



## **Fiscal Policy During the Exit from Pandemic:**

# **Strengthening Public Financial Management to Support a Sustainable and Inclusive Growth**

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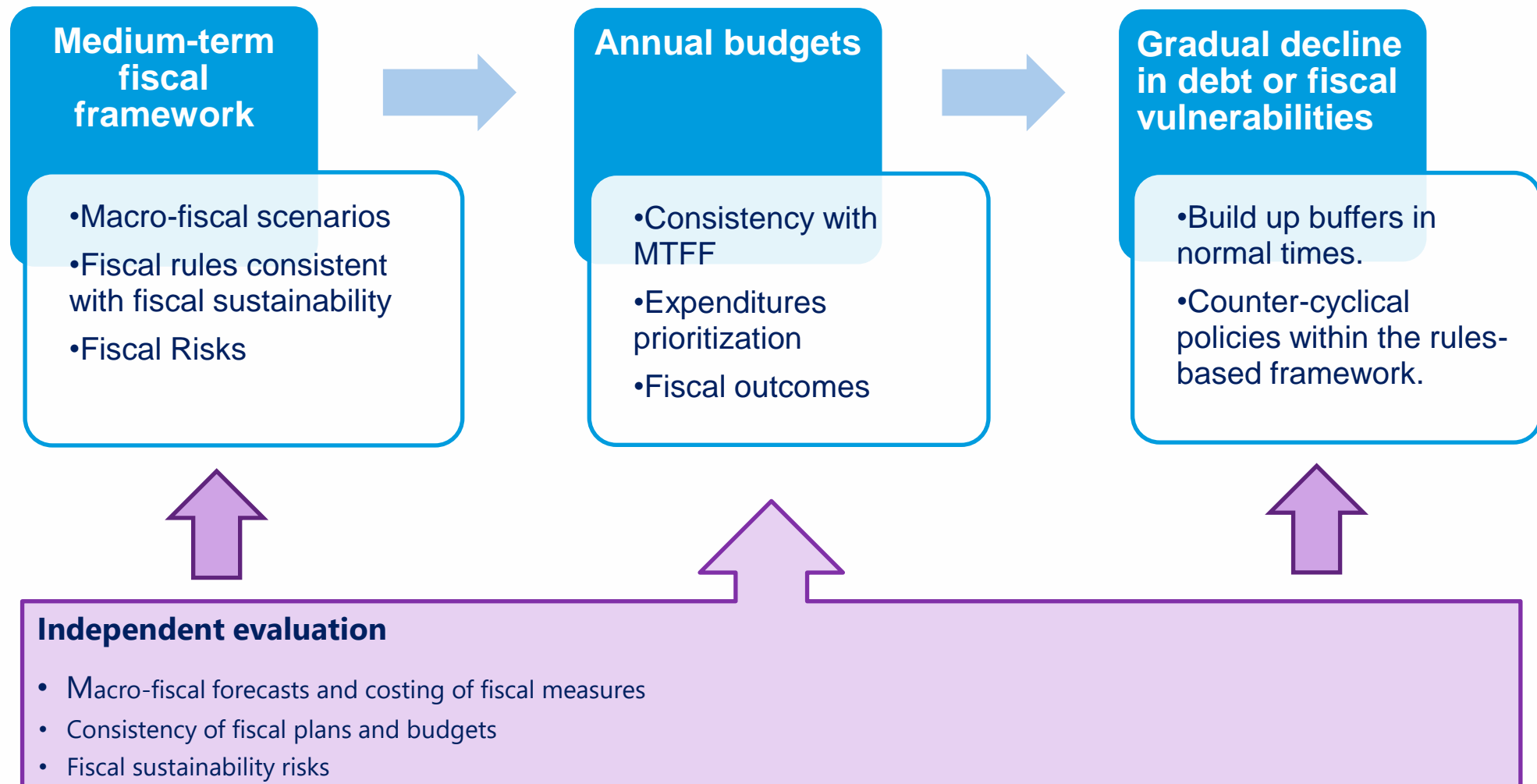
# Key Messages:

PFM practices critical for an inclusive and sustainable recovery revolve around four key elements:

1. A credible medium-term fiscal framework that puts public finances to a sustainable path.
2. Infrastructure governance that enhances the efficiency of public investment, given limited fiscal space and the need to attract alternative finance.
3. Fiscal policy that allocates and/or monitors resources to climate-friendly and gender-inclusive programs.
4. Support for fiscal transparency to promote understanding of true fiscal situation and outlook, and for enhanced accountability.

# Restoring the credibility of fiscal frameworks to put public finances back on a sustainable path.

Medium-term fiscal planning is crucial to anchor spending and avoid unsustainable debt. Medium-term fiscal frameworks (MTFFs) allow translating fiscal policy objectives into annual budgets.



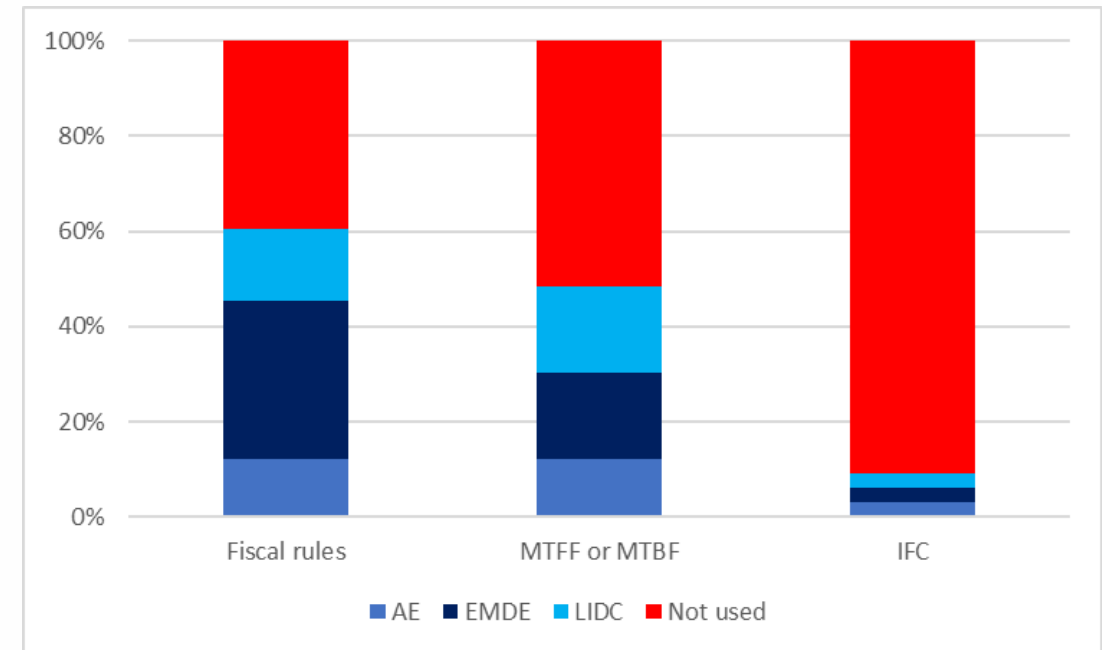
# Post-pandemic fiscal frameworks to reflect lessons learned and prepare for future risks and long-term challenges.

## Key issues in Asia

- Even at the onset of the pandemic, countries were at various stages of developing MTFFs.
- During the pandemic, fiscal rules were mostly set aside; they need to be suitably updated and reinstated.
- Bypassing fiscal rules through SOEs and PPPs was not uncommon in pre-pandemic times.
- Often rigidities in the legislation constrained the flexibility required under exceptional circumstances, resulting in noncompliance.
- For many countries, linkages between MTFFs and budgets remain underdeveloped, and weak macro-fiscal forecasting capacity, inadequate understanding of fiscal risks and poor fiscal transparency, continue to constrain medium-term fiscal planning.

FAD can support members in designing/updating fiscal frameworks and fiscal rules, and strengthening the PFM institutions, including legal framework.

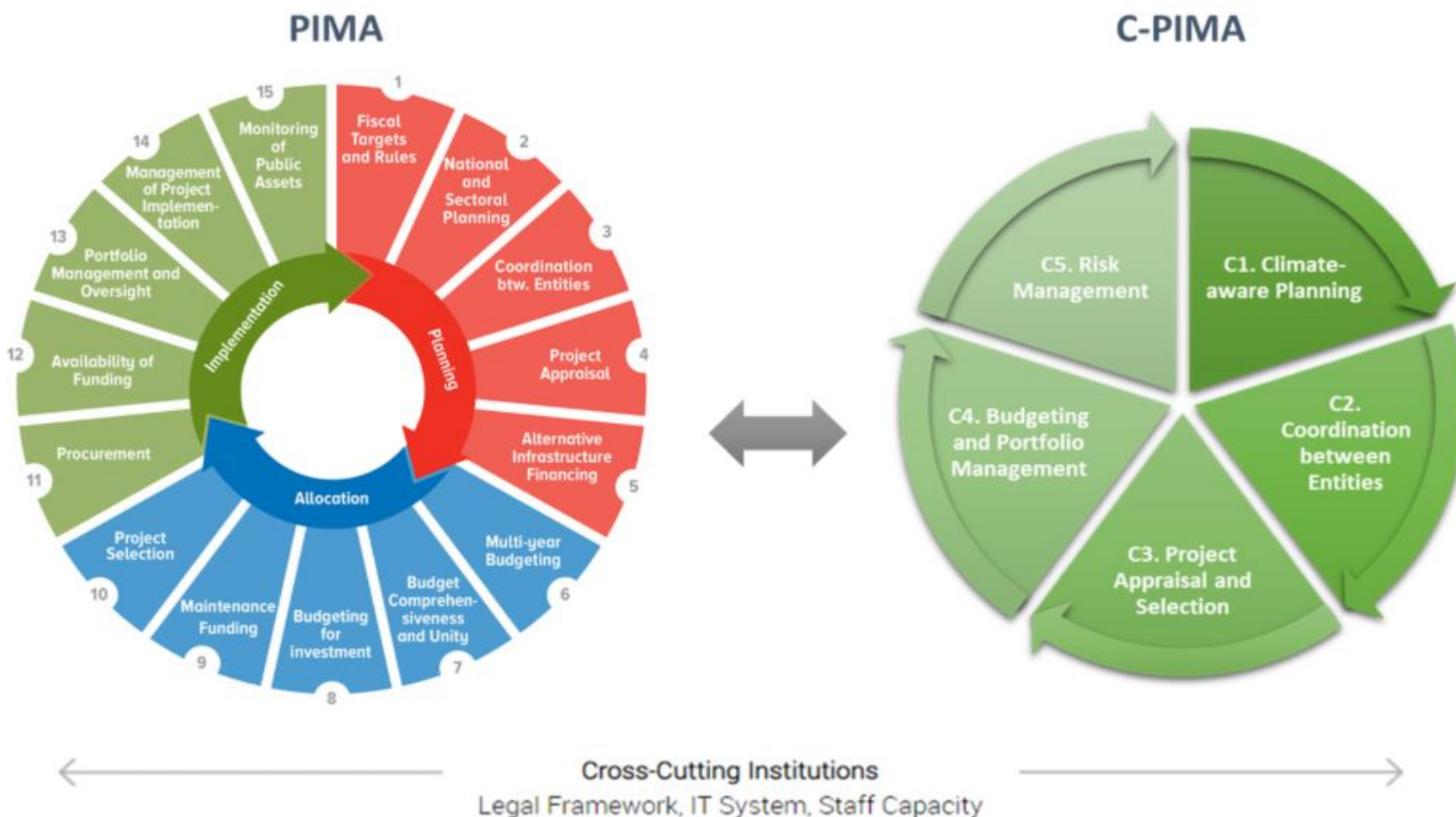
## Fiscal frameworks in Asia and the Pacific pre-COVID (33 countries)



Source: IMF internal survey of 33 countries, Arbatli, Elif, Delphine Moretti, and Sarah Sanya. 2022. "Fiscal Frameworks in Asia and the Pacific: Where to From Here?" mimeo, January 2022.

IFC: Independent Fiscal Council

# Sharpen the efficiency of public investment and climate sensitive infrastructure given limited fiscal space and the need to attract alternative finance.



- **Diagnostic.** Assess institutional readiness and gaps in PIM against the backdrop of climate change challenges.
- **Institutions.** Strengthen framework for addressing climate-related risks in infrastructure investment and facilitate climate finance access.
- **Roadmap.** Identify reform actions and explore capacity development support from the IMF and other organizations.
- **Peer exchange.** Learn from and share experiences with other countries that face similar issues and challenges.

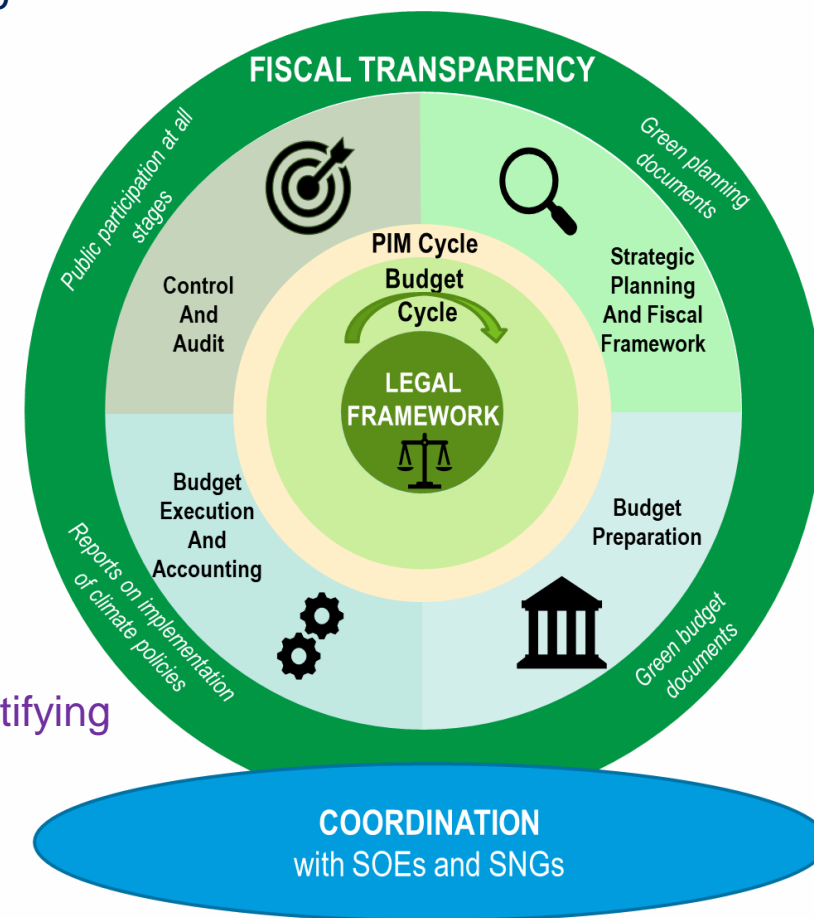
# Green PFM: Ensure that fiscal policy supports sustainable growth by applying a green lens to decision making.

*Green PFM can support a sustainable and resilient recovery*

*Green PFM is a critical ingredient to an integrated strategy to combat climate change*

*Green PFM trailblazers in Asia including Bangladesh and Fiji*

- To be successful, policies aimed at the mitigation or adaptation to climate change should be supported by sound PFM processes and frameworks to ensure their effective design and implementation.
- **Green PFM** supports climate-sensitive policies by integrating climate considerations into PFM practices.
- It does *not* require a reinvention of PFM practices, but a gradual adaption of existing PFM practices to make them climate sensitive.
- **MoFs** must be firmly in the driver's seat – to ensure prioritized resource allocation and monitoring of outcomes.
- **FAD** has been assisting members in building awareness and identifying entry points for adoption of Green PFM practices.
  - IMF Staff climate note on Green PFM (2021)
  - How to Note (2022)
  - Technical Paper on unlocking climate finance in PICs (2021)
  - Regional seminars for South and SE Asia (2021, 2022), CMAP in Samoa (2021)



# Gender Budgeting: Fiscal policy supportive of including all to participate in the economy.

*Gender equality is macro-critical to an inclusive recovery*

*Gender Budgeting in a tighter fiscal environment*

*Gender Budgeting in Asia*



- **Gender equality** promotes economic growth, resilience, and lowers income inequality. Recent crises have exacerbated pre-existing gender gaps.

- **Gender Budgeting (GB)** is not *just* about funding new or explicit gender equality initiatives but understanding the impact - *intended* and *unintended* – of fiscal policy on gender.
- To be successful, GB should be integrated into existing budget processes and reform plans.
- GB does *not* require a completely new system of PFM.
- MoF leadership is a critical ingredient for success.

- **GB reforms are underway in at least 15 Asian countries**
- FAD supports countries integrate a gender perspective into the budget cycle.
- Targeted workshops through IMF's regional centers and direct CD.



# Enhance fiscal transparency and accountability to improve the likelihood that fiscal targets will be achieved.

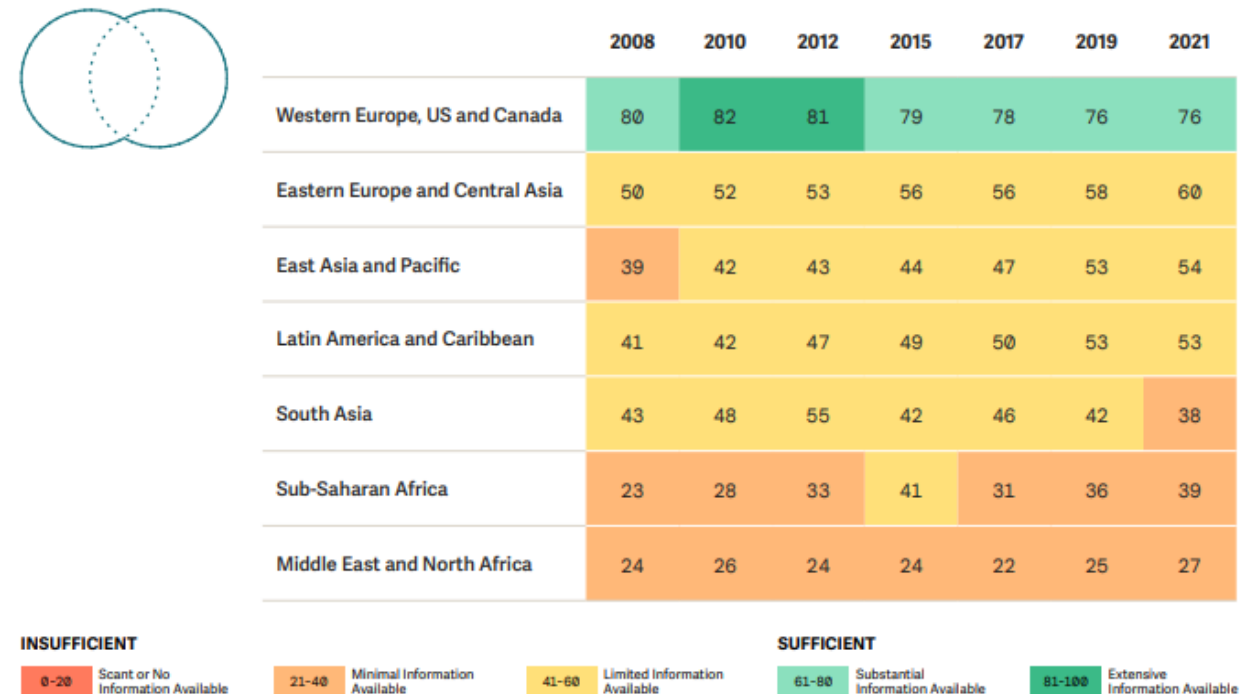
Transparency raises the political costs of unsustainable policies, strengthens the enforcement of fiscal rules, improves market access, reduces borrowing costs, and promotes accountability.

Asia-Pacific countries, however, have still to catch up with peers in other regions.

Rise of external public debt puts spotlight on debt disclosure practices:

- Globally, about 40 percent of LIDCs do not regularly publish debt data.
- Coverage of public liabilities outside of budgetary central government balance sheet is inadequate.
- Data on stock positions by creditor is limited and little information is available about financial and legal terms of debt contracts by creditors and debtors.

Average transparency scores by region, 2008 - 2021



This table shows the evolution of transparency in each region of the world for the 77 countries for which there is comparable data since 2008.

Source: International Budget Partnership



# IMF support for the strengthening of fiscal and debt transparency.

- The IMF's Fiscal Transparency Code sets the international standard for disclosing information about public finances.
- Asia has, however, lagged in fiscal transparency evaluations (Philippines and Maldives are the only countries)
- FAD organizes regular regional seminars on fiscal reporting and transparency
- FAD can also support members with targeted CD on fiscal and debt transparency practices.

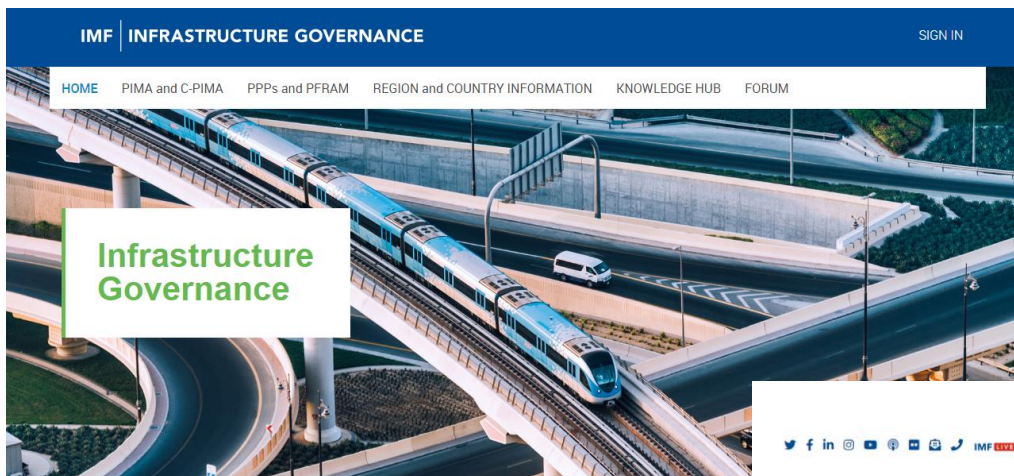
## Fiscal Transparency Code – An output-focused modular design



## To conclude

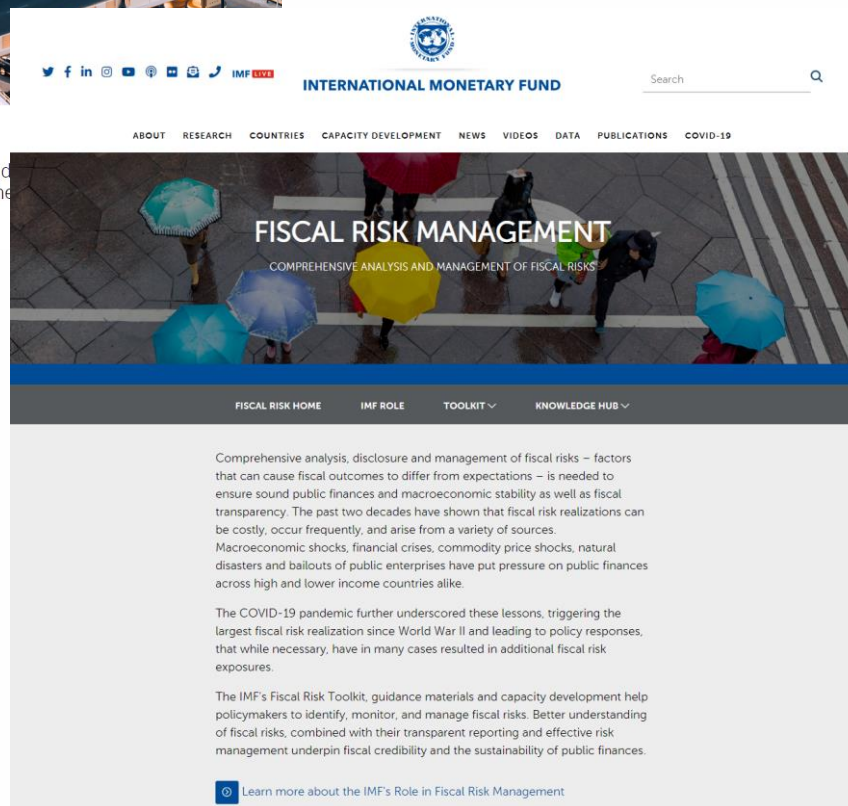
1. Countries in emerging Asia need to make their fiscal frameworks more credible to help address increased debt burdens and enforce needed return to fiscal sustainability.
2. Asia's large infrastructure gap, limited fiscal space, and the need for growth enhancing expenditure, make it imperative for countries improve the efficiency of their public investments.
3. Long-term societal priorities like climate change and gender require not only appropriate policies but also mainstreaming of budget processes.
4. Asia trails in improving fiscal transparency, which weakens governments' fiscal accountability, increases financing costs and hinders fiscal risk assessment.

# Some useful resources

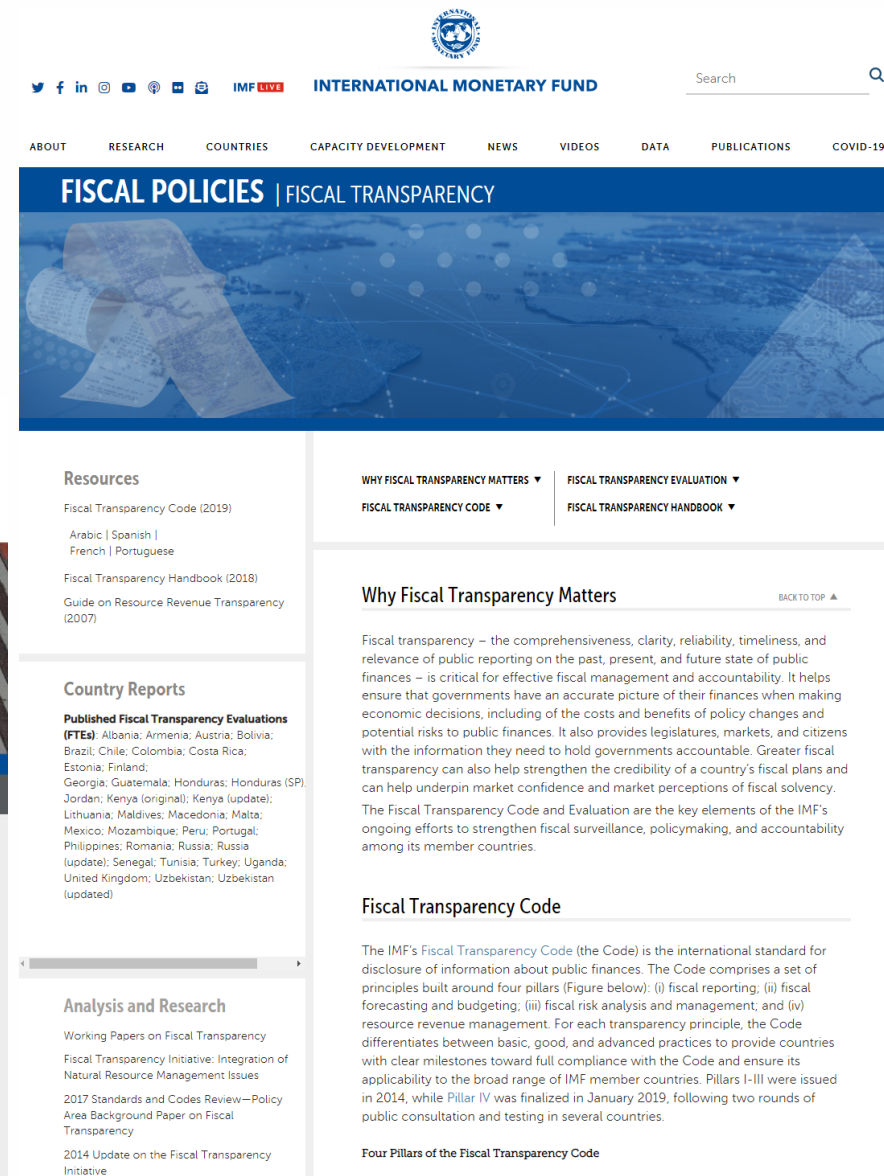


Countries lose over one-third of potential benefits from infrastructure investment if infrastructure governance can reduce more than half of these inefficiencies. The strengthen infrastructure governance.

## [IMF Infrastructure Governance](#)



## [Fiscal-Risks \(imf.org\)](#)



## [Fiscal Transparency \(imf.org\)](#)

# **Appendix: How does the IMF support PFM in Asia**

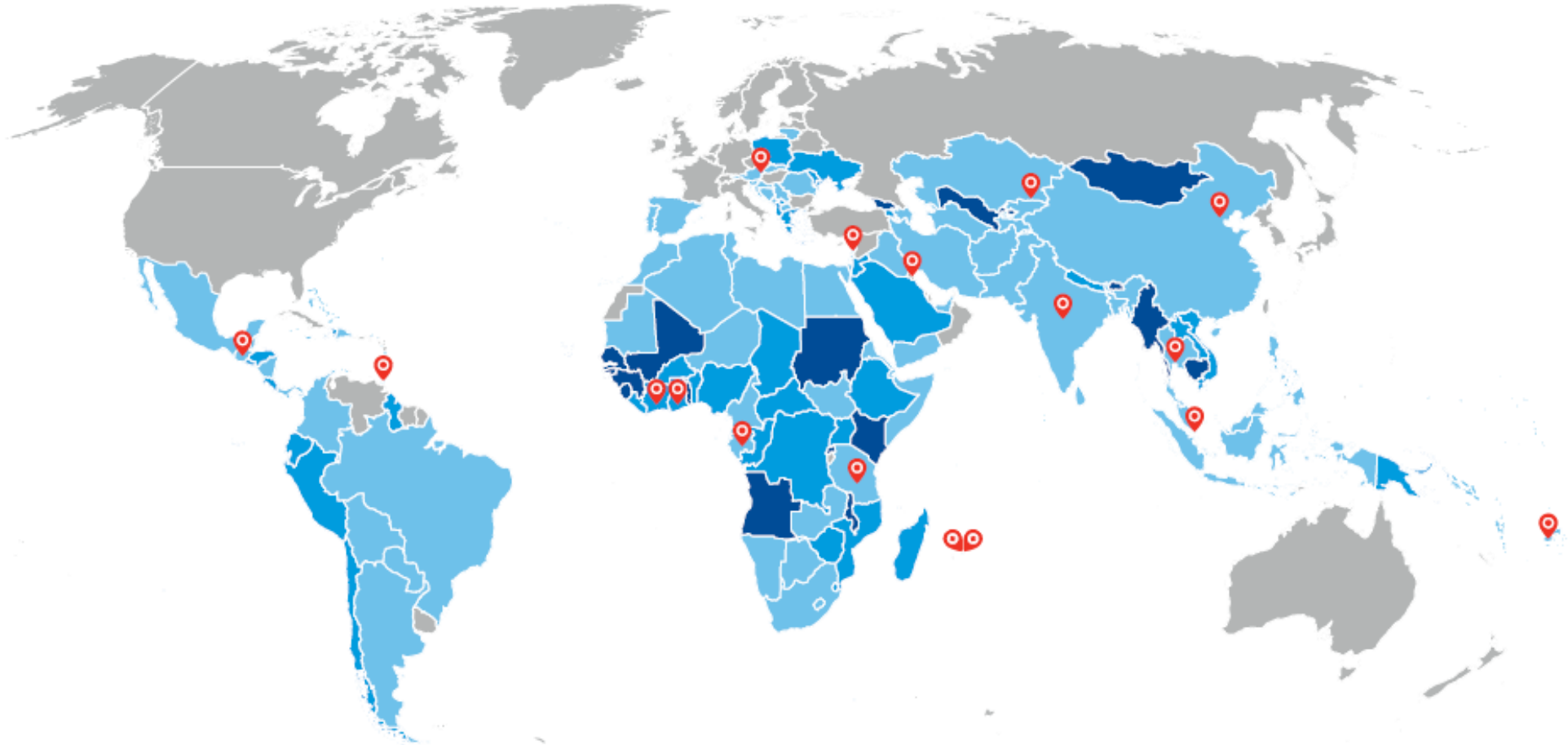
## **Modes of delivery**

- HQ-led missions led by Fiscal Affairs Department staff
- Regional TA and Training Centers
- Regional and Resident Advisors
- Short-term experts

## **Regional and national training, workshops and outreach**

- PFM Capacity Development in Asia
- Capacity Development Office in Thailand (CDOT)
- South Asian Regional Training and Technical Assistance Center (SARTTAC)
- Pacific Financial Technical Assistance Center (PFTAC)
- China-IMF Capacity Development Center (CICDC)
- Singapore Training Institute (STI)
- Caucasus, Central Asia, and Mongolia Regional Capacity Development Center (CCAMTAC)

# Intensity and Coverage of FAD Capacity Development - FY2022 (Number of activities)



**INTENSITY OF ENGAGEMENT**

**HIGH**

**MEDIUM**

**LOW**

Number of CD activities and trainings in country



= IMF Regional Capacity Development Center

**FAD FACTS:**

- US\$81 million
- Over 160 countries
- 1,100 Short-term experts (STX)
- 79 Long-term experts (LTX)

**CD since COVID:**

- More than 2,000 engagements including remote missions
- 46 webinars
- 39 Special Series Notes

### FAD PFM CD Delivery by Region (Full Time Equivalent - FTE)

