enhancing the capacity of institutions on realistic budget estimation during the fiscal year and improving budget credibility.</p>

Area of PFM	Recommendations
<b>IV. To strengthen budget execution, accounting and reporting</b>	<p>(1) To strengthen the budget execution system by improving public expenditure management such as aggregate expenditure control, strategic resource allocation, and operational efficiency, making self-assessments on budget execution, programs review and budget executing survey.</p> <p>(2) To improve the overall institutional framework is to make the informal rules more visible, and to have behavior changes henceforward in budgetary outcomes when organizations and new units are merged, restructured, recombined and created by changing the basic rules, procedures, and incentives.</p> <p>(3) To strengthen government cash management by (i) centralization of government cash balances and establishment of a Treasury Single Account (TSA), (ii) having an adequate transaction processing and accounting framework with modern banking, payment, and settlement systems, (iii) having an ability to make accurate projections of short-term cash inflows and outflow, (iv) having a strong institutional interaction and coordination of debt and cash management, (v) making formal agreements between the MOPF and the central bank on information flows and respective responsibilities, and (vi) improving short-term instruments (treasury bill, term deposits, etc.) to help manage balances and timing mismatches and to minimize borrowing costs.</p> <p>(4) To strengthen the accounting system by (i) having adequate procedures for bookkeeping, security, and systematic comparison with banking statements, (ii) registering all expenditure and revenue transactions into the account, including expenditures from funds and autonomous agencies, and aid-financed expenditures), (iii) having functional and economic classification of expenditure clearly and well-documented, (iv) producing statements regularly for tracking the uses of appropriations, (v) having clear procedures and full disclosure of budget financing operations ("below the line") and liabilities, and (vi) having clear arrangements for the retention, access and security of supporting documentation, including computerized records.</p> <p>(5) Before accrual accounting is introduced, to strengthen cash accounting with functioning well in external audit and the legislature role, and by considering reform for quantity of resources for hiring and training of qualified personnel, installing software and contracting consultants to identify the full costs of activities, enabling improved decision making in resource allocation, and enhancing governmental control and capital investment decisions.</p> <p>(6) To strengthen the reporting system by covering required standards within the timeline of monthly, quarterly, mid- year, year-end reports for integrity and openness by developing clear and understandable new fiscal report framework including clear explanation on historical fiscal data and any changes to data classification in order to make assessment and judgment easily on the other hand to develop comprehensive internal audit manual with publicly accessible and to open and access the report finding, and covering all budgetary and extra budgetary activities of the central government.</p>



Area of PFM	Recommendations
<b>V. To strengthen external oversight</b>	<p>(1) To strengthen the external auditing system with separate external audit law by elaborating the powers, roles and responsibilities of the OAG and performing the type of audit compliance and/or performance in order to report on annual budget performance to Parliament within six months, so that the audit report for previous fiscal year outcome can be used by Parliament in pre-budget discussions on the budget strategy for coming fiscal year by ensuring systematic follow-up of external audit findings with better quality governance as well as reduced corruption.</p> <p>(2) To strengthen examination by the Parliament of the government's draft budget proposals by (i) having a number of sectoral committees to deal with specific budget related issues in agriculture, defense, education, health, etc. as well as a specialist budget committee, (ii) balancing the overall consistency of budget policies and fiscal discipline and by enhancing the legislative capacity to deal with budget issues and improving research and information capabilities. In the long term, to establish a parliamentary budget office for analyzing budget policy alternatives, thereby enhancing Parliament's capacity to evaluate the government's proposed budgets.</p> <p>(3) To build the capacity of auditing staffs as well as to increase the audit staff strength by including people with other technical backgrounds, such as engineering skills, analytical skills, research skills, law skills, and IT skills, in technical matters and to enhance the collaboration with independent technical experts and the national statistical body.</p> <p>(4) To build the capacity of legislators and staff and improve the legislature's relationships with other branches of government and the public in order to enhance the legislature's role in the budget process as a powerful tool in developing checks and balances within governance systems.</p>

Area of PFM	Recommendations
<b>VI. To strengthen human resource management and ICT</b>	<p>(1) To analyze existing staff strength, educational background and assigned works, and to assess further needs on staff strength and skills: focus on developing mechanisms to drive the reform process by (i) putting the right driver in the driver's seat and by making right decision, right time, and right place and (ii) looking towards the future for having institution's strategic human resource management plan for "how to implement the institution's commitments with many well trained skillful staff."</p> <p>(2) To fully utilize staff capacity in the best way and have strategies in place to train the staff not only on subject matter but also on management and communication skills. This can be achieved by using an incentive and reward system in order to encourage staff to be proactive and innovative. Moreover, having a more lateral structure by sharing vision and thoughts in order to have efficient and comprehensive works of institution will also help to fully optimize staff capacity.</p> <p>(3) To have a core team comprised of a small number of highly qualified, trained analysts and an experienced external adviser (if needed), all with excellent communication skills in addition to economic competence. This team should interact with each sector ministry in turn, and they should also interact with its staff to produce better-quality decisions and promote "teaching by doing."</p> <p>(4) Before introducing sophisticated concepts of budget management, secure fundamental elements of budgeting preparation, implementation, and monitoring that permit effective control, promote transparency, foster accountability, and ensure legitimacy need to be firmly in place.</p> <p>(5) To set the IT strategy based on the organizational culture, such as innovative cultures supported by leading edge IT strategy, free market IT strategy, monopoly IT strategy and scare resource IT strategy; supportive cultures are encouraged to set a necessary evil IT strategy, and bureaucratic cultures are encouraged to set a centrally planned IT strategy, monopoly IT strategy and scare resource IT strategy.</p> <p>(6) To adopt more advanced ICT by meeting the following criteria: (i) fit the user requirements and the real objectives of the activity; (ii) assure that more advanced ICT goes hand in hand with improved rules and processes; (iii) protect data and systems integrity; and (iv) aim at an integrated strategy and avoid a fragmentary approach.</p> <p>(7) To consider advanced ICT tool's potential and risks because it eliminates corruption opportunities for some but can open up new ones for others who are better able to understand and manipulate the technology.</p>

Area of PFM	Recommendations
<b>VII. To have sequencing PFM reform to turn into outcome-oriented budgets among central and regional governments</b>	<p>(1) To have effective control inputs before seeking to control outputs; to strengthen account for cash before accounting for accruals; to strengthen external controls before introducing internal controls; to establish internal controls before introducing managerial accountability; to operate a reliable accounting system before installing an integrated financial management system; to have budgeting for work to be done before budgeting for results to be achieved; to enforce formal contracts in the market sector before introducing performance contracts in the public sector; to have effective financial auditing before moving to performance auditing; to adopt and implement predictable budgets before maintaining that managers efficiently use the resources assigned to them.</p> <p>(2) To implement the required steps in order to create an outcome-oriented budget such as: (i) defining measurable outcomes, (ii) standardizing the unit costs of delivery of services, (iii) benchmarking standards, capacity building for attaining the requisite administrative capacity, (iv) ensuring necessary funding, effective monitoring and evaluation, and (v) making the system far more inclusive through the participation of the community and the stakeholders.</p> <p>(3) To develop a Performance Monitoring and Evaluation System by using the Results Framework Document of the ministries and the government's evaluation tools (with criteria for Effectiveness, Efficiency, Equity, Manageability, Legitimacy and Political support and dimensions with <i>Coerciveness, Directness, Automaticity, Visibility</i>). The ministries need to prepare an outcome budget and RFD while an outcome budget emphasizes on quantifiable outcomes. The RFD focuses on success indicators with which physical achievement of government programs through which managerial accountability can be ensured.</p> <p>(4) To develop internal standards evaluating benchmarks for employees including: (i) the extent to which decisions have been decentralized to lower organizational levels, (ii) openness, closeness or the extent of hierarchical decision making, (iii) availability of opportunities for avoiding responsibility, (iv) the extent to which organizational resources have been distributed to employees, (v) the extent to which a multi-level commitment exists toward change, (vi) how well institutional incentive systems reinforce, rather than discourage, cross-functional cooperation, and (vii) the degree of integration of functional units that contribute to the production of goods or services.</p> <p>(5) To improve fiscal outcomes of regional government by (i) reducing vertical fiscal imbalance, (ii) avoiding discretionary transfers with clear and transparent rules based transfers allocation (such as the number of school children or elderly people residing in a particular jurisdiction), and (iii) assigning each level of government for exclusive expenditure and revenue authority with full accountability and responsibilities.</p>



# Challenges to strengthening the PFM system for its citizens

- It is challenging to meet the fundamental goals of PFM such as prudent fiscal disciplines, credible budgets, reliable and efficient resource flows and transactions, and institutionalized accountability.
- It is not easy to achieve those good practices of PFM goals in Myanmar because it is very challenging to implement PFM reform for a country with many budget constraints, limited human resources, huge infrastructure needs, little experience in fiscal decentralization, and unstable opportunities and challenges due to social and environmental issues.
- However, PFM reform in Myanmar will benefit all citizens by managing limited resources to ensure economic efficiency in the delivery of outputs required to achieve desirable outcomes that serving the needs of the community.

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