



## Status of PFM Reforms

# Presentation to Task Force on Institutional Reforms & Austerity

**17<sup>th</sup> January, 2020**  
**Finance Division**

# Agenda

- PFM – Reform Direction
- Implementation of PFM Act, 2019 - key areas and their current status
- Other related PFM reforms

# Reform Direction

Near Term	Medium Term	Long Term
<ul style="list-style-type: none"><li>• PFM Reform -Governance</li><li>• TSA -1</li><li>• Cash management Mechanism</li><li>• Mid-Year Budget Report</li><li>• Budget Strategy Paper</li><li>• Curtailing Supplementary Grants</li><li>• Initiate Fiscal Risk Disclosure</li><li>• Budget manual</li><li>• Internal Audit</li></ul>	<ul style="list-style-type: none"><li>• Functional Review</li><li>• Budget Process review</li><li>• Budget Execution Process improvement</li><li>• Full Fiscal Risk Management</li></ul>	<ul style="list-style-type: none"><li>• Accrual accounting reforms</li><li>• Performance Linked Budgeting</li></ul>

# IMPLEMENTATION OF PFM ACT

# Implementation Committee

- To oversee implementation, communicate reforms, and propose new reforms
- Formed July 2019 (Cabinet approved)
- Chair: FS
- Members: FD (different wings), DPCO, CGA, AGP
- Regular meetings being held
- Next step: Presentation on the PFM Act in Secretaries Committee by FS
- Recommendation: Update Parliamentarians on the law

# Treasury Single Account

- Cash Mgt & TSA Policy 2019-29 (Cabinet approved in May 2019)
- Draft Cash Mgt and TSA Rules, 2019 – prepared and circulated for comments to SBP, CGA, FD, NBP, etc.
- TSA Implementation Team: Chair: AFSB. Members: Budget Wing, Military Finance, SBP, DPCO, NBP, CGA and AGP
- Team requested data on all govt bank accounts and balances till 30<sup>th</sup> Sept from SBP, which carried out a survey with scheduled banks
- Data: 56,458 accounts amounting to deposits of Rs.1.17 trillion

# TSA (Contd...)

- Multi-stakeholder workshop held in NIBAF on TSA and implementation
- All PAOs sent copies of PFM law and TSA policy
- Next steps: Finalization of TSA Rules, and start of implementation of TSA-1 from Finance Division
- Milestone: Completion of TSA-1 by Sept 2020

# Budget Manual

- Formed a committee that drafted a Budget Manual
- The Manual was finalized in Dec 2019 and notified on FD website and forwarded to all stakeholders
- It provides processes, calendar, roles and responsibilities and templates for forms, reports, etc.
- Based on the requirements in the Budget Manual – ‘Budget Call Circular 2020-21’ has been issued to all PAOs



# Mid-Year Review Report on Budget

- Report to be tabled in the National Assembly by end Feb – Section 34
- A budget review process formally put in place
- All PAOs provided data on a set of 7 forms (budget vs actual, revenues, KPIs, development projects, Fiscal Risk and Contingent liabilities)
- Q1 review complete
- Q2 review under process
- Template for mid-year finalized and currently data is gathered

# Budget Strategy Paper

## **Budget Strategy Paper**

- To be approved by Cabinet by 15<sup>th</sup> March and uploaded on FD website – Section 3
- Will contain medium-term macro-fiscal framework, budget revenue and expenditure policy priorities, fiscal space analysis, fiscal risks, and indicative budget ceilings to be forward to all PAOs
- Work is in progress to prepare the strategy paper

# Financial Advisors' Organization

## Financial Advisors' Organization

- FA Organization (civil) disbanded
- FA's / DFA's converted into JS-Exp and DS-Exp as a stop-gap arrangement
- Role of CF&AO, JS-Admin, Internal Audit, JS-Exp and DS-Exp, and future Internal Auditors – being discussed and conceptualized
- Next step: Approach paper on the future roles – with emphasis on delegation of financial powers without losing financial propriety

# Delegation of Financial Powers

- Draft 'Delegation of Financial Powers' under process through multi-stakeholder work and comments
- Financial Powers in Civil Works in Military Finance revised
- Next step: Finalization and issuance

# Cash Forecasting

- Objective: Improve availability of cash, manage cash buffer with SBP (Federal Consolidated Fund), and revamp funds release and ways and means
- First step: Ways and means clearance done away with for Q1-Q3 for development projects
- Second step: Two groups formed:
  - **Cash management working group:** Chair: Joint Secretary – Budget. Members: SBP, CDNS, FBR, CDNS, CGA, EAD, EF and Exp Wings
  - **Cash coordination committee:** Chair: FS. Member: FD (different wings), SBP, and FBR (overseeing the working

# Subsidiary rules and regulations

- Areas in the PFM law identified that will require changes to GFR, TR and SR, System of Delegation of Financial Powers, New Accounting Model, Manual for Development Projects etc.
- In addition, in many areas – e.g. supplementary grant system – a strengthened system needs to be put in place – work is already in progress on this
- A committee on update of all subsidiary legislation is in the process of formulation

# OTHER RELATED REFORMS

# Macro-Fiscal Unit

- Deliberations are underway on formation of a macro-fiscal unit (also referred as 'Fiscal Policy Unit') in FD
- Role options can include: Formulation of Revenue policy, Macro-Fiscal Forecasting, Medium-Term Budgetary Framework (MTBF), formulation of Budget Strategy Paper and ceilings, etc.
- The unit can either be housed within existing Wings of FD or a separate wing can be established
- Budget Wing has advertised 6 posts (MP-I) scale. Macroeconomists, Financial Mgt Experts, Treasurer, Actuary, etc.



# Functional Review of FD

- Discussions underway to seek TA on functional review of FD
- Role, structure, skillset – etc. would undergo review proposals can be made

# IFMIS

- Proposal of conversion of CGA MIS into a 'company' - being reviewed and finalized
- Regular meetings being held to improve data gathering (from various organizations) and reporting through SAP system
- Studies conducted for IFMIS connectivity with Pak PWD, PPOD, Pakistan Railways, and CDNS
- Discussions on 'moving to accruals' and preparation of roadmap underway in CGA

**THANK YOU**