

BCOP FY21 PLENARY MEETING:
EVENT SUMMARY REPORT



PEMPAL Budget Community of Practice
BCOP FY21 Annual Virtual Plenary Meeting
Summary
May 19-20, 2021

JUNE 2021

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What are PEMPAL and BCOP?

The Public Expenditure Management Peer Assisted Learning (PEMPAL) network is a multilateral effort to facilitate the exchange of professional experience and knowledge transfer among public financial management practitioners in European and Central Asia region (ECA) countries. The PEMPAL network has three thematic communities of practice (COP): 1) the Budget Community of Practice (BCOP); 2) the Treasury Community of Practice (TCOP); and 3) the Internal Audit Community of Practice (IACOP). Its key donors and development partners are the Swiss State Secretariat for Economic Affairs (SECO), the Ministry of Finance of the Russian Federation, the European Commission (EC), and the World Bank (WB).

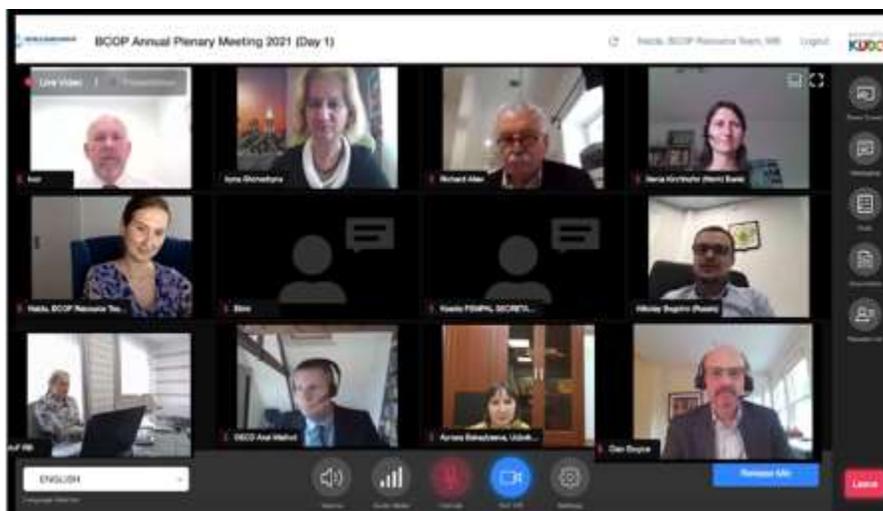
The BCOP's main objective is to support member countries' Ministries of Finance (MOF) in reforms to strengthen budget methodology, planning, and transparency with the aim to improve budget effectiveness and accountability. Peer-to-peer learning is the main instrument used. Participants work together face-to-face and online to share knowledge and develop approaches to address common PFM problems. BCOP activity plans include sharing and creation of knowledge through face-to-face learning events, virtual meetings, and study visits, and through the development of knowledge products. BCOP activities are driven by member-led action plans that address key budgeting reform priorities of Ministries of Finance of member countries.

BCOP operates two standing working groups: the Budget Literacy and Transparency Working Group (BLTWG) and the Program and Performance Budgeting Working Group (PPBWG). BCOP members are represented by 21 ECA countries: Albania, Azerbaijan, Armenia, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Georgia, Kazakhstan, Kosovo, Kyrgyz Republic, Republic of North Macedonia, Moldova, Montenegro, Romania, Russian Federation, Serbia, Tajikistan, Turkey, Ukraine, and Uzbekistan. Members are typically mid- to high-level officials in budget planning or budget methodology/policy units in the budget departments/sectors in Ministries of Finance.

PEMPAL Budget Community of Practice FY21 ANNUAL PLENARY MEETING

May 19-20, 2021

Summary



Objectives and Structure of the Meeting

On May 19-20, 2021, BCOP convened its FY21 Annual Plenary. The meeting was held via videoconference, and was chaired by Ms. Iryna Shcherbyna, BCOP Resource Team Coordinator and World Bank Senior Public Sector Specialist; Ms. Marina Tikhonovich, Deputy Head of the Budget Policy Department in the Ministry of Finance of Belarus, BCOP Chair, and BLTWG Lead; and Nikolay Begchin, Head of Department of Program Planning and Efficiency of Budget Expenditures in the Ministry of Finance of the Russian Federation, BCOP Deputy Chair, and PPBWG Lead. The meeting provided the opportunity for BCOP member countries to examine and discuss approaches and trends in members' priority budgeting topics and new emerging topics, to examine knowledge products developed by the BCOP working groups, and to plan for FY22 activities. The meeting focused on spending reviews; public participation in budgeting, climate change budget tagging, and summarizing lessons learned and implications from fiscal policy responses to Covid-19. The meeting's materials are available on the [PEMPAL website](#).

The format of the meeting comprised two virtual sessions held over two consecutive days. The event content broadly followed the format of previous BCOP plenary meetings, with parts of the agenda devoting to Results-Based Budgeting and Budget Openness, as core priority topics, hosted by the two working groups. Within each of those topics, part of the

agenda was devoted to the potential impacts of the COVID-19 pandemic and new trends in budgeting and fiscal policy aspects, including climate change budget tagging. Parts of the agenda were also devoted to updating the broad membership on BCOP activities in FY20 and FY21 and planning of the FY22 activities.

The meeting was opened by Mr. Daniel Boyce, World Bank Governance Global Practice Manager, and PEMPAL Steering Committee members. He noted that the issues examined in this meeting are timely and useful in the context of likely continuing fiscal pressures coupled with demands for better public services and transparency and accountability in public spending. Mr. Boyce also highlighted the importance of discussions on climate change budget tagging, given that an effective climate budgeting system can support the alignment of policies, institutions, and public spending towards the country's green growth and climate agenda. He concluded by thanking the BCOP members for their active work, noting that continued interest and active contribution to BCOP activities, even in the context of a switch to the full virtual mode of work and increased workload of budget planning officials in the last year, is a clear indication that PEMPAL and BCOP remain highly relevant for its members.

In her opening remarks, Ms. Shcherbyna noted that 69 participants were attending the meeting, of which 59 were representatives from 16 BCOP member countries (Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Kyrgyz Republic, Kosovo, Moldova, Russian Federation, Serbia, Tajikistan, Turkey, Ukraine, and Uzbekistan). Mr. Shcherbyna also introduced Mr. Richard Allen, a renowned international expert, who will serve as Strategic Thematic Advisor within the BCOP Resource Team. Mr. Allen provided his reflections throughout the meeting. Mr. Ivor Beazley, World Bank Senior Public Sector Specialist, also served as a Strategic Advisor to the BCOP Resource Team and delivered a presentation in the meeting.

BCOP Chair's Report on Recent Activities

The first session of the meeting provided an overview of BCOP activities in FY20 and FY21 delivered by Ms. Tikhonovich, BCOP Chair. She welcomed all participants and provided information to newcomers on BCOP induction material, including the [BCOP Fact Sheet](#) and the updated [List of BCOP Resources with links of materials by topic \(from 2011-2021\)](#), as well as the [PEMPAL Strategy](#) and [PEMPAL Annual Reports](#). A total of 199 event participants from 20 BCOP member countries attended 14 BCOP events between July 2019 and May 2021, including two thematic BCOP meetings, six workshops of BCOP's working groups, and six network exchanges/BCOP's participation in events of partnering international organizations or member Ministries of Finance. Ms. Tikhonovich discussed the impact of Covid-19 on Ministries of Finance globally, which have seen an unprecedented increase in workload to operationalize governments' policy responses to support the most severely affected sectors and population groups and to alleviate the

revenue contraction. She explained how BCOP transferred to the full virtual mode of work and thematically had examined (and continues to do so in this event), the impact of Covid on overall budgeting and on specific topics of BCOP working groups.

Despite operating in the virtual mode of work, BCOP’s activities have intensified in FY20 and FY21. This has been the period with more BCOP’s knowledge products than ever before, and with the most contributions from member countries in terms of collecting data and information on different aspects of budgeting practices. Two large analytical knowledge products were developed in FY20: [Performance Budgeting and Spending Reviews: Current Practices, Challenges, and Recommendations](#) and [Public Participation in Fiscal Policy and the Budget Process –Establishing and/or Strengthening Mechanisms in PEMPAL Countries](#). Two knowledge products are currently being finalized (final versions were presented at this event and are available on the event website): [Conducting Rapid Spending Review to Identify Measures for Budget Balancing](#) and [Mechanisms for the National MoFs to Facilitate Participatory Budgeting at Subnational Level and Design Initiatives at the National Level](#). One additional shorter knowledge product will be finalized by the end of FY21 (a draft was presented at this event) on *Mechanisms for Engaging Youth in Participatory Budgeting*, while the final knowledge product initiated in FY21 on *Trends in Spending Reviews in PEMPAL Countries Benchmarked to Trends in OECD Countries* will be finalized in early FY22.

Results-Based Budgeting

The first part of day 1 of the plenary meeting was devoted to the PPBWG topic of results-based budgeting. PPBWG’s new completed knowledge product (KP) on [Conducting Rapid Spending Review to Identify Measures for Budget Balancing](#) was presented by Ms. Nina Hajoyan, PPBWG Thematic Consultant from the BCOP Resource Team. Mr. Axel Mathot, Senior Policy Advisor from the Budgeting and Public Expenditure Division of the OECD, and Ms. Naida Carsimamovic Vukotic, BCOP Resource Team Member and PEMPAL Network-level Advisor, presented the preliminary summary results of the spending review surveys conducted in early 2021 for the OECD and PEMPAL countries, respectively.

Rapid Spending Review for Budget Balancing Measures

Ms. Hajoyan presented the PPBWG’s KP on rapid spending reviews (RSRs), including background and the concept, implementation tools, processes, main expenditure areas reviewed, recommendations, and the overall context of crisis response and resilience in which the RSRs should be considered. The objective of the KP was to help PEMPAL countries develop methodologies and tools for the implementation of RSRs as a rapid response to the Covid-19 (and similar) crises.

Methodology and data sources included desk research supported with interviews with experts and selected country officials, as well as a limited scope survey among PEMPAL countries.

Commonalities and distinctive features of traditional spending reviews compared to RSRs as defined by the PPWBG for the purposes of this KP are shown in Exhibit 1. Approaches and challenges in budget-balancing in 2020 from the surveyed PEMPAL countries were presented. Some of the implemented measures included a review of government programs, adjustment of public investments, setting up a reserve fund, revising the methodology for baseline expenditure limits, and borrowing. The most frequent expenditure cuts included administration costs, new funding requests and discretionary expenditures, public investments, and redundant expenses such as sport and cultural events and celebrations. Common highlighted challenges were time pressure, capacity deficiencies, lack of methodology and tools, lack of cooperation from line ministries, and lack of an enabling regulatory framework.

Exhibit 1: Concept and Scope of RSRs used in the KP

Commonalities		
<ul style="list-style-type: none"> ✓ Objectives: <ul style="list-style-type: none"> ○ <i>immediate:</i> savings and improved prioritization ○ <i>ultimate:</i> aggregate fiscal control and greater effectiveness of expenditures ✓ Perspective: <ul style="list-style-type: none"> ○ Efficiency, effectiveness, value for money ✓ Focus <ul style="list-style-type: none"> ○ Review baselines as opposed to incremental approach 		
	Distinctive features	
	Traditional SR	RSR
Completion time	➤ Can take 1 year and more in the design and implementation stages	➤ Should ideally be completed within 1-2 month, with minimal time for design (around 2 weeks)
Processes	➤ Greater reliance on formal processes and procedures which typically require more time	➤ Informal and streamlined where possible.
Tools / analysis	➤ In-depth analysis, can use a combination of simple and sophisticated tools (<i>cost benefit and cost effectiveness analyses, organizational and business process reviews, IT and systems gaps analysis, regression analysis, etc</i>)	➤ Use relatively simple tools from the general toolkit of traditional SR: <i>benchmarking, budget composition, budget deviation and trend analyses, review of program objectives vis-a-vis strategic priorities</i>
Use in budget cycle	➤ Can be integrated into the budget process and also used outside the regular budget planning cycle	➤ Intended primarily for use outside the regular budget planning cycle
Scope	➤ Can be comprehensive or targeted	➤ Comprehensive
Guiding priorities	➤ Usually assesses program effectiveness from the standpoint of existing Government priorities established as part of the regular strategy-making or budget processes	➤ Is conducted in situations which may often require a quick review of Government priorities

A specific example of a possible RSR process was developed in the KP as food for thought for PEMPAL countries when potentially developing their own RSRs, noting

that the scope and process of the reviews should be adjusted for each country’s specifics and context. An RSR includes two stages: i) setting the preliminary framework and the key parameters of the review, and ii) conducting the review and approval of expenditure cuts/reallocations. Stage 1 deliverables include a statement communicated to line ministries/agencies on government decisions regarding RSR policy direction and technical matters (including the revised budget expenditure priorities, priority areas for potential cuts/reallocation and/or exempt areas if any, and, if applicable, a targeted percentage/value of cuts/reallocations), as well as terms of reference (ToR) for the RSR. Stage 2 deliverables would include recommendations for expenditure cuts and reallocations and a brief report justifying these recommendations, and a final decision on adopted recommendations on expenditure cuts/reallocations. The possible structure and responsibilities of key actors in the RSR process were also presented, as shown in Exhibit 2, including the role of the government and the RSR coordination team and review teams.

Exhibit 2: Illustrative RSR Roles and Responsibilities

Organization	Membership	Responsibilities
Government	Prime Minister, Line Ministers and Heads of selected State Agencies	Decisions on: <ul style="list-style-type: none"> Revised expenditure priorities Savings target and exemptions, if applicable Approval of: <ul style="list-style-type: none"> RSR key dates Review recommendations Special requirements for the process
Coordination Team	Deputy Minister responsible for Budget Planning, Director/Head of the Budget Planning Unit, budget analysts, consultant	<ul style="list-style-type: none"> Recommendations on indicative level of savings, priorities and exemptions; Propose key dates for the RSR ; Communicate the fiscal context to LM/SA Advise and support the review teams in the process Prepare ToR for the review Review RTs’ proposals, prepare a summary RSR report for the Government
Review Teams	Deputy Director/Head of the Budget Planning Unit (CBA), budget analyst CBA, budget planning official (LM) and policy coordination official (LM), Consultant (CBA), Consultant (LM)	<ul style="list-style-type: none"> Review spending and identify savings Prepare Review Reports and action plans

Different options for possible RSR tools were discussed and examples provided. For stage 1, these include questionnaires for the initial screening of expenditures, budget deviation analysis, benchmarking of program expenditures and performance, benchmarking the administrative costs of line ministries/agencies according to their size, and examining discretionary transfers. For stage 2, possible tools include program review decision trees, relevance and necessity tests (alignment to government priorities and public needs, analysis of impact of external pressures and potential expenditure reallocations, and efficiency and effectiveness examination), and analyses of proposed savings. Potential expenditure focus areas in RSRs include administration/maintenance

costs, the public service wage bill; capital expenditure, as well as redundant expenditures (such as travel and accommodation, celebrations, mass cultural and sports events, on-site training costs, promotional and other events). However, the need for careful consideration of wage bill and capital expenditures was highlighted. Feasible saving options for public wages and remuneration could include a hiring freeze, a review of contracting arrangements, and restraints on bonuses and salary increases. Any other cuts and saving measures in the wage bill, such as cutting the base public sector workforce and/or cutting salaries of the base public sector force, would require a thorough functional and institutional review and cannot be decided based on an RSR. A selective and careful approach should also be applied to any adjustments of capital investment projects within RSRs. Illustrative criteria and considerations were presented. Procurement, benefits and transfers, and debt servicing costs can potentially generate significant savings due to the large amounts involved, but they require in-depth analysis that cannot be afforded within the tight schedule of RSR.

Twelve recommendations to be considered in RSRs are outlined in the KP. They are shown in Exhibit 3 and include recommendations for processes and tools, and on areas to focus on in RSRs. The presentation concluded by outlining wider crisis response and resilience measures, including measures potentially complementary to RSRs, as well as measures for strengthening resilience to shocks. In the discussion following the presentation, participants discussed the role of line ministries/agencies whose expenditures are being reviewed in proposing saving areas. In addition, participants further honed on the differences between RSRs and traditional SRs, on the importance of careful analyses of capital expenditure within RSRs and also within the post-crisis recovery stage.

Exhibit 3: Recommendations for RSRs

Political considerations

R1: Ensure high-level political support throughout the spending review process

R2: Engage line ministries / state agencies in a dialogue with the CBA and government

R3: Hold discussions with groups of agencies or ministries to achieve cross cutting objectives, e.g., promoting public health and strengthening social safety nets in response to a crisis such as COVID.

Political and technical considerations

R4: Prescribe the methodology and process for conducting a RSR legislation, including guidance on templates

R5: Establish and communicate high and low priorities at the outset of the process.

Technical considerations

R6: Use simple tools for RSR from the general toolkit of spending reviews

R7: Include mandatory strategic and efficiency questions to be answered and consider combining sector or agency reviews with a comprehensive or horizontal spending review, to maximize the benefits from the exercise.

R8: Involve external experts in the process of RSR to advise on technical matters and help with the use of analytical tools.

Focus areas

R9: Use a comprehensive but relatively superficial approach in implementing RSR.

R10: Use a selective and thoughtful approach in the decisions to cut or delay capital spending.

R11: Look into the administrative and operating costs of line ministries / state agencies (other than salaries and wages) to identify expenditure cuts / reallocations.

R12: Refrain from major cuts in public service pay but consider a limited set of temporary measures such as postponement of new hires and pay increases, voluntary waivers, restraints on bonuses

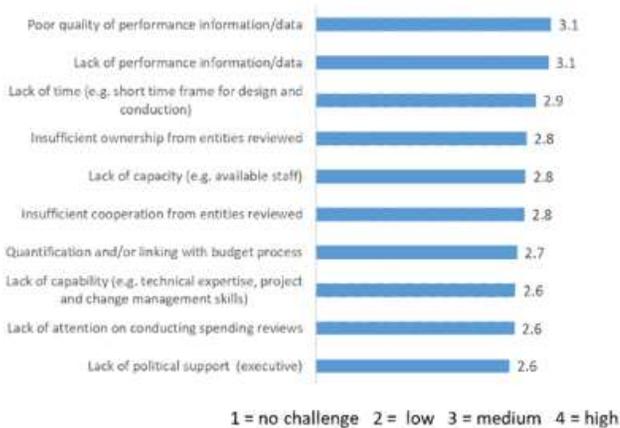
Preliminary Summary Results of the Spending Review Surveys for OECD Countries and for PEMPAL Countries

Mr. Mathot presented the preliminary results of the 2020 OECD Spending Review (SR) Survey. His presentation included the evolution of SRs in OECD countries, SR objectives, main topics, decision-making actors, challenges, links with the budget, and the potential impact of Covid-19 as reflected in SRs. The OECD Secretariat conducted the 2020 OECD SR Survey in late 2020/early 2021 to inform an upcoming report on best practices for spending reviews that the OECD will prepare.

The prevalence of SRs increased over the last decade and the SRs also evolved in terms of their objectives in OECD countries. The number of OECD countries conducting SRs has increased from 16 countries in 2011 to 31 (out of 37) countries in 2020. Objectives of the SRs have changed from a focus on savings to an increased focus on policy effectiveness. Examples of SR topics/types of expenditures reviewed in SRs span many sectors, with health, social protection, economic affairs, and education expenditure being notable examples.

The institutional setup and roles in SRs have also evolved, while key challenges in OECD countries are related to the performance information, capacities and time, and the role of the line ministries/agencies whose expenditures are reviewed in SRs. In 23 out of 31 OECD countries that conduct SRs, there are SR units, usually in Ministries of Finance, while 19 countries have established steering groups and working groups. Decision-making actors at key stages of an SR (approval of topics, approval of ToR, and final decisions on the SR report) in OECD countries include a strong role of cabinet/government, as well as an additional strong joint role of Minister of Finance and line ministers. Key challenges include poor quality or lack of performance information/data, as shown in Exhibit 4a. Lack of time and capacity and insufficient ownership and coordination with the reviewed entities are also important challenges in many OECD countries.

Exhibit 4a: Main Challenges to Effectively Conducting SRs in OECD Countries in 2020



SRs' flow back into the budget process in most OECD countries in different ways, while around 70% of the countries believe that SRs will become more important because of Covid-19. The most frequent channel for feedback is the consideration of SR decisions in the annual budget process negotiations. Line ministries also use SRs internally to prepare budget proposals. In 18 OECD countries, SR decisions lead to direct changes in the annual budget for all or most of the approved measures. 24 OECD countries believe that SRs will become more important over the medium term as a means of achieving the objectives of both aligning expenditures to government priorities and controlling the level of expenditures.

Ms. Carsimamovic Vukotic presented the preliminary results of the PEMPAL Spending Review (SR) Survey conducted in early 2021, based broadly on the OECD SR Survey. Her presentation broadly followed the thematic structure of Mr. Mathot's presentation on OECD countries' survey results. She first presented the background of PEMPAL countries' survey and the methodology. The objective was to take stock of the current practices, challenges, and plans in SRs. Benchmarking among PEMPAL countries and with OECD countries is enabled, as well as monitoring of changes over time (previous SR data from PEMPAL countries was used in the PPBWG KP published in mid-2020). The survey was conducted among PEMPAL countries in February/March 2021. A limitation of the survey stems from the data being based on countries' own self-assessment. Although data cleaning was conducted in Apr/May 2021, no external data verification was conducted. The PEMPAL questionnaire was broadly based on the questionnaire used by the OECD (which was kindly provided to the PPBWG by the OECD Secretariat under BCOP's standing cooperating with the OECD) but was adjusted and expanded by the PPBWG leads and BCOP Resource Team to reflect specificities in systems/practices in PEMPAL countries and to collect additional information for peer-learning purposes. PEMPAL data includes 17 BCOP countries: Armenia, Azerbaijan, Belarus, BiH, Bulgaria, Croatia, Georgia, Kosovo, Kyrgyz R., North Macedonia, Moldova, Romania (noting that Romania participated through OECD), Russia, Tajikistan, Turkey, Ukraine, and Uzbekistan.

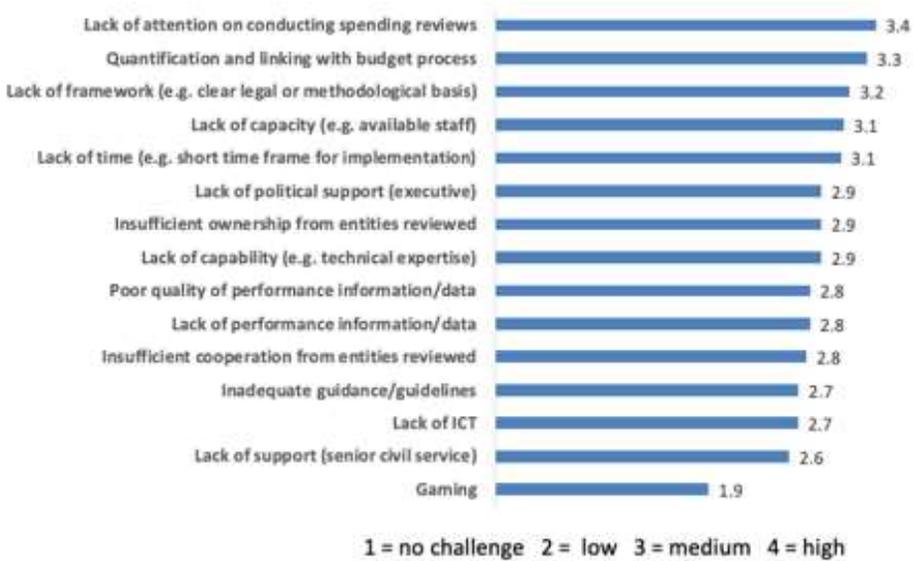
The prevalence of SRs has increased significantly. While SRs are still not a norm in most PEMPAL countries, 16 out of 17 PEMPAL countries now report having conducted SRs or are considering SRs. The number of PEMPAL countries conducting SRs increased from 1 in 2016 and 4 in 2018 to 10 countries that report having conducted full or partial SRs as of the end of 2020: Russia, Ukraine, Bulgaria, Moldova, Uzbekistan, Belarus, Tajikistan, Croatia, North Macedonia, and Romania. The reviews carried out in Belarus and Tajikistan were conducted by international organizations with a very limited role by government officials. Among countries that reported considerations for introducing SRs, several have concrete plans, such as Azerbaijan, Turkey, and Armenia.

The primary current focus of SRs in both OECD and PEMPAL countries is to improve the effectiveness of programs and policies. PEMPAL countries rank effectiveness as the top priority SR objective, following by aligning expenditure to government priorities. Savings/total expenditure control are ranked as having the lowest

priority. The most common SR topics in PEMPAL countries are in the broad area of economic affairs (17 out of 66 reported SRs conducted in 10 countries in 2016-2021) and in education (13 SRs).

The institutional setup and organizational roles for SRs differ in PEMPAL countries compared to OECD countries. Among 10 PEMPAL countries that report having conducted SRs, only Romania reports having an SR unit, while all but Belarus and Tajikistan have SR working groups and most (6 out of 10) also have a steering group. Decision-making actors in key stages of an SR include a strong role of cabinet/government in all PEMPAL countries, while the role of line ministers appears to be weaker than in OECD countries. The main challenges for PEMPAL countries are associated with the early stages of SR implementation - technical and methodological issues and political and institutional support, as shown in Exhibit 4b.

Exhibit 4b: Main Challenges to Effectively Conducting SRs in PEMPAL Countries in 2020



The linkage between the SR recommendations and the budget process is mostly indirect in PEMPAL countries, while around 95% of the countries assess that SRs will become more important because of Covid-19. 8 PEMPAL countries report that SR recommendations feed into the budget process for at least some SRs, mainly through the annual budget process negotiations or through line ministries using SRs internally to prepare budget proposals. 16 out of the 17 surveyed PEMPAL countries believe that SRs will become more important in the medium term and that the objectives of both aligning expenditures to government priorities and controlling the level of expenditures will increase in importance.

Ms. Carsimamovic Vukotic presented the PPBWG's next steps related to analyses and presentation of the data from the SR survey. The PPBWG will present key issues/data at the OECD SBO CESEE meeting taking place on June 24, 2021. In early FY22, when the OECD dataset becomes available to the PPBWG, a short KP will be developed by the PPBWG on *Trends in Spending Reviews in PEMPAL Countries Benchmarked to Trends in OECD Countries*.

Participants held a short discussion following the presentations on preliminary results of the spending review surveys. The discussion focused on the usual coverage of SRs in terms of share of total expenditures being reviewed, balancing the process of SRs with the regular budget process, and analysis of the impact of SRs considering the SR outcomes and the capacity and time resources needed to conduct them. Focus on baseline expenditure and performance information in SRs was highlighted.

New PFM Trends

The second part of day 1 of the plenary meeting was devoted to the emerging trends in budgeting. The potential impacts of Covid-19 on fiscal policy and on program and performance budgeting (PPB) were presented by Mr. Ivor Beazley, World Bank Senior Public Sector Specialist, and climate change budget tagging was presented by Ms. Xenia Kirchhofer, World Bank Governance Analyst.

Impacts of Covid-19 on Fiscal Policy and PPB

Mr. Beazley's presentation, based largely on research carried out by the Fiscal Policy and Sustainable Growth unit in the World Bank, looked at fiscal policy responses to Covid-19 from several angles; it also included an instant virtual poll of meeting participants to assess PEMPAL countries' views of Covid-19's impact on performance and program budgeting (PPB). He examined the level of policy responses implemented to alleviate Covid-19 impacts, the key characteristics of these policies in terms of measures and design features, forward-looking recovery, and fiscal consolidation considerations, as well as future implications for PPB.

There is a strong correlation between countries' levels of wealth and the fiscal response. In advanced economies, the impact of Covid-19 response amounted to around 20% of GDP, compared to 2% in low-income developing countries. In poorer countries, government responses to the crisis were focused on the revenue side, while the more advanced countries focused equally on the expenditure side. Based on the World Bank's methodology, data for 203 countries shows that many PEMPAL countries adopted broad-based approaches (Azerbaijan, Georgia, Russia, Ukraine, Serbia, and Bulgaria for example) similar to more advanced countries from other regions, while a few (such as Belarus and the Kyrgyz Republic) adopted narrower approaches. Exhibit 5 shows the most frequent fiscal interventions.

Exhibit 5: Types of Fiscal Policy Interventions in Response to Covid-19 by Region

EAP	ECA (includes PEMPAL countries)	LAC	MENA	SAR	SSA
General Health Exp., 77%	Deferral of tax payments, 30%	Deferral of tax payments, 71%	Deferral of tax payments, 72%	Supplementary ad hoc programs, 100%	General Health Exp., 94%
Supplementary ad hoc programs, 71%	Preferential loans to firms, 83%	Supplementary ad hoc programs, 68%	Supplementary ad hoc programs, 67%	General Health Exp., 100%	Supplementary ad hoc programs, 71%
Direct cash transfers for individuals, 61%	Wage compensation/enhanced paid leave, 78%	Direct cash transfers for individuals, 61%	General Health Exp., 67%	Direct cash transfers for individuals, 100%	Deferral of tax payments, 65%
Preferential loans to firms, 55%	General Health Exp., 76%	General Health Exp., 56%	Direct cash transfers for individuals, 56%	Preferential loans to firms, 100%	Preferential loans to firms, 56%
Tax exemption/waiver/suspension, 55%	Direct cash transfers for individuals, 71%	Preferential loans to firms, 81%	Preferential loans to firms, 58%	Deferral of tax payments, 75%	Direct cash transfers for individuals, 54%

Key: blue - businesses, green - households, yellow - health

The number of fiscal policy responses varied among PEMPAL countries and there was a distinctive policy mix of support to businesses in the form of loans and tax deferrals and compensation to individuals for loss of income. As shown in Exhibit 6, the Russian Federation enacted numerous policy responses, while most other PEMPAL countries implemented fewer measures. The responses in the ECA region included a large number of revenue, credit, and equity measures to protect businesses and a strong policy emphasis on cash transfers to individuals. The forms of support to businesses included preferential loans and deferral of tax payments, and there was a broad range of expenditure measures to support individuals. Policy assessment was also conducted based on considerations of the quality of fiscal policy responses: efficiency, cost and fiscal sustainability, flexibility, and feasibility. Overall, policies in higher income ECA countries were better targeted, more abuse-resistant, and more cost recoverable.

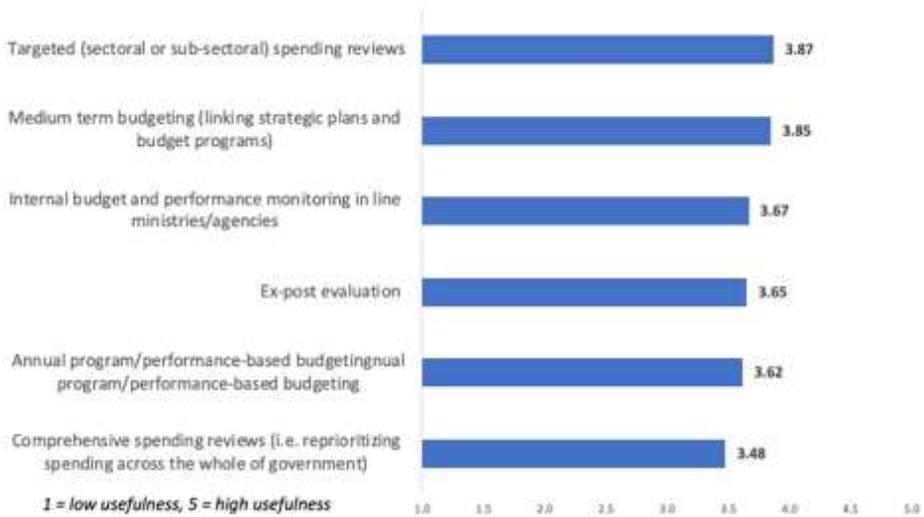
Exhibit 6: Number of Fiscal Policy Responses in ECA region



PPB tools should have been helpful in designing and implementing fiscal policy responses to Covid-19, thus the crisis provided a kind of a natural experiment of a PPB stress test. In theory, PPB tools could have been useful in reprioritizing expenditure and analytically improving spending targeting and earmarking against objectives, as well as using performance indicators and spending reviews and evaluation to ensure accountability for additional expenditures. For analyzing the effectiveness of fiscal measures and for the future use, there are several issues highlighted by the Covid-19 response for PPB. Analyzing the effectiveness of support to the business sector is more challenging compared to traditional programs. Covid-19 has had an important influence on risk considerations, which will likely increase the importance of different risk considerations such as climate change. Another impact of Covid-19 is the sharp increase in income inequality, which will likely increase focus on equity and distributional effects of spending. In future the following fiscal policy issues will be in focus: i) sustaining and adjusting fiscal policy measures to mitigate the health and economic impacts of the crisis, ii) transitioning to fiscal policy measures such as infrastructure investment in support of economic recovery; iii) phasing out fiscal policy measures and recovery of funds, and iv) introducing reforms aimed at fiscal sustainability.

Meeting participants assessed the usefulness of different PPB tools in helping to manage the budget response to Covid-19, reporting the highest usefulness of targeted spending reviews and linking strategic plans and budget programs. Exhibit 7 shows the results of an instant poll conducted among the meeting participants. Participants from all countries at the meeting reported that the PBB has continued to be used during Covid-19, while all but one reported that an ex-post evaluation of fiscal response to Covid-19 is underway or is planned. The discussion following the presentation centered around measures that can be implemented by the Ministries of Finance to support the post-Covid recovery and integrating long-term lessons learned. The importance of evaluating the measures implemented during Covid was highlighted, in order to provide analyses of distributional impact and to link performance to spending, which is generally likely to increase in importance post-Covid.

Exhibit 7: Results of Instant Poll Conducted during the Plenary Meeting on Usefulness of PPB Tools to Help Manage the Budget Response to Covid-19



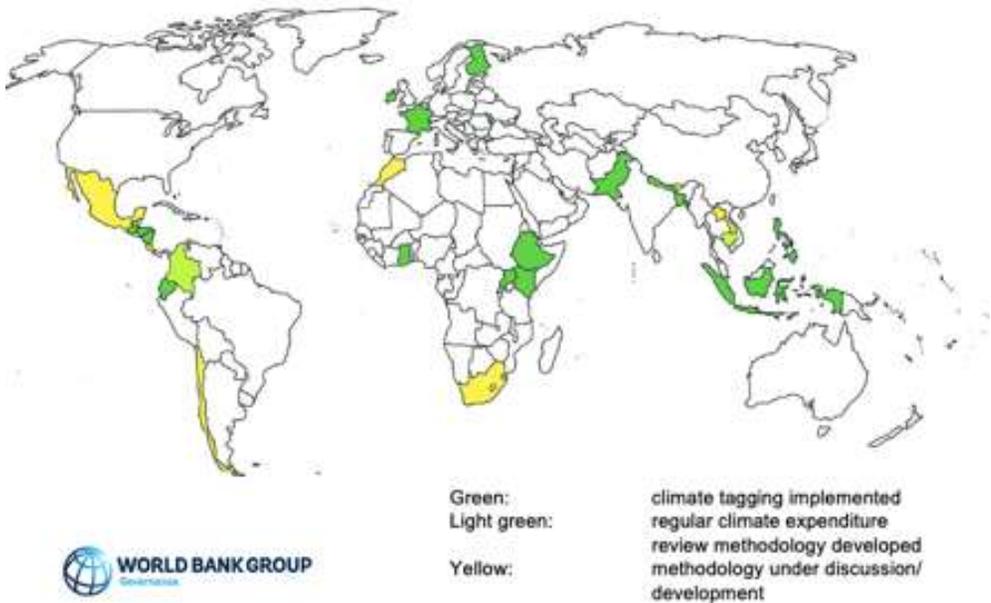
Climate Change Budget Tagging

Ms. Kirchhofer presented the World Bank’s research on current practices in climate change expenditure tagging, including the background of the research, purpose of tagging, key elements, examples from reviewed country methodologies, and identified challenges. The [Coalition of Finance Ministers for Climate Action](#), launched in April 2019, brings together 60 countries from all regions, each representing different levels of development and climate change challenges. It steps up calls for green growth investments as part of a global shift toward an inclusive and resilient recovery from the COVID-19 pandemic. The six Helsinki principles guide the Coalition’s commitment to climate action, including the principle to “take climate change into account in macroeconomic policy, fiscal planning, budgeting, public investment management, and procurement practices”. Introductory guidance on climate expenditure tagging is being jointly developed by the Coalition’s institutional partners OECD, World Bank, UNDP, IDB, and IMF.

Climate change budget tagging is an emerging practice of identification, measurement, and monitoring of climate-relevant activities and expenditure. There is no unified tagging methodology, but some common elements are used. The earliest methodology was introduced in Nepal in 2013 and the number of countries implementing it is increasing. The methodology evolved from the Climate Public Expenditures and Institutions Reviews (CPEIRs) previously conducted by the World Bank and the UNDP. The methodology also builds on methodologies used for pro-poor budgeting, gender-responsive budgeting, and SDG expenditure tracking. Exhibit 8 shows countries where climate expenditures are currently tagged. Expenditures for climate and biodiversity

(among others) are also tracked in the EU budget, which also includes indicative lists of “green” and “brown” budgetary items.

Exhibit 8: Countries that Tag Climate Expenditures



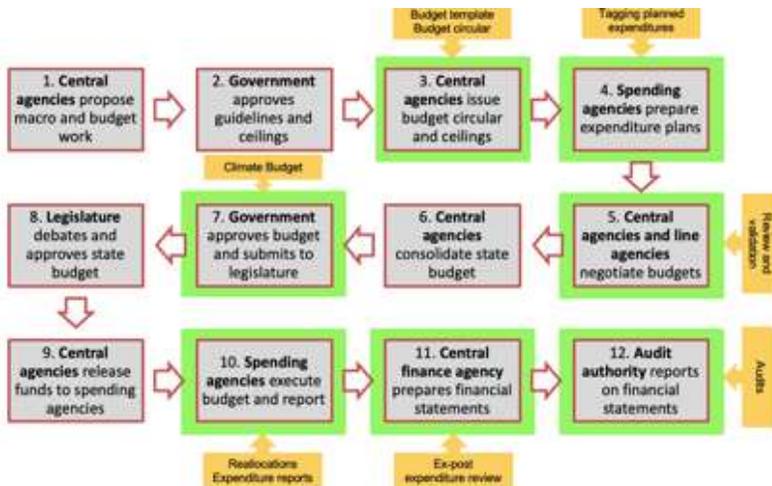
Objectives of climate expenditure tagging vary across countries but generally include some combination of common elements. These elements include accountability and transparency, prioritizing investments, mainstreaming climate change, awareness-raising, tracking budget execution, and mobilizing finance. There is no universal definition of climate relevance: countries use definitions based on OECE Rio markets, definitions based on an intervention alignment with the national climate policy, or a composite definition. Coverage of tagging varies from all sectors to selected sectors. It can cover expenditures at the central government level only or also include the expenditure at subcentral government levels. Finally, all or selected economic categories of expenditure can be tagged. Ministries of Finance play a key role, usually together with a dedicated climate change commission or Ministry of Environment. Tagging is either centralized (e.g., Bangladesh) or delegated to line ministries (e.g., Indonesia and Nepal). Tagging is done at all key budget stages – planning, execution and reporting, and auditing. Exhibit 9 provides examples of relevant expenditures.

Exhibit 9: Indicative Climate Change Related Expenditure

Sector	Program	Activities
Energy	Renewable energy sources	Construction and maintenance of wind, solar, hydro, biomass energy infrastructure
Environment and Forestry	Forest and ecosystem conservation	Establishment and maintenance of protected areas; ecosystem rehabilitation; payment for ecosystem services
Infrastructure	Climate and disaster resilient infrastructure	Construction and maintenance of public infrastructure resistant to impacts of severe natural hazards (roads, bridges, schools, hospitals, etc.)
Transport	Low-emission transport systems	Promotion of public transportation and slow mobility (bicycles, walking)
Water Resources	Sustainable watershed management	Elaboration and implementation of watershed management plans

Climate change budget tagging should be integrated into the budget cycle, as shown in Exhibit 10. Different measurements and weighting can be used to calculate support to climate change objectives. For example, in the EU budget, the OECD Rio marker weighting system is applied: 100% for expenditures contributing principally to climate objectives, 40% for expenditures expected to contribute significantly to the objectives, and 0% for those not contributing to climate objectives. In Nicaragua, tagging is applied at the lowest level of the programmatic budget structure, while in Uganda and Pakistan, specific coding structures have been introduced. Examples of approaches in previously mentioned and several other countries (such as the Philippines, Honduras, Cambodia) in different budgeting stages were presented.

Exhibit 10: Integrating Climate Expenditure Tagging in the Budget Cycle



There are several challenges in climate expenditure tagging. The impact on budget planning is still limited, given that the tags are generally applied to programs after budget adoption. The evidence is still limited on the extent to which climate tagging provides effective support for resource allocation and mobilization. Tagging can represent a significant administrative burden. This is especially the case in contexts where tagging is decentralized to line ministries, where subnational entities are required to tag, and where several parallel thematic tags exist (e.g., tagging of expenditures for SDGs or gender issues). Other important drivers of public sector finances, such as taxes, tax expenditures, and investments by state-owned enterprises are not sufficiently covered by tagging methodologies. Most current tagging methodologies also do not consider how policies and projects that adversely affect climate change objectives should be accounted for. Finally, current methodologies are primarily designed for domestic use, thus limiting the international comparability of data. After the presentation, participants engaged in a discussion, including on the impact of climate expenditure tagging given the required capacity and time resources and on additional examples of advanced countries that implement climate expenditure tagging. The importance of integrating tagging initiatives within regular PPB processes was also highlighted.

Budget Openness

The main part of day 2 of the plenary meeting was devoted to the BLTWG topic of **budget openness**. BLTWG's new completed knowledge product (KP) on [*Mechanisms for the National MoFs to Facilitate Participatory Budgeting at Subnational Level and Design Initiatives at the National Level*](#) was presented by Ms. Tatiana Vinogradova, BLTWG Thematic Consultant from the BCOP Resource Team. Ms. Elena Mondo, Senior Technical Advisor from IBP's Open Budget Initiative delivered a presentation on budget transparency and public participation in budgeting during Covid. Finally, Ms. Vinogradova presented the draft new BLTWG KP on Mechanisms for Engaging Youth in Participatory Budgeting.

Participatory Budgeting (PB) Mechanisms for the National Ministries of Finance

Ms. Vinogradova presented the BLTWG's KP on mechanisms for the national Ministries of Finances to facilitate PB, including a general overview of a PB, an overview of PB in PEMPAL countries, methods for Ministries of Finance to introduce or scale up PB, and general recommendations. Exhibit 11 shows the general objectives of PB and levels of budget participation, participatory budgeting being the highest level. BLTWG KP is based on desk research and information collected from PEMPAL countries in BLTWG workshops and a BLWTG survey. PB has been tested at various levels in 11 PEMPAL countries: Armenia, Bulgaria, Croatia, Georgia, Kazakhstan, Moldova, Romania, Russian Federation, Turkey, Ukraine, and Uzbekistan.

Governments’ rationale for introducing and implementing PB stems from opportunities to achieve various benefits. At the national level, the main objective is to improve overall transparency and accountability and spending efficiencies, and to raise awareness on specific issues (e.g., climate change). At the regional and local government levels, PB can also contribute to community cohesion, as well as to better linkages between local policy priorities and available resources. Sufficient political will and sufficient financial resources to facilitate the PB process and to implement projects proposed and prioritized by citizens are preconditions for PB success. The main success factor for PB is that it meets the community’s expectations and that key milestones in the implementation, participation, and selection of projects are clear. Different examples of metrics for evaluating PB projects are provided in the KP.

Exhibit 11: PB Overview

- **PB is “a mechanism or a process through which people make decisions on the destination of all or part of the available public resources”** (UN-HABITAT, 2004);
- **PB is an instrument to accelerate SDG** (UN-HABITAT, 2020);
- **PB gives response to immediate needs** (early warning projects), **has an innovative capacity** (local know-how, green PB, climate change adaptation and mitigation projects), **and has huge awareness potential;**
- **Over 11,000 PB experiences worldwide** (PB World ATLAS 2019).

A LADDER OF BUDGET PARTICIPATION

Participatory Budgeting		Full Participation
Citizens, Boards Or Councils Focus Groups & Town Halls		Limited Participation
Online Games		Consultation
Hearings & Delegations		Informing
		Listening

Source: The Participatory Budgeting Project, www.participatorybudgeting.org

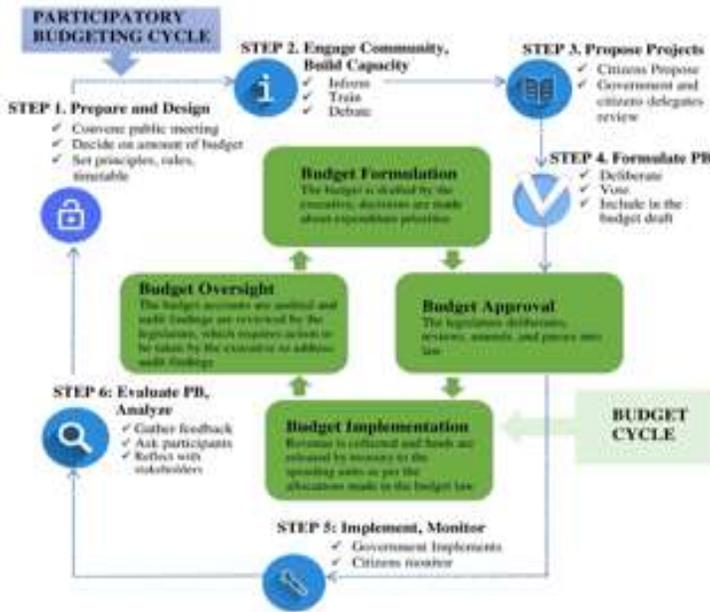
Several risks should be considered in the numerous types of PB. The risks include failure of meaningful engagement, insufficient involvement of vulnerable groups, costs higher than benefits, unrealistic expectations of citizens, and the risk of PB being diminished by government changes. The KP provides potential risk mitigation strategies, noting that overall, clarity and transparency throughout the process are vital for managing risks. PB models differ by the main objective (e.g., increasing trust, decentralization, social inclusion, or good governance models), the level of government, the role of civil society organizations, the form of citizens’ participation (direct participation, representation participation, and mixed models), the various stages of the budget process, the level of designated funds, legislated institutionalization (mandated/not mandated), and digitalization (offline, online, or mixed). There are only two well-known global cases on participatory budgeting at the national level: Portugal and South Korea. These cases should be distinguished from programs that the national government funds (through subsidies/grants) or administers at/for the subnational levels.

Seven types of arrangements led by the Ministries of Finances are recommended to facilitate PB implementation and scaling up. They include:

1. Introducing PB at a national level, initially on a small scale, applying the proposed framework questions to design and plan PB,
2. Building awareness and public support by communicating the importance of PB programs in terms of both direct and indirect benefits,
3. Developing balanced and contextualized legislation and regulations,
4. Allocating government funds and setting the legal mechanism of co-funding PB,
5. Strengthening staff capacity through training programs and technical assistance,
6. Establishing relevant infrastructure to streamline, support, and sustain PB,
7. Monitoring PB initiatives and evaluating their impact, and
8. Facilitating transparent reporting and accountability.

Exhibit 12 shows the recommended stages for implementing PB. After this presentation participants discussed methodologies for estimating social and economic impacts of participatory budgeting and the challenges of estimating the isolated impacts of PB since it usually comes in parallel with other reforms. Additional roles of the national government in PB were also discussed, including examples of nationally managed digital tools for gathering citizens' proposals and subsequently transferring the proposals and funding to lower levels. In addition, the national level can play the role of facilitator to share and generate ideas and disseminate knowledge within a central repository of information.

Exhibit 12: The Six-Step Cycle for Putting PB into Practices



Transparency of Fiscal Policy Responses to Covid-19

Ms. Mondo presented the findings and recommendations from the IBP’s report on transparency of fiscal policy response to the Covid-19 pandemic. IBP’s research was conducted in the context of unprecedented fiscal measures deployed by governments globally as an urgent response to the pandemic. It is important to examine whether the urgency of policy response undermined accountability. Transparency and accountability arrangements are necessary for governments especially in a crisis environment, to reduce the risks of corruption and ensure more equitable and effective outcomes. This research also contributes to ongoing and future international discussions on emerging global norms around fiscal management during times of crisis.

IBP’s research documented almost 4000 emergency fiscal policy packages introduced in 120 countries in March-September 2020. IBP focused on three pillars of accountability within the Open Budget Survey methodology: public access to relevant information, adequate oversight arrangements, and opportunities for citizen engagement. In each country, the largest or most important policy package was examined, and indicators were developed in collaboration with numerous international organizations. Exhibit 13 shows the overall performance, indicating that PEMPAL countries overall broadly mirrored the global trend.

Exhibit 13: Countries’ Performance on IBP’s Covid Measures Transparency Report

Accountability	No. of countries (Global)	No. of Countries (PEMPAL)	% countries
Substantive	0	0	0% (0%)
Adequate	4	0	0.03% (0%)
Some	29	6	24% (27%)
Limited	56	12	47% (55%)
Minimal	31	4	26% (18%)

While overall global results suggest limited use of PB, there are several unique important findings. Governments have generally failed to adopt key measures to enhance accountability, including reporting on implementation, procurement transparency, timely audits, and accounting for gender impact. The role of legislatures has been limited during the pandemic with normal legislative approval processes being sidestepped and the state of emergency increasing the executive’s power. Decision-making on response packages and their implementation included little or no input from the public. However, there are positive examples of how civil society actors’ contributions improved the policies’

effectiveness. There are also encouraging examples of innovations, including dedicated webpages, websites, and/or portals on the emergency response policies (with kinds of support available, details on eligibility and access, and more). The report's recommendations are shown in Exhibit 14. An extensive discussion was held after the presentation on such topics as the correlation between countries' scores on regular Open Budget Surveys and their scores on rapid Covid transparency assessments, additional examples of innovative monitoring, and the specifics of transparency in spending extra-budgetary funds, external funds, and tax expenditures.

Exhibit 14: Recommendations

for Governments

Act now to strengthen accountability in ongoing responses to the COVID-19 crisis

- a. Publish monthly progress reports on policy implementation (or regularly update implementation information on web portals) including data and analysis on budget execution and performance, disaggregated by impact on disadvantaged groups, including women and girls
- b. Disclose all details on procurement contracts linked to emergency spending, where possible in open formats
- c. Empower and resource SAIs to conduct expedited audits on emergency spending programs, and ensuring governments take remedial measures
- d. Restore the role of legislatures as keepers of the public purse: approving expenditures, consulting with the public/interest groups, monitoring implementation and following up on audit findings
- e. Put in place adequate mechanisms for citizen participation in the formulation, approval, and execution of additional emergency fiscal policy packages

Strengthen capacities and basic systems for accountability in the annual budget cycle, to be better prepared for future crises

- Strengthen existing systems during normal times
- Consider adjustments to make budget accountability systems more resilient to periods of crisis:
 - a. **Introduce and/or review and update the legal and regulatory framework** to clarify roles, responsibilities and approaches to be adopted during times of crisis (e.g., on resource management, procurement, oversight and participation).
 - b. **Integrate innovations and good practices that emerged during the COVID-19 crisis**—such as user-centered information, enhanced procurement transparency or innovative monitoring and auditing practices—into regular budget processes and procedures

for International Actors

Support governments in ensuring present and future fiscal policy responses to crises are more open and accountable

- a. Continue playing their role in supporting governments during crises, through financial and technical assistance, policy dialogue and knowledge exchange
- b. In the immediate future, incentivize and provide support to governments to adopt the urgent measures proposed in recommendations #1 and #2, and monitor country compliance with these measures
- c. Convene a multi-stakeholder process to develop and adopt international norms and standards on managing fiscal policy in times of crisis, including ensuring adequate levels of accountability, and supporting governments in putting such norms and standards into practice

Mechanisms for Engaging Youth in PB

Ms. Vinogradova presented the draft BLTWG's KP on mechanisms for youth PB, including the main youth PB models, success criteria, basic principles and values, risks, implementation factors, impacts and benefits, and recommendations. The main models include independent youth PB process where all the decision-making participants are young people, youth participation as part of a predominantly adult PB process, and school PB. Examples for each type of model were given including from the USA, Argentina, Portugal, Finland, South Korea, France, and Russia. Factors to take into account include some specific benchmarks for youth PB on top of factors inherent for the general/adult PB: the demographic characteristics of participating young people, the number of young people developing and submitting proposals (in meetings, and voting), the rate of increase of participation in selection rounds, the number of proposals that advance to voting (after technical expertise), and an assessment of the interest level of young people and whether they are the same young people who participated in the previous round(s). A precondition

for success is leading PB together with young people. It is important to make sure that youth are involved at the early stage in the program design to learn what barriers they are facing to help overcome them.

General Principles for Meaningful Youth Engagement developed by the United Nations Major Group for Children and Youth include self-organized, legally mandated, rights-based, designated, well-resourced, and accountable youth PB. Common risks include limited resources, failed projects, insufficient skills, insufficient youth input in the finished product, insufficient feedback on the use of input, and lack of trust. The independent youth PB models and modes of youth participation as part of the adult/general PB process can follow the six-step cycle for putting PB into practice shown in Exhibit 12. The KP on youth PB provides a detailed six-step procedure of school PB, based on synthesized good practices.

There are several benefits specific to youth PB. Through PB, young people can develop critical career and life skills (leadership skills, ability to work collaboratively, research, interviewing, surveying, problem-solving, critical thinking, public speaking, financial literacy, project management, and marketing). Youth PB at schools brings many benefits for the entire school community, building healthy relationships and partnerships among students, families, teachers, and administration. KP's recommendations are shown in Exhibit 15. Post-presentation discussion focused on direct and indirect benefits of youth PB, including awareness, trust, education/literacy, citizenship, and overall quality of life and confidence-building. In particular, the importance of youth PB for education and budget literacy was highlighted and additional examples of practices in Russia and Croatia were provided.

Exhibit 15: Recommendations for Youth PB

1. Expand the general PB to engage young people through a contextualized youth PB model.
2. Use the principles of youth-led and youth-centered approaches.
3. Ensure that important aspects of the youth PB process are in place. Use the checklist for assessment.
4. Facilitate introduction of youth PB at national and subnational level:
 - communicate its importance;
 - develop methodological recommendations;
 - organize training of responsible public authorities' representatives, representatives of schools, and youth organizations; and
 - implement pilot youth PB initiatives at national level.

Work Planning BCOP's FY22 Activities

The last session of the plenary meeting was devoted to participants' proposals of budgeting topics for the BCOP examination in FY22. It was decided that a survey would be prepared and sent to member countries to enable them to vote on priority topics for FY22, based on the outcomes of discussions at this FY 21 Plenary Meeting and at the March 2021 BCOP VC workshop as well as the high priority unaddressed topics from the countries' list of priorities collected in early FY21.

The resulting survey on priority topics included the following four questions:

1. Please select two topics that would be of most interest for your country to be examined by the BCOP in FY22 **within the Program and Performance Budgeting Working Group:**
 - a. A step-by-step analysis of a spending review approach in an advanced country based on one specific spending review example in a selected sector
 - b. Green/climate change budgeting
 - c. Mechanisms for increasing the demand and understanding of performance budgeting information by parliaments
 - d. Recommendations on the presentation of performance information by kind/level and by the intended audience (i.e., in budget documentation, national strategic plans, strategic plans for the individual sector, citizens budgets, etc.)

2. Please select two topics that would be of most interest for your country to be examined by the BCOP in FY22 **within the Budget Literacy and Transparency Working Group:**
 - a. Support measures for engaging vulnerable groups in participatory budgeting
 - b. Ways for Ministries of Finance to improve transparency and budget literacy/understanding within the budget planning process
 - c. Creating digital platforms for citizens' participation in the budget process
 - d. Modernizing public hearings for budgeting
 - e. Methodology for estimating social and economic impacts of participatory budgeting

3. Please select two topics that would be of most interest for your country to be examined by the BCOP in FY22 **outside of the individual BCOP working groups' topics:**
 - a. Medium-term budgeting for baseline versus new policy scenarios
 - b. Joint examination of the two BCOP's working groups on budgeting for Sustainable Development Goals (SDGs)
 - c. Joint examination of the two BCOP's working groups on digitalization in budgeting
 - d. Joint examination of the two BCOP's working groups on budgeting for rural development
 - e. Measures that can be implemented by the Ministries of Finance to support the post-Covid recovery, including capital budgeting

4. Do you think that BCOP should form a **new separate working group** for FY22 in one of the following areas:
- a. A working group on green/climate change budgeting
 - b. A working group on medium-term budgeting for baseline versus new policy scenarios
 - c. A working group on capital budgeting

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