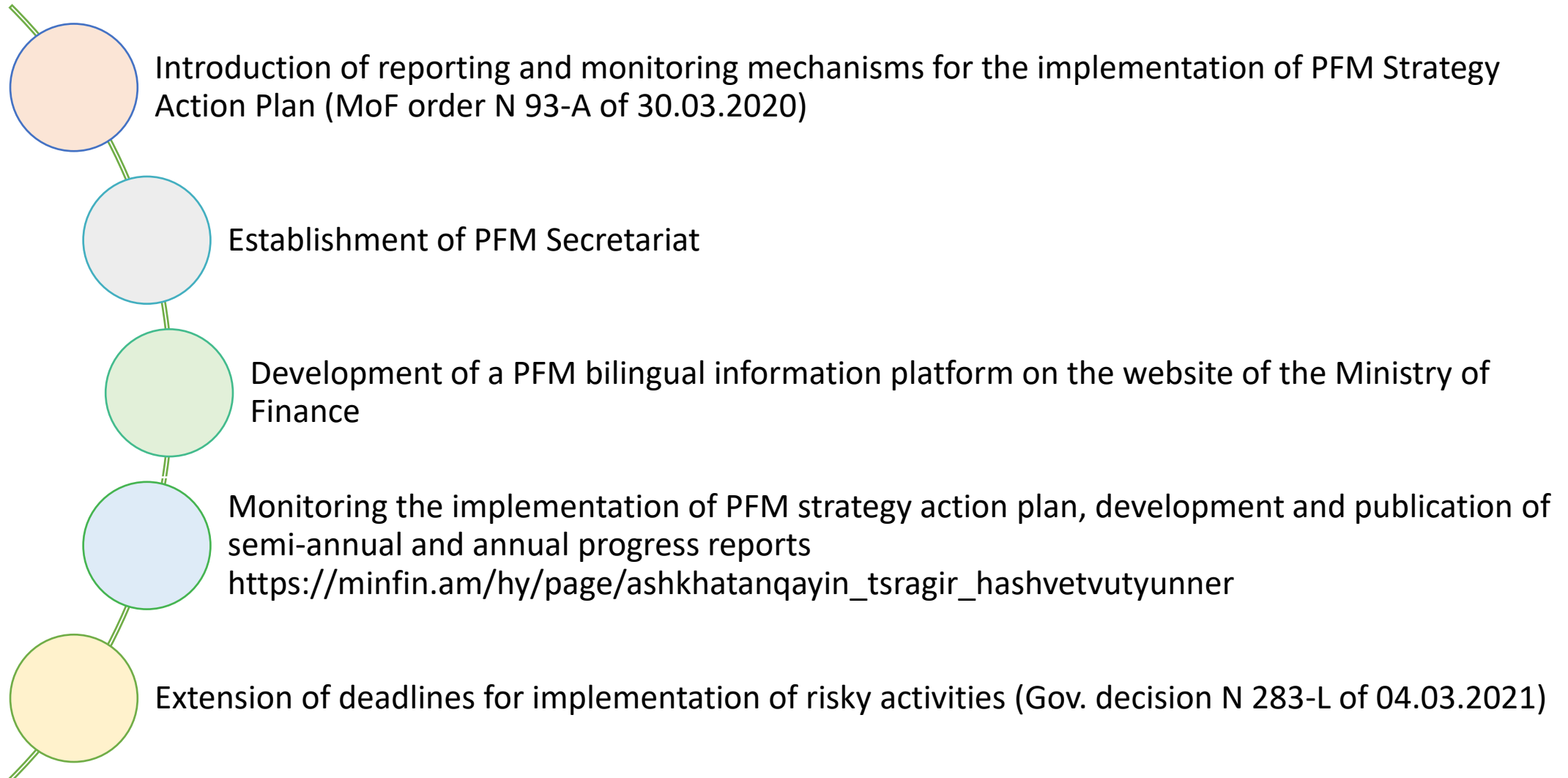


**THE PROGRESS OF 2019-2023 PUBLIC FINANCE MANAGEMENT  
REFORM STRATEGY ACTION PLAN**

June 18, 2021 Yerevan

## THE PROGRESS OF 2019-2023 PUBLIC FINANCE MANAGEMENT (PFM) REFORM STRATEGY ACTION PLAN



# THE STATUS OF 2019-2023 PFM REFORM STRATEGY ACTION PLAN



## 1. FORECAST OF MACROECONOMIC AND BUDGET INDICATORS, FINANCIAL RISK ACCOUNTABILITY

	Target	Status	Main results
1. Forecast of macroeconomic and budget indicators	1. Development of final version of the DSGE model (s), its introduction and full-fledged launch in MoF	Completed	<ul style="list-style-type: none"> <li>• Development of DSGE model of macroeconomic forecasts</li> <li>• Application of the DSGE model in the 2021 budget process</li> </ul>
	2. Assessing the effects of deviations between fiscal policies planned and actually implemented on the basis of macro-founders and fiscal rules	Not started	
	3. Provision of staff with relevant qualification and skills	In progress	
2 Fiscal risks Accountability	4. Improving the function of fiscal risk assessment	In progress	<ul style="list-style-type: none"> <li>• Approval of the methodology of calculation and evaluation of RA contingent liabilities for PPP projects,</li> <li>• Inclusion of fiscal risk assessments of 20 infrastructure companies and the analysis of contingent liabilities arising from the contracts of PPP companies in 2021 budget documents</li> </ul>
	5. Development of analytical skills of fiscal risk assessment specialists	In progress	

## 2. STATE REVENUE POLICY, TAX ADMINISTRATION

	Target	Status	Main results
3. State Revenue Policy	6. Assessment of tax needs based on economic development priorities and opportunities	In progress	<ul style="list-style-type: none"> <li>Revision of the Property Tax System - Adoption of the RA Law "On Making Amendments to the RA Tax Code" (June 25, 2020)</li> <li>Approval of the action plan for the introduction of the personal income declaration system (MoF order N 104-L of 06.04.2020 )</li> <li>Elaboration of the Draft RA Law "On Making Amendments to the RA Tax Code" for the Introduction of Income Declaration System of Individuals</li> </ul>
	7. Reducing the scope of application of tax privileges	In progress	
	8. Revision of the tax burden with respect to turnover tax	In progress	
	9. Resolving issues related to documentation of sales' transactions of agricultural products	In progress	
	10. Relevant tax on visible wealth or property	Completed	
	11. Provision of a legal framework for introduction of an income declaration system based on economic incentives	In progress	

## 2. STATE REVENUE POLICY, TAX ADMINISTRATION

	Target	Status	Main results
4. Transparency and compliance in revenue administration	12. Assessment of tax potential and tax gap	Periodic	<ul style="list-style-type: none"> <li>• Approval of measures to reduce the tax policy gap</li> <li>• Tax potential and Tax gap assessment for VAT in 2020</li> <li>• Publication of monthly information on tax refunds on the website of the SRC</li> <li>• Elaboration of draft Government decree to ensure the tax authorities access to the third party's information</li> <li>• Implementation and operation of Big Data Analytics (Power BI) analytical system</li> <li>• Implementation and testing of an automated system for conducting cameralistic studies</li> <li>• Review of tax risk assessment and implementation procedures</li> <li>• Approval of a new procedure for planning complex tax inspections based on risk criteria</li> <li>• Launch of a new automated inspection system</li> </ul>
	13. Publication of information related to the amount of taxes refunded from the state budget with the aim of ensuring the transparency in public finances	Periodic	
	14. Continuous reduction of shadow economy, exclusion of taxpayers getting preferential treatment and creation of equal environment for all taxpayers	In progress	
	15. Ensure full and timely declaration of taxes and performance of tax liabilities by taxpayers	In progress	

### 3. STRATEGIC PLANNING, DESIGNING MID-TERM EXPENDITURE FRAMEWORK AND STATE BUDGET

	Target	Status	Main results
5. Programme Budgeting and strategic planning	16. The budgetary programmes included in the state budget are aligned with the sectoral strategies	In progress	
	17. A regular process of budget programme evaluation is introduced in all state agencies responsible for the budget programmes	In progress	
6. MTEF procedure, Budgetary discipline and transparency	18. The programmes/measures stemming from the mandatory commitments of the Government are identified and documented	In progress	<ul style="list-style-type: none"> <li>From 2020, the preparation of the MTEF and annual budget is carried out as a single process</li> <li>The methodological instructions for preparation of Citizen's Budget and the Citizen's Budget 2021 were elaborated and published on the website of the MoF</li> <li>The methodological guidelines for ensuring public participation in the process of elaboration of budget programs of state bodies were elaborated</li> <li>Within the framework of the 2021 &amp; 2022 budget processes, requirements have been set for state bodies, according to which, state bodies publish their budget requests and discuss them with CSOs before submitting to the MoF.</li> <li>Budget costing software was developed and is in the process of testing</li> </ul>
	19. Introduction of a unified system for MTEF and annual budget development	In progress	
	20. Simplified budget and simplified budget execution reports are available to public	In progress	
	21. Civil society organizations are more actively involved in the budget process	Periodic	
	22. The budget programme's/measure's cost estimation is carried out through the unified automated system	In progress	

#### 4. CONTROL OVER THE BUDGET EXECUTION PROCESS, TREASURY SYSTEM

	Target	Status	Main results
8. Budget execution reports	23. Preparation of State Budget Execution Reports according to the Program Classification	Completed	<ul style="list-style-type: none"> <li>The budget reporting software of the MoF is updated and can produce state budget execution reports according to the Program Classification</li> </ul>
9. Monitoring and management of expenditure arrears	24. Arrears monitoring and management	Periodic	<ul style="list-style-type: none"> <li>The State agencies submit monthly reports on expenditure arrears to the MoF</li> </ul>
10. Payroll control	25. Implementation of comparison and changes in the personnel records and salary fund by means of accounting information system	In progress	
	26. Payroll audit	In progress	
	27. Ensuring accountability in calculation of salaries/ wages and similar payments	In progress	



## 5. PUBLIC DEBT

	Target	Status	Main results
11. Public Debt Management	28. Improving the RA Law "on Public Debt"	In progress	<ul style="list-style-type: none"> <li>The preliminary version of the RA draft law on State Debt was elaborated</li> <li>The share of deficit financing in the state budget at the expense of net domestic borrowing was 84.7% in 2020</li> </ul>
	29. Mitigating the exchange rate risks to the RA government debt portfolio	Periodic	

## 6. PUBLIC SECTOR ACCOUNTING

	Target	Status	Main results
12. Public Sector Accounting	30. Monitoring of annual financial statements of public sector organizations	Periodic	<ul style="list-style-type: none"> <li>Starting form 2020, the financial statements of public sector organizations are monitored.</li> <li>Draft Law on Making Amendments to the Law on Accounting of Public Sector Organizations, adopted in the first reading in the NA (September 18, 2020)</li> <li>Development of a draft methodology for consolidating financial statements</li> </ul>
	31. Preparation of consolidated financial statements on a ministerial level	In progress	

## 7. CORPORATE ACCOUNTING AND AUDIT

	Target	Status	Main results
13. Regulation of corporate accounting and auditing activities	32. Introduction of a public control system over the accounting and auditing activities	In progress	<ul style="list-style-type: none"> <li>• RA Government Decision "On Defining the Procedure for Determining the Conformity of Computer Programs Enabling Accounting with the Requirements of the Legislation Regulating the Accounting Sphere" has been approved (13.08.2020 N 1336-N)</li> <li>• Decision of the PCC "On the procedure for maintaining the register of auditors, expert accountants and auditing companies and the minimum list of data included in it" has been approved (31.08.2020 N 1-L )</li> <li>• Legal acts related to the extension of the qualification certificates of accountants-auditors have been developed and approved.</li> <li>• The draft decision of the PCC "On approving the draft procedure for conducting mandatory inventory of assets and liabilities" has been elaborated</li> </ul>

## 8. FINANCIAL MANAGEMENT AND CONTROL IN PUBLIC ORGANIZATIONS – STATE NON COMMERCIAL (NON PROFIT) ORGANIZATIONS

	Target	Status	Main results
14. FMC in public organizations; Accountability in state non-commercial organizations (SNCOs)	33. Improving the system of accountability and monitoring of the financial and economic activities of SNCOs	In progress	

## 9. PUBLIC PROCCUREMENT

	Target	Status	Main results
15. Upgrading the e-procurement system	34. New software for e-procurement system	Not started (extended)	
16. Procurement planning	35. Improving the procurement planning system	In progress (extended)	
17. Procurement Appeal System	36. Improving the procurement appeal system	In progress	<ul style="list-style-type: none"> <li>Elaboration of draft laws "On Making Amendments to the RA Law on Procurement", "On Making Amendments to the RA Law on Public Administration System Bodies", "On Making Amendments to the RA Law on State Duty", "On Making Amendments to the RA Civil Procedure Code".</li> </ul>

## 10. PUBLIC INTERNAL FINANCIAL CONTROL AND FINANCIAL BUDGETARY OVERSIGHT (INSPECTION)

	Target	Status	Main results
18. Financial Management and Control	37. Ensuring the introduction of financial management and control system	Not started (extended)	
19. Public Sector Internal Audit	38. External quality assessment of internal audit activity	Not started (extended)	
	39. Ensuring collaboration between internal and external auditors	In progress	
	40. Emphasizing the importance of performance audit and ensuring its practical implementation up to 30% of annual programme	In progress (extended)	
	41. Development of capacities and skills of internal auditors	In progress (extended)	
20. Central Harmonization Unit (CHU)	42. CHU staff recruitment and capacity development	In progress	
21. Financial-budgetary oversight (inspection)	43. Ensure efficiency of financial- budgetary oversight (inspection)	In progress	

## 11. PUBLIC ASSETS AND PUBLIC INVESTMENT MANAGEMENT

	Target	Status	Main results
22. Public asset management	44. Ensuring monitoring of government financial and non-financial assets	In progress	
	45. Ensuring transparency in sales, transfer alienation of non-financial assets as well as in the exercise of the right to use the assets	Not started	
23. Public Investments Management	46. Creation of a legal basis- public investments management methodology	In progress	<ul style="list-style-type: none"> <li>• The draft PIM manual was elaborated and tested</li> <li>• The draft PIM concept has been elaborated</li> <li>• The training needs of public investment professionals were assessed</li> <li>• Seminars-discussions and workshops aimed at capacity building of public investment professionals were conducted</li> </ul>
	47. Development of capacities of public investments specialists	In progress (extended)	
	48. Public investment programs included in 2023 annual budget have been prepared in line with the PIM handbook requirements	Not started	
	49. Monitoring of public investment programmes	Not started	

## 12. FINANCIAL MANAGEMENT IN LOCAL SELF-GOVERNMENT BODIES

	Target	Status	Main results
24. Efficiency of financial management in local self-government bodies	50. Development of capacities and skills of local self-government bodies administrative staff	In progress	<ul style="list-style-type: none"> <li>• Capacity building of LSG administrative staff (PB methodology, participatory budgeting, etc.)</li> <li>• Development of annual program budgets, brief budgets, budget monitoring and evaluation plans for large communities</li> <li>• Development of participatory and gender budgeting manuals at LSG level</li> <li>• Development of APSAS based accounting manual for communities and study of their use in large communities</li> <li>• Study of the asset management process in large communities</li> <li>• Study of the functions, rights and responsibilities of the administrative heads of the settlements of large communities</li> </ul>

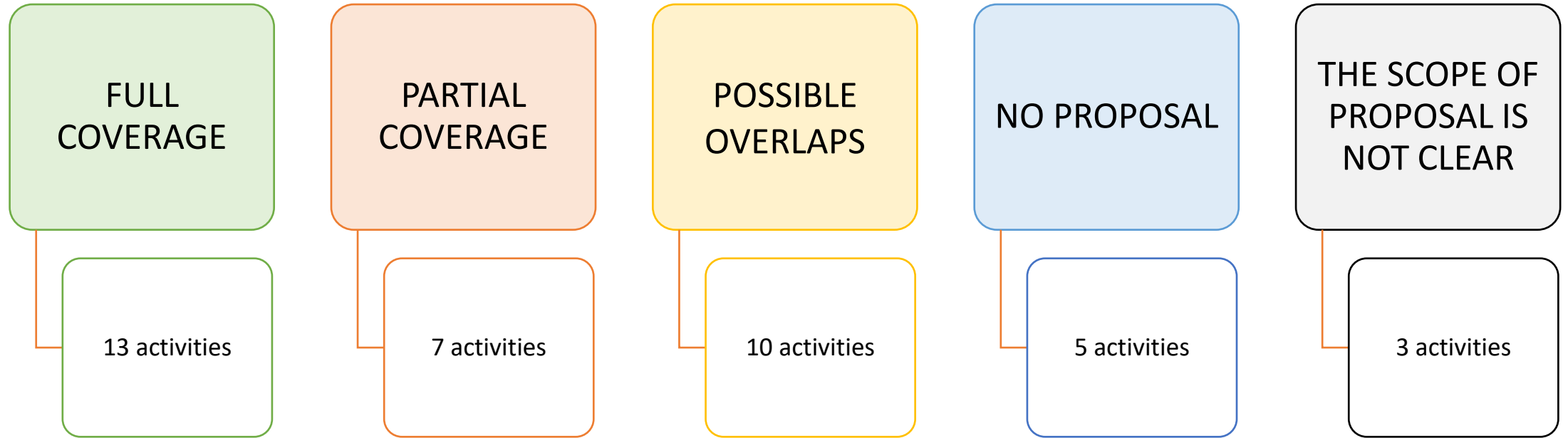
### 13. EXTERNAL OVERSIGHT AND LEGISLATIVE CONTROL

	Target	Status	Main results
25. Oversight of Financial-Credit and Budgetary Sector by the RA National Assembly	51. External oversight (Annual Budget and Chamber of Audit reports (AC))	Periodic	<ul style="list-style-type: none"> <li>Establishment of an Audit Sub-committee of the RA NA Standing Committee on Financial-Credit and Budgetary Affairs</li> <li>Approval of 2020-2023 development strategy for the Budget Office of the RA NA</li> </ul>
	52. Development of capacities of the Budget Office as well as of MPs and the experts of Committees	In progress	
26. Independence of Audit Chamber and external audit of annual financial statements of the government	53. Defining and fulfilling the Audit Chamber strategic targets for 2020-2023	In progress	<ul style="list-style-type: none"> <li>Approval of 2020-2023 Strategic Development Plan of the Audit Chamber and the action plan for its implementation</li> </ul>
	54. Development of capacities and enhancement of professional skills of AC staff	In progress	

### 14. GOVERNMENT FINANCIAL MANAGEMENT INFORMATION SYSTEM (GFMIS)

	Target	Status	Main results
27. Government Financial Management Information System (GFMIS)	55. Introduction of main elements of GFMIS (first phase)	In progress	<ul style="list-style-type: none"> <li>The two rounds of the procurement for the selection of a consultant supporting the MoF in the process of implementation of the GFMIS took place. The results of the tender are currently being summarized.</li> </ul>
	56. Introduction of main elements of GFMIS (2nd phase)	Not started	

# COVERAGE OF TA PROPOSALS SUBMITTED BY DEVELOPMENT PARTNERS





## POSSIBLE OVERLAPS

Area	TA needs	GIZ*	IMF	UNDP	WB	USAID*	ADB	EU	RUS
<i>Public debt</i>	<ul style="list-style-type: none"> <li>Elaboration/review of the Law "On Public Debt"</li> </ul>						x	x	
<i>Public Asset Management (PAM)</i>	<ul style="list-style-type: none"> <li>Elaboration of legislative acts and methodological materials for the introduction of PAM</li> </ul>	x	X			x			x
	<ul style="list-style-type: none"> <li>Elaboration of procedures for the sale, transfer, alienation, and use of non-financial assets</li> </ul>	x	x						x
<i>Public Investment Management (PIM)</i>	<ul style="list-style-type: none"> <li>Elaboration and revision of budgetary processes arising from the PIM manual</li> </ul>	x	x			x	x	x	x
	<ul style="list-style-type: none"> <li>Elaboration / review of business processes in the MoF in accordance with the PIM manual</li> </ul>	x	x		x	x		x	x
<i>Strategic Planning (SP)</i>	<ul style="list-style-type: none"> <li>Study / evaluation of budget programs' compliance with the policies defined by the strategic documents</li> </ul>	x		x					x
	<ul style="list-style-type: none"> <li>Support state bodies to review their policy documents and budget programs</li> </ul>	x		x					x
<i>Program Budgeting (PB)</i>	<ul style="list-style-type: none"> <li>Assistance in implementing measures to improve the PB methodology</li> </ul>		X			x			x
	<ul style="list-style-type: none"> <li>Study of the current functions and capacities of the MoF Budget Process Organization Department and elaboration of a roadmap for their improvement</li> </ul>	x	X						x
	<ul style="list-style-type: none"> <li>Evaluation of capacities of state bodies in terms of implementation of PB requirements and elaboration of capacity improvement plan</li> </ul>	x	X						x

\* Overlaps are possible between the GIZ and USAID proposals in a number of areas at LSG level

## MEASURES WITH NO PROPOSALS OR WITH PARTIAL COVERAGE

Area	TA needs	Partial coverage*	Capacities	Automation	Piloting	Regulation
<i>Internal Audit (IA)</i>	• Revision of performance audit manual/guideline					X
	• Assistance in pilot risk assessment of public sector organizations according to the internal audit quality assessment manual				X	
	• Design and elaboration of an online software for the continuous professional training of internal auditors			X		
	• Capacity needs assessment for the Central Harmonisation Unit and elaboration of a capacity development plan/roadmap	X	X			
<i>Financial-budgetary Oversight (FBO)</i>	• Elaboration of a new methodology for risk-based FBO inspections	X				X
	• Development of an automated risk assessment system for FBO			X		
<i>Public Procurement</i>	• Elaboration and introduction of new e-procurement software			X		
<i>Financial Management and Control (FMC)</i>	• Elaboration/revision of FMC concept and legal acts	X				X
	• Elaboration of an action plan for FMC system introduction	X				X
	• Training needs assessment of specialists involved in the FMC and elaboration of training programs / modules	X	X			
	• Piloting and revision of FMC methodology	X			X	
<i>Public Asset Management (PAM)</i>	• Assessment of training needs on PAM techniques	X	X			

\* TA proposals submitted by the GIZ are only for local governments, do not cover the needs of the central government

THANK YOU