Annex N 2

of the RA Government Decree #\_\_\_\_\_ L

dated\_\_\_\_\_\_\_\_ 2019

**ACTION PLAN FOR 2019-2023 FOR IMPLEMENTATION OF PUBLIC FINANCIAL**

**MANAGEMENT SYSTEM REFORMS**

| **Sector/**  **Component** | **Target** | **Activities** | **Implementing Agency** | **Co-implementing agency** | **Due Date** | **Output Assessment Indicators** | **Relation to PEFA Performance Indicators** | **Activity Implementation Risks** | **Risk Mitigation Actions** | **Reference to Relevant Articles of the RA Government Programme** | **Source and amount of funding** |
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| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** | **11** | **12** |
| **1․ MAIN MACROECONOMIC AND BUDGETARY INDICATORS FORECASTING, FISCAL RISKS ACCOUNTABILITY** | | | | | | | | | | | |
| **1. Macroeconomic and Budget Indicators Forecasting** | 1. Development of final version of the DSGE model (s), its introduction and full-fledged launch in MoF | 1.1 Development of final version of DSGE model (s) | MoF | - | December 2019 | Availability of modern tools for analysis of fiscal policies and mid-term macroeconomic forecasts | PI-14 | * Risks associated with technical supply (software, high-capacity computers); * Risks associated with localization of models; * Loss of trained personnel and lack of specialists with relevant qualification | * Technical re-equipment * Training of the personnel (through attraction of new technical assistance if necessary) and recruitment of new, qualified specialists;   Encouragement of staff | - | To be implemented in the framework of technical support |
| 1.2 Introduction and full-fledged launch of DSGE model(s) | 2020-2023 | Introduction and use of the new toolset in the frame of the budget process, more comprehensive and precise assessments and analysis of the fiscal policy impact on the economy | No additional funding is required (to be implemented in the framework of technical support  if necessary) |
| 2. Assessment of impact of discrepancies between the target and actually implemented fiscal policies built on the macro-fundamentals and fiscal rules | 2.1  Identification of discrepancies between the target and actually implemented fiscal policies and assessment of their impact | 2020-2023․ | * Improved fiscal risk assessment at macroeconomic level * Assessment of impact of deviations from the target fiscal policies on the economy | No additional funding is required |
| 3. Provision of staff with relevant qualification and skills | 3.1. Implementation of measures aimed at development of capacities, enhancement of skills of the personnel |  | 2019-2023. | Availability of personnel with relevant qualification and skill | * Outflow of qualified personnel due to uncompetitive remuneration compared to relevant private sector professionals   • Difficulties in recruiting new qualified personnel | * Differentiate between levels and remuneration of policy making units in the MoF of RA and of units requiring technical capacity   • Promotion through rewarding and/or in other ways  • Collaboration with relevant training institutions |  |
| **2 Fiscal risks Accountability** | 4. Enhancement of fiscal risks assessment function | 4․1 Expanding the coverage of fiscal risks assessment, improvement of methodology \ | MoF | - | 2020-2023 | * Assessment of fiscal risks covers an extended scope of fiscal risks sources; * Improved fiscal risk assessment methodology | PI-10 | Possible failure in collaboration with relevant state agencies or other authorized bodies responsible for exercise of fiscal risk assessment function | Continuous application of the current methodology used for fiscal risk assessment on going working meetings with relevant state governance and other authorized bodies with the aim of implementation of fiscal risk management road map | Chapter 8, Article 8.2 , paragraphs 6 and 7 | To be implemented in the framework of technical assistance |
| 5. Enhancement of analytical capacities of specialists engaged in assessment of fiscal risks | 5․1 Capacity development | Specialists with improved analytical capacities carrying out fiscal risks assessment | Possible failure in providing the full range of technical assistance needed | Proceed with the application of the methodology used for fiscal risk assessment |
| **2. STATE REVENUE POLICY, TAX ADMINISTRATION** | | | | | | | | | | | |
| **3. State Revenue Policy** | 6. Assessment of tax needs based on economic development priorities and opportunities | 6․1 Outline of main directions of further reforms in the tax system based on economic development priorities and opportunities | MoE | MoHTI. MoEnv, MoTAI | May 2020 | * The directions of further reforms in the tax system are identified | PI-3, PI-19, PI-20 | Improper evaluation of tax environment requirements based on the economic development priorities and possibilities | Regular review and analysis with aim of specifying the policy directions driven by the changes of the environment | Chapter 8, Point 8.1 , paragraph 1 | No additional funding is required |
| 7. Reducing the scope of application of tax privileges | 7.1 Development of the RA Draft Law on Introducing Changes and Amendments in the RA Tax Code | MoF | - | 2020-2023 | * Tax privileges with low efficiency and lack of targeting are eliminated | Incomplete delivery of results expected from the acceptance of changes of the economic environment | Regular assessments and review with the aim of specification of policy directions determined by the changes of the environment | Chapter 8, point 8.1, paragraph 2 | No additional funding is required |
| 8․ Revision of the tax burden with respect to turnover tax | 8․1 Development of the RA Draft Law on Introducing Changes and Amendments in the RA Tax Code | MoF | - | 2020-2023 | * The turnover tax burden is revised \ as a result of implemented studies | Incomplete delivery of results expected from the acceptance of changes of the economic environment | Regular assessments and review for specification of policy directions driven by, by changes of the environment | Chapter 8, point 8.1, paragraph 1 | No additional funding is required |
| 9․ Resolving issues related to documentation of sales’ transactions of agricultural products | 9․1 Development of the RA Draft Law on Introducing Changes and Amendments in the RA Tax Code | MoF | - | December 2021 | * Issues related to the documentation of transactions are settled | The results expected from the acceptance of changes of the economic environment are not fully ensured | Regular assessments and review with the aim of specification of policy directions determined by changes of the environment | Chapter 8, point 8.1, paragraph 1, paragraph 13 | No additional funding is required |
| 10. Relevant tax on visible wealth or property | 10․1 Development of the RA Draft Law on Introducing Changes and Amendments to the RA Tax Code | MoF | - | December 2020 | Conspicuous wealth and property are adequately taxed | Incomplete delivery of results expected from the acceptance of changes of the economic environment | Regular assessment and analysis with the aim specification of policy directions determined by changes of the environment | Chapter 8, point 8.1, paragraph 3 | No additional funding is required |
| 11․ Provision of a legal framework for introduction of an income declaration system based on economic incentives | 11․1Development of the RA Draft Law on Introducing Changes and Amendments in the RA Tax Code | MoF | - | December 2021 | The legal framework for introduction of income declaration system based on economic incentives is provided | The results expected from the acceptance of changes of the economic environment are not fully ensured | Regular review and analysis with the aim of specification of policy directions determined by changes of the environment | Chapter 8, point 8.1, paragraph 3 | No additional funding is required |
| **4. Transparency and compliance in revenue administration** | 12. Assessment of tax potential and tax gap | 12.1. Assessment of tax potentisl and tax gap for three major types of taxes (VAT, profit tax, income tax) | MoF | - | 2019-2023 | * Availability of methodology for assessment of tax potential and gap for the three major types of tax (VAT, profit tax, income tax)   Assessment of tax potential and tax gaps for three major types of taxes (VAT, profit tax, income tax) | - | Unavailability of information necessary for assessing the tax gap | Legal regulation of the procedure related to obtaining information from relevant agencies | Chapter 8, point 8.1, paragraph 6 | To be implemented in the scope of technical assistance |
| 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 | 13․1 Publication of information related to the amount of taxes refunded from the state budget on a quarterly basis | RA State Revenue Committee | - | 2019-2023․ | Relevant information is published | PI-9 | The information on taxes refunded from the budget is not published in a timely manner | Setting the precise timeframes of implementation | Chapter 3, the last paragraph of point 3.2, | No additional funding is required |
| 14․ Continuous reduction of shadow economy, exclusion of taxpayers getting preferential treatment and creation of equal environment for all taxpayers | 14․1 Expanding the possibility of having access to information and its effective use for the third party | State Revenue Committee | - | 2019-2023․ | * Reduction of “Shadow” taxes * Exclusion of taxpayers getting preferential treatment and Creating an equal tax environment for all taxpayers; | PI -3, PI-19, PI-20 | Operational and financial | Cooperation with public administration bodies of the Republic of Armenia and implementation of activities not prohibited by the RA legislation with the aim of attracting funding | Chapter 8, point 8.1, paragraph 6 |  |
| 15․ Ensuring full and timely declaration of taxes and performance of tax liabilities by taxpayers | 15․1 Upgrading the analytical and inspection tools of tax bodies, development of capacities | State Revenue Committee | - | 2019-2023 | * The staff of the tax agency has all necessary capacities for implementationof tax legislation * Revised and constantly upgraded tax control toolset is in place | Risk management programmes do not address all aspects of revenue collection system | Continuous improvement of risk management programmes with the aim of covering the whole process of revenue collection | Chapter 8,point 8.1,paragraph 7 | To be implemented in the scope of technical assistance |
| **3․ STRATEGIC PLANNING, DESIGNING MID-TERM EXPENDITURE FRAMEWORK AND STATE BUDGET** | | | | | | | | | | | |
| 5. Programme Budgeting and strategic planning | 16․  The goals and output indicators of budgetary programmes included in the RA state budget for 2023 are aligned with the current sectoral strategies and cover all the strategies that impact the budget revenues and expenditures | 16․1․ Revision/elaboration of budget programs – according to the policies implemented by strategic documents | MoF | State Agencies | 2020-2022 | * Availability of compliance assessment * All programs included in the budget for 2023 are aligned with the current strategies * The budget programmes for 2023 cover fully all strategies that have an influence on the budget revenues and expenditures * All the budget programmes included in the state budget for 2023 (except for the programmes of administrative format) have programme passports, which, along with the draft state budget for 2023 are submitted | PI-2, PI-4, PI-5, PI-8, PI-16, PI-17 | * Lack of qualified staff for revision/ development of budget programmes; * Possible failure in development of legal acts | * Involvement of qualified specialists; * Involvement of experts; * Continue using the methodology still in effect under the current legislation | Chapter 8, point 8.2, paragraph 1, 2, 3, 4 and 5 | To be implemented in the scope of technical assistance |
| 16․2 Identification and settlement of problems \ related to the current PB methodology and its application | MoF | - | 2020-2022 | A report on the study of problems and gaps existing in the current PB methodology and its application is in place   * The action plan and the timetable for improvement of the PB methodology and its application is in place; * The measures aimed at improvement of the PB methodology are implemented in compliance with the action plan and the timetable; |
| 16․3․ Measures aimed at development of human resources | MoF | - | 2020-2023 | • Reports on assessment of existing institutional capacities (with respect to human resources) adequate to the requirements of the introduced PB system are in place   * Availability of an up-to-date capacity development programme * The capacity development measures are implemented in line with the action plan approved | Training courses do not provide necessary and sufficient knowledge to the specialists | Involvement of trainers with necessary skills |
| 17․ As of the end of the fiscal year 2023, a regular process of budget programme evaluation is introduced in all state agencies responsible for the budget programmes | 17․1․ Development and approval of budget program | MoF | - | December 2022  December 20203 | * The concept paper on budget programmes assessment is available * The guidelines on budget programme evaluation are developed | Lack of relevant staff necessary for assessment of budget programmes | * Recruitment of staff with necessary skills; * Training of existing staff | Chapter 3, point 3.2, paragraph ,  Chapter 8, point 8.2, paragraphs 2 and 3 | TO be implemented within the framework of technical assistance |
| 17․2․ Introduction of a regular process of evaluation of budget programmes | MoF | State  Agencies | * Availability of timetable and action plan for implementation of budget program evaluation functions * As of the end of the fiscal year 2023, a regular process of budget programme evaluation is in place d in all state agencies responsible for the budget programmes * As of the end of the fiscal year for 2023, pilot assessment of at least one of the programmes implemented by the state agencies responsible for budget programmes is carried out in compliance with the developed guidelines |
| **6. MTEF procedure, Budgetary discipline and transparency** | 18․ The programmes/measures stemming from the mandatory commitments of the government are identified and documented | 18․1 Identification/mapping of programmes/measures stemming from the mandatory commitments of the government | MoF | State Agencies | 2021 December  2021  2021 within one month following the approval of state budget (publication of the simplified version of state budget ) | * The relevant methodology is available * The procedures are developed; * The mandatory obligations of the state are identified and documented within the frame of budget process of 2022 | * In some state agencies the mandatory and discretionary expenses are properly differentiated | * Provision of methodological support by MoF | Chapter 3, point 3.2, paragraph 7,  Chapter 8, point 8.2, paragraphs 2, 3 | To be implemented within the frame of the technical assistance |
| 19. Introduction of a unified system for MTEF and annual budget development | 19.1 Establishment of legal framework and elaboration of a methodology for ensuring a unified procedure of MTEF and annual budget development | MoF | - | The MTEF and annual budget development activities are rolled out under a unified system | * The SAs of the RA fail to fulfil their responsibilities within the timeframe set due to the lack of appropriate capacity | * Provision of relevant support by the RA MoF or experts |  | To be implemented in the rame of technical assistance |
| 20 ․ The Simplified Versions of State Budget and Budget Execution Reports are Available and Accessible to the General Public | 20․1 Development and publication of the simplified version of state budget and state budget execution reports | MoF | - | * In 2021 the simplified version of budget and budget execution reports will be published on the official web-page of the RA MoF * Discussions on the simplified version of budget and budget execution reports have been organized with the involvement of CSOs | * The simplified version of the state budget and budget execution reports are not accessible and for the general public | * Provision of professional clarifications on simplified version of state budget by MoF | Chapter 3, point 3.2, paragraph 7 | To be implemented in the rame of technical assistance |
| 2021 (publication of simplified version of state budget) |
| **21. More Efficient Involvement of Civil Society Organizations in Budgetary Process** | 21.1 Publication of information on budget bids | State agencies | - | 2020-2023 | * The budget bids of the RA state agencies are published on their web-sites and are available for the CSOs | * The budget bids of the RA state agencies are not published on their web-sites within the timeframe set and are not accessible for the civil society | * Issuance of relevant instruction by the RA Prime Minister | Chapter 3, point 3.2, paragraph 7; | No additional funding is required |
| 21.2 Establishment of platforms for discussion of budget bids with CSOs | State Agencies | - | 2020-2023 | * The state agencies have platforms for discussion of budget bids with CSOs * The budget bids of the RA state agencies contain the results of discussions held with the CSOs | * The state agencies avoid discussing their budget bids with the CSOs or refuse to accept the recommendation submitted by the latter | * Issuance of relevant instruction by the RA Prime Minister |
| **7. Automatization of budget programmes costs estimation process** | **22. The budget programme’s/measure’s cost estimation, in the frame of the budgetary process for 2023, is carried out through the unified automated system** | 22.1 Gradual introduction of automated system for cost estimation of budget programmes | MoF |  | Within one month after the approval of the RA state budget execution report in July 2021 | * The automated system for estimations of budget programme costs is tested and ready to be introduced * Within the frame of the budgeting process for 2023 the estimation of budget programme costs has been implemented through the automated system of | * Inadequate quality of the automated system of budget programmes cost estimation | * Applying to the software maintenance company for troubleshooting the problems, fixing the defects; Conduction of regular control by the maintaining company; * Identification of defects and their elimination | Chapter 8, 8.2 point, paragraph 2 |  |
| **4․ CONTROL OVER THE BUDGET EXECUTION PROCESS, TREASURY SYSTEM** | | | | | | | | | | | |
| **8. Budget execution reports** | 23. Preparation of State Budget Execution Reports according to the Programmatic Classification | 23․1 Ensure the compliance of electronic budget reporting system with program budgeting requirements | MoF |  | December 2019 | Availability of State Budget Execution Reports prepared in accordance with the programmatic classification | PI-8,  PI-28 | )Provision of instructions related to the necessary information on KPIs, as well as on analytical and other possibilities presented in the reports submitted by the chief managers of budget appropriations |  | Chapter 8, point 8.2, paragraph 4 | RA State Budget  28 mln. AMD |
| **9. Monitoring and management of  expenditure arrears** | 24. Monitoring of expenditure arrears | 24.1 Documenting the expenditure arrears | MoF, | State Agencies | 2020-2023 | RA Public authorities and territorial administration bodies carry out documentation. The information on arrears is presented in the reports o execution of the RA State budget | PI-22 | * Government bodies submit inadequate information on expenditure arrears to MoF | * Control over the expenditure arrears by the heads of state governance bodies | Chapter 8, point 8.2, paragraph 4 | No additional funding is required |
| **10. Payroll control** | 25. Implementation of comparison and changes in the personnel records and salary fund by means of accounting information system | 25․1 Development of a system for integration of human resources data base with the accounting software modules | Prime-Minister Office | Agencies,  Civil Service Office | 2020-2023 | The ToR for development of a system for integration of human resources database with the accounting software modules is developed and approved | PI-23 | Staff and payroll data are not matched through software or other IT systems | * Establishment and control over the timetable for introduction of a system of integration of databases with the accounting software modules | Chapter 8, point 8.2, paragraph 5 | RA State Budget (the amount of funding will be determined by each of the state agencies in the frame of the ToR) |
| 25․2 System introduction and servicing | The system is introduced and all the procedures related to the personnel records and payroll data are carried out through the system |
| 26. Payroll audit | 26․1 Payroll audit by internal audit | Prime-Minister Office | State Agencies,  Civil Service Office | 2021-2023 | The shortcomings of data transfer and comparison system are identified; recommendations on payroll control are provided in the reports | * No payroll audit is conducted | * The Internal Audit Departments of state agencies include payroll audits in their annual programmes | No additional funding is required |
| 27. Ensuring accountability in calculation of salaries/ wages and similar payments; | 27.1 Providing the employees with information about the calculation of the salaries/wages and similar payments earned by them as well as about the incomes received | MoF, | State Agencies,  Civil Service Office | 2021-2023 | Employees receive monthly information about the calculations of the income earned and the payments made during the previous month | * Employees do not get any information about their income via e-mail | * Modification of the introduced accounting software | No additional funding is required |
| **5. PUBLIC DEBT** | | | | | | | | | | | |
| **11. Public debt management** | 28. Improvement of the RA Law on Public Debt | 28․1 Compliance of the RA Law on Public Debt with the standards applied by International Financial Institutions | MoF | - | December 2022 | Improvement of debt statistics through more precise definitions used in the RA Law on Public Debt (“Public Debt” and “Government Debt”) | PI-13 | The RA National Assembly does not adopt the Draft Law on Public Debt | Organization of joint discussions with the RA National Assembly; Restatement/revision of the draft law in case of necessity | Chapter 1, point 2, paragraph 3 | No additional funding is required |
| 29. Mitigating theexchange rate risks to the RA government debt portfolio | 29․1 Increase the share of deficit financing at the expense of net domestic borrowings in the state budgets for each year | December 2023 | The share of deficit financing at the expense of net domestic borrowing is making up 50.0% | Decline of demand for  state treasury bonds; Volatility in financial market | Coordination of fiscal and monetary policies | No additional funding is required |
| **6. PUBLIC SECTOR ACCOUNTING** | | | | | | | | | | | |
| **12. Public Sector Accounting** | 30. Monitoring of annual financial statements of public sector organizations | 30․1 Monitoring of annual financial statements of public sector organizations by the RA MoF | MoF | - | 2019-2023 | Financial statements complying with the RA Public Sector Accounting Standards (PSAS) | PI-29 | * Insufficient number of employees for monitoring of financial statements of all organizations; * Some organizations have not made а transition to the new public sector accounting system | * Recruitment of employees with relevant skills * Issue instructions for the authorized bodies to ensure the transition | Chapter 8, point 8.2, paragraph 4 | No additional funding is required |
| 30․2 Revision of methodology (in case if necessary) | Improved regulatory framework |
| 30.3 Qualification process of public sector organizations’ chief accountants | MoF | - | 2020-2023 | * Qualified chief accountants in public sector organizations | * Failure in chief accountants qualifications enhancement process | * Clearly define the qualification enhancement procedure | No additional funding is required |
| 31. Preparation of consolidated financial statements on a ministerial level | 31․1 Development of a methodology for consolidation of financial statements | MoF | - | 2022-2023 | * Consolidation methodology | PI-29 | * Some organizations have not made a transition to the new public sector accounting system; * Lack of capacities necessary for procurement or development of the software for carrying the consolidation process | * Instruct the authorized bodies for ensuring the transition; * Study on effectiveness of the use of such software in other countries and exchange of experience | To be implemented in the frame of technical assistance |
| 31․2 Purchase or development of a software for consolidation purposes | * A software necessary for consolidation purposes |
| 31․3 Preparation of interim consolidated financial statements on a ministerial level | December 2023 | * Interim consolidated financial statements are presented on a ministerial level |
| **7. CORPORATE ACCOUNTING AND AUDIT** | | | | | | | | | | | |
| **13. Regulation of corporate accounting and auditing activities** | 32. Introduction of public oversight system over the accounting and audit activities | 32․1 Completing of the necessary sub-legislation framework | MoF | - | 2020-2021. | * New units for coordination and control over the selected sectors – a model of public councils; * An efficient system of audit quality control; * Specifying the scope of organizations subject to mandatory audit; | **-** | * Non approval of the laws by the RA National Assembly (RA NA) * Insufficient capacities of employees | * Detailed presentation of advantages of public control system during the discussion of the legislative package at the RA NA; * Training of employees | - | To be implemented in the frame of technical assistance |
| 32․2 Training of employees | * Appropriate level of capacities |
| **8. FINANCIAL MANAGEMENT AND CONTROL IN PUBLIC ORGANIZATIONS –STATE NON COMMERCIAL (NON PROFIT)ORGANIZATIONS** | | | | | | | | | | | |
| **14. Financial management and control in public organizations;**  **Accountability in state non-commercial organizations (SNCOs)** | 33. Improvement of the system of accountability and monitoring of SNCOs’ financial and economic activities | 31․1 Development of a system of non-financial (outcome) indicators for the purpose of effective monitoring of SNCO activities | MoF |  | 2020-2023 | Existence of an up-to-date system for monitoring of SNCOs financial and economic activities | PI-8 | * Lack of technical assistance; * Law quality of reports submitted by state government bodies; | * Attraction of financial support and involvement of experts through development partners * Development of guidelines for submitted reports | Chapter 8, point 8.2, paragraph 4 | To be implemented in the framework of technical assistance |
| **9. PUBLIC PROCUREMENT** | | | | | | | | | | | |
| **15. Modernization of e-procurement system** | 34. New software for e-procurement system | 34․1 Development and introduction of the new software for e-procurement system | MoF | - | December 2020 | New software for the procurement system currently in place | PI-24 | Lack of financial resources | Applying the public-private partnership model | Chapter 8, point 8.2, paragraph 8 | RA state budget or other sources of financing not prohibited by the RA legislation |
| **16. Procurement planning** | 35. Improvement of procurement planning system | 33․1 Develop a Draft Governmental Decision on implementing a unified system for automated planning and determination of estimated prices for objects with similar characteristics | MoF | - | 2020 | Identical needs of clients are met through provision of objects with similar characteristics and for the same estimated price | Lack of possibility for introduction of a unified system for determining and planning of estimated prices | Introduce the system into the current e-procurement framework | Chapter 1, point 2, paragraph 2 | No additional financing is required |
| No additional financing is required |
| **17. Procurement-related appeals system** | 36. Upgrading the procurement –related appeal system | 36.1 Amendments in RA Law on Procurement | MoF | - | 2021 | An independent and functional appeal system | The RA National Assembly (RA NA) does not adopt the draft law | Organizing joint discussions with the RA National Assembly (RA NA) of the Republic of Armenia and revision of the draft Law in case of necessity | Chapter 8, point 8.2,paragraph 12 | No additional funding is required |
| **10. PUBLIC INTERNAL FINANCIAL CONTROL AND FINANCIAL BUDGETARY OVERSIGHT (INSPECTION)** | | | | | | | | | | | |
| **18.**  **Financial Management and Control** | 37. Ensuring implementation of Financial Management and Control (FMC) system | 37․1 Piloting of FMC methodology | MoF | - | 2020 December | FMC methodology piloted | PI-25 | Impediments in piloting the FMC methodology | Defining the milestones and rules for pilot implementation of FMC legislation | Chapter 8, point 8.2, paragraph 4 | To be implemented in the frame of technical assistance |
| 37․2 Approval of the Draft FMC Concept Paper and legal acts on FMC | MoF | - | 2021-2022 | FMC Concept Paper and legislation is approved | Lack of technical assistance from development partners for elaboration of FMC legislation | Apply to development partners for receiving technical assistance with the aim of development of FMC Legislation | To be implemented in the framework of technical assistance |
|  | 37.3 Introducing the FMC system in public sector organizations | MoF, | State Agencies | Starting from 2022 | The process of introduction of FMC system is rolled out in compliance with the approved timetable | Introduction of FMC system in public sector organization is not carried out in a proper manner | Provision of support by CHU; Monitoring of the FMC system introduction process;  Designating a persons in charge |  |
| **19. Public Sector Internal Audit** | 38․ External quality assessment of internal audit activity | 38 ․1 Approval of the methodology for  external quality assessment of the internal audit | MoF | - | December 2019 | Decision of the RA Minister of Finance on approval of the  external quality assessment of the internal audit | PI-25,  PI-26 | Designate persons in charge to ensure the implementation of measures |  | Chapter 8, point 8.2, paragraph 4 | No additional financing is required |
| 38․2 Conducting external quality assessment of the internal audit in public sector organizations | 2020-2022 | All public organizations where the internal audit system is introduced shall undergo external quality assessment by the MoF;  Report on the quality of the RA public sector internal audit |  | No additional funding is required |
| 39․ Ensuring collaboration between internal and external auditors | 39․1 Identification of cooperation procedures between internal audit and external audit | MoF, | Audit Chamber ( with consent) | December 2023 | Joint Decree of the RA Minister of Finance and the Chairman of the RA Audit Chamber on approving the procedures of cooperation between the Internal and External Auditors | The procedures of cooperation between the internal and external auditors are not defined or applied in practice | Scheduling of activities; Distribution of responsibilities between the implementers |  | To be implemented in the framework of technical assistance |
| 40. Emphasizing the importance of performance audit and ensuring its practical implementation up to 30% of annual programme | 40․1 Approval of performance audit methodology | MoF | - | 2019-2020․ | Decree of the RA Minister of Finance on Approval of the Performance Audit Methodology | Performance Audit Methodology is not available | Scheduling of activities; Distribution of responsibilities between the implementers | No additional funding is required |
| 40․2 Increased role of performance audit in the internal audit legislation | December 2020 | A requirement stipulated by the Internal Audit Legislation, according to which the performance audit shall make up 30% of the annual internal audit programme | Performance audit is not included in the Internal Audit Annual Programme or it makes up less than 30% of the Annual Programme | Scheduling of activities; Distribution of responsibilities between the implementers | No additional funding is required |
| 40.3 Capacity development for the implementation of performance audit by internal auditors in RA public sector organizations of RA | 2020-2023 | Internal auditors working in public sector organizations who have undergone a training on performance audit | Internal auditors working in public sector organizations do not have the knowledge necessary for implementation of performance audit | Scheduling of activities; Distribution of responsibilities between the implementers | To be implemented in the framework of technical assistance |
| 41. Capacity and professional knowledge development of internal auditors | 41․1 Development of a programme on capacity building of internal auditors | MoF | - | 2020 December | The knowledge and capacities of internal auditors are assessed, needs are identified, and a development programme is approved | Internal auditors' professional knowledge and capacity building programme is not available | Scheduling of activities; Distribution of responsibilities between the implementers | To be implemented in the framework of technical assistance |
| 41․2 Development of online information system for internal auditors’ continuous professional training courses | 2020-2022․ | Internal auditors have an insight into the requirements of the RA internal audit legislation, the best international practices, they have theoretical knowledge and practical skills for conducting internal audit | Continuous professional development courses do not provide the internal auditors with necessary and sufficient knowledge | Scheduling of activities; distribution of responsibilities between the implementers | To be implemented in the framework of technical assistance |
| 41․3.Development of an online information system for continuous professional development of internal auditors | 2020-2021․ | Internal auditors take annual continuing professional development courses through the online information system | The continuous professional development courses for internal auditors are not organized online | Scheduling of activities; Distribution of responsibilities between the implementers | To be implemented in the framework of technical assistance |
| 41․4 Revision of public sector internal auditor qualification procedure | December 2021 | Development of Internal Auditors’ Qualification System based on the relevant international approaches | Lack of technical support for establishing qualification procedures in line with best international practices | Apply to development partners with the aim of receiving technical assistance for development of FMC Legislation | To be implemented in the framework of technical assistance |
| **20. Central Harmonization Unit (CHU)** | 42. CHU staff recruitment and capacity development | 40․1 CHU staffing and capacity building | MoF | - | 2019-2021 | The CHU has the necessary capacities | PI-25, PI-26 | * Professional capacities of the CHU are not sufficient to ensure the exercise of authorities by the latter * The CHU has no insight on PIFC problems; PIFC experts have no possibility to raise questions related to the existing problems | * Designating responsible persons to ensure the implementation of relevant activities * Engaging international experts for addressing the issues raised | Chapter 8, point 8.2, paragraph 4 | To be implemented in the framework of technical assistance |
| **21. Financial-budgetary oversight (inspection)** | 43․ Ensure efficiency of financial- budgetary oversight (inspection) | 43․1․ Revision and update of the legislation related to the financial –budgetary oversight (inspection);  Development of a new methodology for implementation of financial-budgetary oversight (inspection) | MoF | - | 2020-2021 | By-laws defining the modern methodology for financial and budgetary oversight (inspection) | - | Lack of technical assistance for development of a financial-budgetary oversight (inspection) methodology that complies with best international practices | Apply to development partners with the aim of receiving technical assistance for development of financial-budgetary oversight (inspection) methodology | Chapter 8, point 8.2, paragraph 4 | To be implemented in the framework of technical assistance |
| 43․2 Capacity development for financial-budgetary oversight (inspection) specialists | 2022-2023 | The financial and budgetary oversight (inspection)specialists have relevant professional skills and knowledge | * Insufficient number of specialists for conduction of trainings; * Inadequate quality of trainings and modules | * Involvement of qualified specialists; * Training needs assessment; * Revision of the training programme and modules | To be implemented in the framework of technical assistance |
| 43․3 Availability of databases necessary for risk assessment | 2020-2023․ | Introduction of a new risk assessment system built on comprehensive, valid and well-substantiated, information | * Restricted access to databases | * Apply to relevant state agencies, Treasury and the RA State Revenue Committee for receiving necessary information | To be implemented in the framework of technical assistance |
| **11. PUBLIC ASSET AND PUBLIC INVESTMENTS MANAGEMENT** | | | | | | | | | | | |
| **22. Public asset management** | .  42 1 . Ensuring monitoring of government financial and non-financial assets | 42.2 Development and approval of legal acts on public asset management methodology and the legal acts necessary for its implementation | **MoF** |  | 2020 -2022 | The methodology for the Government financial and non-financial assets management is in place and relevant legal acts are approved in compliance with the procedures established by the RA Legislation | PI 21 | * The legislation on asset management is not available * No relevant asset management staff for conducting trainings is available * No relevant asset management staff for conducting trainings is available | * Apply to development partners with the aim of receiving relevant technical assistance   Recruitment of staff with relevant skills |  | To be implemented in frame of technical assistance |
| 44 2 Conducting trainings on asset management techniques in compliance with the adopted legislation | MoF, | State Agencies |  | Specialists trained in compliance with legislation on public asset management |  | No relevant asset management staff for conducting trainings is available | Recruitment of staff with relevant skills |
| 44.3 Preparation and monitoring of financial and non-financial assets logbooks | State Agencies | - | Report on assets’ monitoring |  |
| 45. Ensuring transparency in sales, transfer alienation of non-financial assets as well as in the exercise of the right to use the assets | 43.1 Stipulation of procedures of sale, transfer and disposal of non-financial assets and the right to use them be revised | MoF,  ) | Ministry of Territorial Administration and Infrastructures (MoTAI | 2022-2023 | * The procedures for sales, transfer, alienation of non-financial assets and the exercise of the right to use them are approved; * Alienation of assets is carried out in line with established procedures; * Reports on asset alienation |  | Alienation of non-financial assets is not carried out in compliance with the established procedures | Monitoring of asset alienation and identification of reasons for failure to conduct the monitoring;  Submission of reports;  Setting precise timeframes and instructions | Chapter 8, point 8.2, paragraph |
| **23.Public Investments Management** | 46․ Establishing legislative grounds – public investment management methodology | 46.1․ Development of public investment management (hereinafter -PIM)handbook | MoE |  | December 2019 | * The manual on management of public investments is developed and ready for piloting | PI-11,  PI-4 | * Possible failure in development of guidelines for economic analysis of investment projects; * Possible failure in activities aimed at development of guidelines for assessment of the full cycle of programme expenditures | * Continue using the methodology still in effect under the current legislation; * Continue using the cost evaluation methodology still in effect under the current legislation | Chapter 8, point 8.2, paragraph 6 | To be implemented in the frame of technical assistance |
| 46.2․ Piloting of the manual on public investments management and identification of shortcomings | 2020 December | * Report on the results of piloting and existing shortcomings |
| 46.3․ Review and approval of the public investment management manual | December 2020 | * The public investment management manual is approved by the RA Government |
| 47. Development of capacities of public investments specialists | 45․1․ Development of public investment specialist capacity building program for public investment management training manual | MoE | - | December 2020 | The public investment management manual is approved by the RA government | * Lack of relevant specialists for conducting trainings; * Inadequate quality of the training organized and modules | * Involvement of qualified specialists; * Training needs assessment; * Review of the training programme and modules |
| 47. 2․ Capacity building | 2020-2021 | The public investment specialists have sufficient capacities |
| 48 2 Public investment programs included in 2022 annual budget have been prepared in line with the PIM handbook requirements | 48.1. Practical application of the PIM manual in the budgeting process | MoF, | MoE,  State Agencies | December 2021 | The public investment programmes incorporated in the approved state budget for 2022 are developed compliance with the requirements set out by PIM methodology | Impossibility of recruiting and retaining qualified staff | Additional incentives created for such employees; Involvement of other employees in the evaluation of investment programmes and in the assessment of the full cycle of programme expenditures | No funding is required |
| 49. Monitoring of public investment programmes | 49.1 Conducting monitoring of public investment programmes | MoF, | MoE,  State Agencies | 2022-2023 | Reports on the results of public investment programmes monitoring are published | Insufficient capacities for monitoring of public investment programmes | Conducting trainings for monitoring of public investment programmes | No funding is required |
| **12․ FINANCIAL MANAGEMENT IN LOCAL SELF-GOVERNMENT BODIES** | | | | | | | | | | | |
| **24. Efficiency of financial management in local self–government bodies** | 50. Development of capacities and skills of local self-government bodies administrative staff | 50.1․ Implementation of Public Financial Management Reform Program in local self-government bodies | MoF, | MoTAI | 2020-2023 | * Study reports; The outline of transparent and participatory budgetary process on a local self-government level | PI-7 | Lack of technical assistance for rolling out the Public Financial Management Reform Programme in local self-government bodies in compliance with best international practices | Apply to development partners for receiving technical assistance | - | To be implemented in the frame of technical assistance |
| 50.2․ Monitoring and full-fledged implementation of Public Financial Management Reform Programme in local self-government bodies | * Local self-government bodies’ staff capable of implementing the public financial management reforms; * Transparent and participatory budget process on a local self-government level |
| **13. EXTERNAL OVERSIGHT AND LEGISLATIVE CONTROL** | | | | | | | | | | | |
| **25. Oversight of Financial-Credit and Budgetary Sector by the RA National Assembly** | 51. External oversight (Annual Budget and Chamber of Audit reports (AC)) | 51.1 Review of annual draft budget | RA NA (with consent), | AC (with consent) | 2019-2023 | * More productive review of draft annual budget | PI-18,  PI-31 | The RA NA is given insufficient time for thorough review of Draft Annual Budgets and AC financial statement | * Effective use of the time provided by the Constitution (from October 1 to the end of the autumn session of the RA National Assembly) to the RA NA for the discussion of draft annual budget; * A Budget Office, with qualified and skilful staff, will contribute to effective discussions on annual budget drafts in the RA NA; * • Implementation of an audit approach for budget execution that will allow to carry out a comprehensive audit of the state budget execution process (for the first quarter, first six months, nine months and one year period), providing an opportunity to the RA National Assembly to review relevant AC studies within a reasonable timeframe | - | To be implemented in the frame of technical assistance |
| 51.2 Review of annual report of execution of state budget and conclusion of AC thereof and organization of hearings together with the bodies that performed the audit | * More productive review of AC reports on annual financial statements; * Ensuring transparency   in external oversight;   * Legislative hearings on formation of annual budget   which may be attended by the civil society representatives |
| 51.3 Implementation of post-audit follow-up by the Commission | Implementation of post-audit follow-up by the Commission |
| 52 Development of capacities of the Budget Office as well as of MPs and the experts of Committees | 52.1 Development of Budget Office Institutional and Internal Capacities | RA NA (with consent) | - | 2019-2023 | The Budget Office has necessary tools to perform its functions and to fulfill its purposes | Budget Office with insufficient number of staff members and capacities | Expansion of functions and responsibilities, and conducting trainings with the aim of enhancement of the Budget Office capacities, involvement of relevant experts in case of necessity | To be implemented in the frame of technical assistance |
| 52.2 Development of capacities pf MPs and experts engaged in Committees | 2020-2023 | MPs and committee experts carry out effective review of drafts annual budget, as well as oversee state budget execution. |  | Lack of financial resource for organization of trainings | Involvement of technical assistance for conduction of trainings, recruitment of relevant experts as needed, including from the budget office |  |  |
| **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 | 53.1 Development and approval of the RA Chamber of Audit Strategy and Action Plan aimed at its implementation | AC (with consent) | - | 2019- 2020 | Audit Chamber Strategy for 2020-2023 and the Action Plan are approved in compliance with ISSAI | PI-30 | Legislative and institutional reforms do not comply with the ISSAI standards | Review of the Law on Chamber of Audit and by-laws within the timeframe established by the Action Plan of the RA AC Strategy |  | To be implemented in the frame of technical assistance |
| 53.2 Implementation of measures approved by the Chamber of Audit strategy for 2020-2023 | 2020-2023 | The targets defined by the strategy are fulfilled within the specified timeframe |
| 54. Development of capacities and enhancement of professional skills of AC staff | 54.1 Development and approval of capacity building programme for AC staff | 2022-2023 | Auditors of the RA Chamber of Audit carry out the oversight in compliance with ISSAI standards | Insufficient quality of AC audit reports | Training of relevant staff of AC, involvement of experts in case of necessity |
| 54.2 Development of capacities and enhancement of professional skills of the AC staff | * Qualified external auditors; Highly professional team of external auditors |
| **14. GOVERNMENT FINANCIAL MANAGEMENT INFORMATION SYSTEM (GFMIS)** | | | | | | | | | | | |
| **27. Government Financial Management Information System (GFMIS)** | **55.**  Introduction of main elements of GFMIS (first phase) | 55.1 Review of tender documentation | MoF,  I) | Ministry of High-Tech Industry  (MoHT | 2020 December | The full package of GFMIS tender documentation has been revised and finalized | - | Low quality of the GFMIS tender documentation | Conducting expert assessment of GFMIS tender documentation | Chapter 3, point 3.2, paragraph 6 | 15.4 mln. USD including 7.2 mln. USD through the WB PSMP-3 project, 8.2 mln.USD-from Russian Federation |
| 55.2 Procurement of GFMIS | 2020-2021 | The full package of documentation for the GFMIS tender is developed and the tender process is conducted | The estimated price of GFMIS presented by the consultant exceeds the amount of the WB loan | Negotiating with other donors to provide the gap in the financing |
| 55.3 Testing the implementation of GFMIS | 2021 December | GFMIS introduced in compliance with the ToR | The company  recognized as the winner  of the tender does not ensure the development of a GFMIS  software within the timeframe set in the ToR and of appropriate quality | Conducting expert evaluation of reports submitted by the company recognized as the winner of the tender with the aim of quality assurance; Implementing activities aimed at elimination of inconsistencies emerged |
| 56. Introduction of main elements of GFMIS (2nd phase) | 56.1 Full-fledged introduction of GFMIS | 2022 December | GFMIS introduced in compliance with the ToR | Low quality of GFMIS modules | Elimination of inconsistencies by the developing company |
| 56.2 Training of GFMIS users | 2022 December | The GFMIS users are trained | Organized trainings do not provide the specialists with sufficient knowledge | Involvement of trainers with necessary skills |
| 56.3 GFMIS | 2023 December | Availability of a properly functioning automated GFMIS system | Problems emerging in the course of GFMIS maintenance | Eradication of emerging inconsistencies by the maintaining company |