Building Fiscal Capacity in Fragile States

This publication presents a synthesis of the main findings and policy recommendations of China in the World Economy: Domestic Policy Challenges.

Public Expenditure Review of Armenia

This paper discusses Central African Republic's Second Review Under the Extended Credit Facility (ECF) Arrangement. Program implementation as of end-2016 has been broadly satisfactory despite the challenging security situation. All quantitative performance criteria
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were met while two structural benchmarks were missed. The authorities have adopted strong measures to address customs revenue shortfalls that took place during the first quarter of 2017 and to enhance budget transparency. All three prior actions for the second review were met. The IMF staff supports completion of the second review under the ECF arrangement and the authorities’ request for augmentation of access.

Public Financial Management and Its Emerging Architecture

The paper draws on recent country experience to describe the approach to designing and implementing fiscal reforms in fragile states (FS) taken in the IMF’s technical assistance (TA). In doing so, it highlights how the TA that the IMF provides to FS differs from that of non-FS, describes the trends in and modalities of TA delivery, and draws on recent experiences to derive lessons for future work.

A Primer on Managing Sovereign Debt-Portfolio Risks

The Joint Staff Advisory Note (JSAN) on the Poverty Reduction Strategy Paper Progress Report on Georgia evaluates the strengths and weaknesses of the poverty reduction objectives and strategies. Participation of stakeholders in the poverty reduction strategy process has been satisfactory. The growth basis for the strategy needs to be strengthened through the construction of a financially viable power grid with reliable supply of electricity to all regions of Georgia. Governance and public service delivery improvements need to be promoted through the further empowerment of civil society.

Jointly, the World Bank and the Government of Albania undertook an assessment of poverty, conducted in a qualitative manner, to gain information that could guide policy development and resource allocation. The research was conducted through a series of focus groups, interviews, and surveys that permitted community members in ten areas within Albania, to define poverty in their own terms. During the ten years of reform, Albania has been buffeted by setbacks which led fully 40% of respondents to indicate that socioeconomic conditions have worsened during that period. While informal coping mechanisms have been developed in many communities, these are under stress and threaten to give way. The study suggests that a poverty reduction strategy must, at the very least, include improvements in government management, employment opportunities, provision of social services, infrastructure development, and public security.
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Treasury Single Account

Improving public services, using State resources efficiently, and managing State agencies effectively have been ongoing concerns of Latin American and Caribbean (LAC) governments since the beginning of this century. Government officials are now paying closer attention to the results obtained by their administrations. Citizens are now demanding not only universality but also quality in the services that the State provides (e.g., education, healthcare, and legal services). To meet this growing demand for public sector effectiveness, governments have formulated new laws, created or modified institutions, and implemented innovative management methodologies and instruments. Based on data gathered in 24 countries, this book analyzes the current situation, the progress made, and the challenges still facing the governments of the region in their efforts to achieve more effective public administrations.

China in the World Economy


The efficiency, effectiveness, and transparency of public financial management in Latin America is critical for the supervision of public resources, fiscal stability, and sustainable economic development. In recent years, the countries of Latin America have embraced reforms in public financial management and have made many important advances; however, many challenges remain. This book brings together the knowledge and experiences of IMF and IDB staff and representatives from 16 governments in the region to document these reforms, and examines the experiences and lessons learned. It is a valuable resource for those looking at issues in public financial management.

Liberia

A treasury single account (TSA) is an essential tool for consolidating and managing governments’ cash resources, thus minimizing borrowing costs. In countries with fragmented government banking arrangements, the establishment of a TSA should receive priority in the public financial management reform agenda. Drawing on the lessons of the Fund’s work in several countries in establishing a TSA, this paper explains its concept, essential features, and potential benefits. It also presents alternative models and approaches for designing a TSA that take into account specific country contexts as well as the preconditions and desirable sequencing for its successful implementation.
This paper discusses experiences in reestablishing fiscal management in postconflict countries. Building fiscal institutions in postconflict countries essentially entails a three-step process: (1) creating a legal or regulatory framework for fiscal management; (2) establishing or strengthening fiscal authority; and (3) designing appropriate revenue and expenditure policies while simultaneously strengthening revenue administration and public expenditure management. Based on experiences in 14 postconflict countries, the paper reviews the challenges in rebuilding fiscal institutions in these countries, and identifies key priorities in the fiscal area following the cessation of hostilities.

Owing to severe fiscal and external imbalances, the Maldives government adopted an IMF program in 2009. Despite some crucial initial actions, fiscal slippages and political polarization have undermined the restoration of sustainability. The key policy challenge is to prevent a fiscal crisis, achieve macroeconomic sustainability, and stimulate growth. The authorities concur with the need to tighten monetary policy.

The IMF's Fiscal Transparency Code is the international standard for disclosure of information about public finances and is the centerpiece of the global architecture on fiscal transparency. The Fiscal Transparency Handbook (2018) provides detailed guidance on the implementation of the new Fiscal Transparency Code, which was approved by the IMF Board in 2014. It explains why each principle of the code is important and how to implement it.
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This technical note and manual (TNM) addresses the following main issues: Interaction between treasury cash management and monetary policy operations within the wider context of the respective economic responsibilities of the ministry of finance and the central bank; Institutional arrangements for an effective relationship between the treasury and the central bank; Contractual arrangements between the treasury and the central bank for the provision of banking and other services. This document will be particularly relevant to developing countries that are reforming cash management operations or contemplating more active cash management; or where there are operational policy differences between the treasury and the central bank. Building Effective Governments

A treasury single account (TSA) is an essential tool for consolidating and managing governments' cash resources, thus minimizing borrowing costs. In countries with fragmented government banking arrangements, the establishment of a TSA should receive priority in the public financial management reform agenda. Drawing on the lessons of the Fund's work in several countries in establishing a TSA, this paper explains its concept, essential features, and potential benefits. It also presents alternative models and approaches for designing a TSA that take into account specific country contexts as well as the preconditions and desirable sequencing for its successful implementation. Finally, the paper includes country examples from different regions in support of the analysis and recommendations.

Chart of Accounts

This paper discusses The Gambia's Second Review Under the Staff-Monitored Program (SMP). The program is broadly on track. All quantitative targets for end-December 2017 and end-March 2018 were met as were most of the structural benchmarks, with three of them needing to be re-phased and redefined. However, the continuous target on contracting new nonconcessional external debt was breached, owing to a US$25 million loan. The IMF staff supports the completion of the second review under the SMP. The IMF staff also encourages the authorities to ensure macroeconomic stability and step up the pace of structural reforms to strengthen economic governance and tackle the legacy of debilitating public debt to pave the way for a possible Extended Credit Facility arrangement.
This paper discusses Burkina Faso’s Second Review of the Extended Credit Facility (ECF) Arrangement and Request for a Waiver of Nonobservance of a Performance Criterion. Performance under the ECF-supported program has been broadly satisfactory. Economic activity remains resilient in the face of increased security and social tension pressures. Growth in 2018 remained resilient as a bumper harvest more than compensated for a decline in nonagricultural gross domestic product growth. Burkina Faso continues to pursue its development goals, and further support from the international community to address security and development needs is important. Additional effort is required to create fiscal space to support further progress in priority areas of development. The authorities are taking steps to strengthen the implementation of the automatic fuel price adjustment mechanism while developing social safety nets for the most vulnerable. In this respect, greater transparency, improved communication and the avoidance of discretionary implementation of the mechanism are crucial.

Maldives

The accuracy and reliability of government accounts and fiscal data is an issue in a number of countries, with significant and persistent discrepancies that can indicate underlying weaknesses in the country’s public financial management system. This note provides guidance on how to detect issues with data quality, perform integrity checks, and reconcile fiscal data from various sources. It discusses the importance of reconciliation to provide reasonable assurance on the quality and reliability of government fiscal data, explores the main reasons for which discrepancies may arise, and explains how to conduct quality checks. The note concludes with recommendations for country teams of concrete steps to ensure data quality.

Marginality

This Technical Report discusses Guinea’s Public Investment Management Assessment (PIMA). This report presents public investment trends and the public investment efficiency gap, details the results of the assessment, and offers recommendations to improve PIM in Guinea. The institutional PIM framework has more strengths than weaknesses, despite being incomplete, while PIM effectiveness shows more weaknesses than strengths. Guinea recently signed roughly 20 public–private partnership (PPP) contracts through direct negotiation, although the institutional framework for PPPs is not yet finalized; this represents a source of potential financial risk that has not been evaluated. It is important to ensure that PPPs are adequately addressed in the legal and regulatory framework and to promote public access to information to uphold the principles of competition, efficiency, transparency, and, in particular, to open unsolicited proposals to competition. The report highlights that if Guinea is to reap the full benefits of its increasing capital spending, the authorities need to focus on correcting PIM weaknesses and improving the efficiency of PIM.

Treasury Single Account
The first two decades of the twenty-first century have witnessed an influx of innovations and reforms in public financial management. The current wave of reforms is markedly different from those in the past, owing to the sheer number of innovations, their widespread adoption, and the sense that they add up to a fundamental change in the way governments manage public money. This book takes stock of the most important innovations that have emerged over the past two decades.

**Zambia**

**EXECUTIVE SUMMARY** This is the final review under the Extended Credit Facility (ECF) arrangement. The program contributed to maintaining macroeconomic stability, and there was progress on structural reforms. The authorities intend to request a successor arrangement under the ECF. A new finance minister was appointed in April; uncertainty remains on the timing of elections. Preliminary data suggest that GDP in FY2014 grew by 3.5–4 percent, while inflation increased slightly to about 5 percent. An increase in fuel prices (in October) should result in fiscal savings of at least 1 percent of GDP during FY2015. The March performance criterion on net international reserves (NIR) was met, but although the deficit was lower than projected, the performance criterion on net central bank credit to the central government was missed. Downside risks are significant and include a pull-back of Venezuela-related flows, a resumption of political tensions, and vulnerability to weather events. A total of SDR 1.638 million will become available upon completion of this review, bringing total disbursements under the ECF to SDR 40.950 million. Key Policy Recommendations:

- The policy mix, in particular the adjustment going forward, should come from a lower fiscal deficit rather than from a tighter monetary policy. The FY2015 fiscal deficit should be reduced to mitigate financing risks as part of a medium-term plan to restore fiscal sustainability.
- The central bank should let the exchange rate adjust more to market pressures. Intervention should be parsimonious, geared at avoiding excess volatility and disorderly movements in the exchange rate; it should be guided by fundamentals in the medium term.
- Progress on structural reforms (including on the energy sector and on public financial management) should catalyze more donor support and is essential for supporting growth. A possible new ECF arrangement would entrench macroeconomic stability and promote policies to generate sustained GDP growth.

**The Gambia**

This 2017 Article IV Consultation highlights Saudi Arabia's launch of a bold reform program under Vision 2030, announced in 2016. The authorities have made considerable progress in initiating the implementation of their ambitious reform agenda. Non-oil growth is projected to pick up to 1.7 percent in 2017. Growth is expected to strengthen over the medium term as structural reforms are implemented. Risks mainly come from uncertainties about future oil prices, as well as questions about how the ongoing reforms will affect the economy. Employment growth has weakened, and the unemployment rate among Saudi nationals has increased to 12.3 percent. The fiscal deficit is also projected to narrow substantially in the coming years.
A treasury single account (TSA) is an essential tool for consolidating and managing governments' cash resources, thus minimizing borrowing costs. In countries with fragmented government banking arrangements, the establishment of a TSA should receive priority in the public financial management reform agenda. Drawing on the lessons of the Fund's work in several countries in establishing a TSA, this paper explains its concept, essential features, and potential benefits. It also presents alternative models and approaches for designing a TSA that take into account specific country contexts as well as the preconditions and desirable sequencing for its successful implementation. Finally, the paper includes country examples from different regions in support of the analysis and recommendations.
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A note discusses the underlying causes and mechanisms for preventing and controlling the further accumulation of arrears. The note concludes with some strategies for managing and clearing arrears.

Prevention and Management of Government Arrears

Macedonia's macroeconomic stabilization program continues to rest on the basis of fiscal and monetary policies, and has restored the fiscal balance to a sustainable level after two years of high deficits. Further structural measures are important to address impediments to growth and to reduce unemployment. Reforms are necessary to strengthen the investment climate by creating a predictable business environment, implementing judicial reforms, and addressing governance problems. The financial system stability assessment acknowledged the authorities' efforts to improve the soundness of the banking system and to address remaining vulnerabilities.

Public financial management in Latin America

How to Check Integrity of Fiscal Data

Zambia's strong performance continues under the Extended Credit Facility-supported program. All but one of the quantitative performance criteria were met, and structural reforms are progressing. In the aftermath of exchange rate and copper price fluctuations, the financial sector's recovery has been slow. The main macroeconomic policy challenge in future is to increase growth further by creating fiscal space for expenditures that would enhance economic diversification and reduce Zambia's dependence on copper exports. Monetary policy appropriately targets a further reduction in underlying inflation.

Central African Republic

For the republics of the former Socialist Federal Republic of Yugoslavia (SFRY) as for many other transition economies, an important step in introducing a more market-oriented system was the restructuring of their budget systems. This paper reviews and evaluates the process of budget system reform during the transition period extending from the time they emerged from the collapse of the SFRY in 1989 until the end of 2002. For at least a decade of this period, the Fiscal Affairs Department of the IMF has been providing technical assistance (TA) to these countries to facilitate such reforms. Based on the material generated by this effort, the authors offer a review of the progress made and an assessment of the reform elements still to be completed. Given that the former Yugoslav republics all commenced the reform process with the same institutions, this paper offers a unique opportunity to analyze the critical elements in successful budget system reform. An attempt is made to explain the varying degrees of success experienced by different countries, and a reform agenda is suggested to guide future TA.
This Technical Assistance report on Brazil highlights strengthening the framework for substantial borrowing. A significant change in the institutional framework is needed to impose hard budget constraints and promote stable and sustainable policies. The approach proposed in this report is based on demanding greater transparency and accountability by subnational governments, while also making the framework more flexible. If adopted, the framework is expected to introduce risk sharing among states, within an enhanced insolvency framework, and tighten fiscal rules. The proposed changes would also put more emphasis on market incentives. The changes in the framework will also need to be accompanied by progress in addressing fiscal pressures from rising budget rigidities (including pensions) and excessive tax incentives (the so-called tax wars). It is recommended to create an independent fiscal council that monitors fiscal performance and compliance of fiscal rules by subnational governments. One possibility is to add this mandate to the Independent Fiscal Institution, while strengthening its independence and provide enough resources.

Government Cash Management

This technical note and manual (TNM) addresses the following main issues:
• Discusses the purpose of a chart of accounts and its importance in public financial management
• Discusses stakeholder needs in a typical public financial management framework that need to be reflected in a chart of accounts
• Discusses the role of chart of accounts in budgetary and financial accounting
• Discusses the relation between the chart of accounts and IFMIS
• Explains key steps for identifying data requirements and structures for developing a chart of accounts

Treasury Single Account

This book takes a new approach on understanding causes of extreme poverty and promising actions to address it. Its focus is on marginality being a root cause of poverty and deprivation. "Marginality" is the position of people on the edge, preventing their access to resources, freedom of choices, and the development of capabilities. The book is research based with original empirical analyses at local, national, and local scales; book contributors are leaders in their fields and have backgrounds in different disciplines. An important message of the book is that economic and ecological approaches and institutional innovations need to be integrated to overcome marginality. The book will be a valuable source for development scholars and students, actors that design public policies, and for social innovators in the private sector and non-governmental organizations.
This technical note and manual addresses the following main issues: 1. Discusses the problems of fragmented government banking arrangements and how a treasury single account (TSA) could address them. 2. Explains the concept of a TSA and describes its features. 3. Discusses the design issues that need to be considered in setting up a TSA system. 4. Discusses the preconditions and key sequencing and implementation issues that need to be addressed in establishing a TSA.

Finance & Development, September 2000

This paper provides an overview of sovereign debt portfolio risks and discusses various liability management operations (LMOs) and instruments used by public debt managers to mitigate these risks. Debt management strategies analyzed in the context of helping reach debt portfolio targets and attain desired portfolio structures. Also, the paper outlines how LMOs could be integrated into a debt management strategy and serve as policy tools to reduce potential debt portfolio vulnerabilities. Further, the paper presents operational issues faced by debt managers, including the need to develop a risk management framework, interactions of debt management with fiscal policy, monetary policy, and financial stability, as well as efficient government bond markets.

Georgia, Joint Staff Assessment of the Poverty Reduction Strategy Paper


Governance Reforms

Drawing on the experiences of OECD Members over the past 50 years, and the Organisation’s extensive work with non-Member economies around the world, this landmark study provides readers with a comprehensive view of the interrelated domestic policy issues at stake and specific recommendations.