



Progress On Public Financial Management Strategy 2019- 23: Indication of Further Potential Support by the IMF

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Indication of Potential Support by the IMF

1. The indications of technical support in a multi-year perspective presented here are subject to resource availability and, for each input, a specific request by the Ministry of Finance (MoF) and approval by IMF headquarters
2. The IMF technical support would be delivered by a combination of
 - Headquarters-led missions,
 - Short-term expert assignments,
 - Regional long-term experts, including from the IMF's new Regional Capacity Development Center for the Caucasus, Central Asia, and Mongolia (CCAMTAC).
3. The EC's DG Near and the Japan Infrastructure Governance projects will also be funding IMF CD on PFM in FY22
4. The IMF will continue engaging with the MoF and development partners to facilitate monitoring and collaboration related to the implementation of the PFMS

PFMS: Macroeconomic and Budget Indicators Forecasting

Past support

- Set of customized trainings to develop a DSGE model for the MOF, 2018-19
 - The model results are already used in the macro-fiscal projection and assessment cycle and published

Potential/Ongoing support

- Possible peer learning using the platform of CCAMTAC

Relevant PFMS target/activity

- Integrate modeling into macroeconomic policy-making process

PFMS: Fiscal Risks Accountability (4.1)

Past support

- “Establishing the Fiscal Risk Management Unit”, TA report, 2014
- “Manual on Managing Fiscal Risks Stemming from the Corporate Sector” TA report, 2015
- “Fiscal Risks of Budgetary Lending and Appropriating through Programs” TA report, 2016
- “Strengthening Fiscal Risks Assessment”, TA report, 2017 (improving statement of FRs, stress tests and sensitivity analyses, capacity development in fiscal risks assessment and disclosure for non-financial corporations)
- “Armenia: Fiscal Transparency Evaluation” TA report, 2018,

Potential/Ongoing support

- On the basis that the ADB will continue to provide TA on activity 4.1, IMF could continue monitoring the progress of the activity within the Stand-By Agreement (SBA) program discussions,

Relevant PFMS targets/activities

- Expand the scope of fiscal risk assessment, improve methodology

PFMS: State Revenue Policy (all activities)

Past support

- “Review of the Draft Tax Code of October 2015” TA report, 2016 (comprehensive review of the Draft Tax Code and a package of recommendations)
- “Armenia: Growth-Friendly Rebalancing of Taxes”, TA report, 2018 (advice on growth friendly tax policy with a focus on improving personal and business income taxes, presumptive taxation, and real estate taxation)
- “Tax Policies for Capital Market Development”, Draft TA report, 2021 (Recommendations are focused on taxation of financial instruments and broad tax policies for capital market development)

Potential/Ongoing support

- Advice on a range of tax policy issues from base broadening to improving efficiency and equity of taxation

Relevant PFMS targets/activities

- Reduce the scope of application of tax privileges
- Revise the tax burden with respect to turnover tax
- Reform property taxation

PFMS: Transparency and Compliance in Revenue Administration (12.1 and 15.1)

Past support

- “Improving Tax Compliance Risk Management Using Analytic Tools”, TA report, 2019
- “Strategic Choices for Tax Administration to Enhance Tax Compliance”, TA report, 2020
- “Armenia: Developing a Compliance Strategy for Tax Administration”, TA report, 2020
- “Development and Implementation of Tax Compliance Risk Management Strategy”, TA report, 2020
- “Implementing Compliance Risk Management”, TA report, 2021

Potential/Ongoing support

- Continue assisting with assessing tax potential and tax gap
- Continue assisting with improving core tax administration performance in taxpayer compliance and risk management
- Supporting implementation of Compliance Risk Management (CRM) strategy and sectoral compliance improvement plans

Relevant PFMS targets/activities

- Assess tax potential and tax gap for three major types of taxes (VAT, profit tax, income tax)
- Upgrade the analytical and inspection tools of tax bodies, develop capacities

PFMS: Program Based Budgeting (16.2 and 16.3)

Past support

- “Optimizing Program-Based Budgeting” TA report, 2017
- “Program Based Budgeting: Fiscal Rules and Fiscal Transparency Follow-up”, TA report, 2018
- “Program-Based Budgeting and Public Asset Management”, TA report, 2021
(Recommendations based on PBB Gap analysis, recommendations on mandatory expenditures, etc.)

Potential/Ongoing support

- Assist with aligning budgetary framework with the strategic planning framework
- Support further improvement in program budgeting framework (classification, evaluation guidelines)
 - Continuation of complementary TA relationship with GIZ on PBB

Relevant PFMS targets/activities

- Revise budget programs to align them with strategic priorities
- Develop budget program evaluation guidelines
- Introduce regular evaluation of budget programs

PFMS: MTEF Procedure, Budgetary Discipline and Transparency

Past support

- “Rolling Baseline and PIMA Follow-up”, TA report, 2019
- “Capacity and Institutional Development for the Rolling Baseline”, TA report, 2019
- “Rolling Baseline - First Review”, TA report, 2019
- “Rolling Baseline - Second Review”, TA report, 2020

Potential/Ongoing support

- Continue support on development of the new rolling baseline framework for budget preparation and other measures to ensure budgetary discipline and transparency

Relevant PFMS targets/activities

- Strengthen legal framework and methodology for a unified procedure of MTEF and annual budget development

PFMS: Public Investment Management (48.1 and 49.1)

Past support

- “Public Investment Management Assessment”, TA report, 2018
- “Developing a Framework for Public Investment Management (PIMA Follow-Up)”, TA report, 2019 (recommendations to improve definition of roles and responsibilities, strengthen appraisal and selection, strengthen budgeting and monitoring)
- “Public Investment Management and the Budget Process”, TA report, 2021 (recommendations on strengthening the linkages between strategic planning and long-term PI planning, managing the project pipeline, reconciling PIM and PBB processes, etc.)

Potential/Ongoing support

- PIM follow-ups. Assist with further strengthening PIM legal and operational framework, integrating PIM into budget process in collaboration with other development partners

Relevant PFMS targets/activities

- Develop legislative basis for the selection of public investment programs;
- Develop priorities for large investment programs based on standard project selection criteria
- Align MTEF and budgetary framework with investment priorities
- Ensure transparency in PIM

PFMS: Public Asset Management (44.1, 44.2 and 45.1)

Past support

- “Program-Based Budgeting and Public Asset Management”, TA report, 2021
(Recommendations on management of state BI and NCO non-financial assets)

Potential/Ongoing support

- Next steps will be identified depending on the MOF’s response on PAM recommendations
 - Possible complementary relationship between FAD and GIZ when providing TA on activities 44.2 and 45.1 using the model with respect to PBB

Relevant PFMS targets/activities

- Develop legal and methodological framework for managing public financial and non-financial assets

PFMS: Government Finance Statistics and Fiscal Reporting

While fiscal reporting and GFS reforms have not become a part of the PFMS, it remains a cross cutting priority area that affects the implementation of the other PFMS targets

Past support

- “Armenia: Fiscal Transparency Evaluation” TA report, 2018 (Pillar 1, assessments and recommendations on expanding the institutional coverage of reports, enhancing consistency, comparability, and integrity of fiscal reporting)
- “Report on Government Finance Statistics Mission”, 2019. This includes updated GFS sections of the FTE Action Plan and priority activities recommended for 2020
- “Report on Government Finance Statistics Mission”, 2021. This includes recommendations on compiling sectorized list of all public entities and recommendations for next steps in implementing improvements to GFS

Potential/Ongoing support

- Assist with implementing improvements to GFS
- Assist with finalizing the sectorized list and developing a systematic update process
- Providing GFS TA and training to help the authorities to use the list for improving government statistics and the monitoring of fiscal risks

Table: Support plans for the near term

- STX mission on piloting the revised mandatory/discretionary distinction (discussions on arranging the mission are underway)
- STX mission on budget preparation (funded by DG Near) and LTX visit on budget preparation (CCAMTAC)
- Mission on fiscal risks, which could also cover PIM (HQ)
- STX mission on fiscal risks (DG Near)
- Regional workshop on budget institutions (CCAMTAC)
- STX mission on supporting implementation of (CRM) strategy and sectoral compliance improvement plans

THANK YOU!