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Public Financial Management and Governance among ASEAN Member States: Reform Priorities toward Excellent Financial Performance and Competitiveness

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Public Financial Management and Governance among ASEAN Member States: Reform Priorities toward Excellent Financial Performance and Competitiveness

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With the ASEAN integration and in the spirit of competitiveness, member states are faced with more stringent financial resource management and allocation challenges that may have not been present prior to the socio-cultural and political-economic integration. The paper intends to elucidate pertinent stakeholders who are prime movers in the direction of the management of financial resources in the public sector among the ASEAN 10-member states. The paper intends to establish the key drivers in pursuing continues public financial management reforms, in the following areas: 1) revenue and taxation, 2) procurement, 3) financial reporting, 4) internal and external auditing, 5) public debt management, 6) capacity building, 7) budgeting and 8) governance. Ultimately, financial performance evaluation should lead towards achieving intended outcomes. OECD countries have reported a number of benefits from the use of performance information, as follows: a) it generate a sharper focus on results within the government; b) it provides more and better information on government goals and priorities and on how different programs contribute to achieve these goals; c) it encourages a greater emphasis on planning and acts as a signaling device that provides key actors with details on what is working and what is not; d) it improves transparency by providing more and better information (to parliaments and) to the public, and has the potential to improve public management and efficiency (Curristine, Lonti and Joumard:2007).

The paper intends to provide answers to the following research questions: 1) How does the public financial management systems of the ASEAN member states similar and different across various areas? 2) What were the reform priorities carried out by these ASEAN member states? 3) How were the ASEAN member states' financial performances in relation to governance and competitiveness? In the light of their respective public financial management reform programs, how will low ranking ASEAN member states improve their competitiveness performance vis a vis with governance dimensions? What competitiveness policy directions may be pursued by these countries in order to improve their competitiveness?

The paper project will be a triangulation of qualitative and quantitative methodologies. Through content analysis of various related reports as well as relevant quantitative review and analysis of financial statistics, commonalities and differences will be identified. The paper will look into the ASEAN member states' historical (FY 2006 – 2016) and current state of competitiveness. Competitiveness' developments and areas for improvement in the ASEAN countries will be compared and contrasted for a comprehensive understanding of certain complexities prevalent in the South East Asian region. As a validation on the competitiveness policy directions to be taken by ASEAN countries, the World Governance Indicators' six dimensions (voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law and control of corruption) will be regressed with the ten-year average Global Competitiveness Index and Financial Performance Indicators.

Despite of the ensuing global economic downturn and the vulnerability of the region to changes in the global market, the principle of sustainability in policy processes in the region will have to be reinforced, in a collective effort to pursue a trajectory of achieving sustainable development fueled by competitiveness.

Keywords: Public Financial Management, ASEAN, Governance, Competitiveness

Public Financial Management and Governance among ASEAN Member States: Reform Priorities toward Excellent Financial Performance and Competitiveness

Introduction

With the ASEAN integration and in the spirit of competitiveness, member states are faced with more stringent financial resource management and allocation challenges that may have not been present prior to the socio-cultural and political-economic integration. Individuals of ASEAN governments are working on improving the integration through regulatory harmonization, reduction of trade barriers and promotion of labor mobility between countries under the coordination of the ASEAN Secretariat (World Bank Group, 2014).

Effective institutions and systems of public financial management (PFM) play a critical role in the implementation of national policies concerning development and poverty reduction. Good PFM is the linchpin that ties together available resources, delivery of services, and achievement of government policy objectives. If it is done well, PFM ensures that revenue is collected efficiently and used appropriately and sustainably (PEFA, 2016). With widespread international agreements on the importance of PFM, the Public Expenditure and Financial Accountability (PEFA) program introduced way back in 2001[1] has been used extensively in this paper as basis for the comparisons of public expenditure and financial accountability across seven out of ten ASEAN member states.

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[1] In accord with widespread international agreement on the importance of PFM, the Public Expenditure and Financial Accountability (PEFA) program was initiated in 2001 by seven international development partners: The European Commission, International Monetary Fund, World Bank, and the governments of France, Norway, Switzerland, and the United Kingdom. PEFA began as a means to harmonize assessment of PFM across the partner organizations. It was created to establish a standard methodology and reference tool for PFM diagnostic assessments. PEFA was also expected to provide a basis for dialogue on PFM reform strategies and priorities as well as a pool of information that could contribute more broadly to research and analysis of PFM. Since 2001 PEFA has become the acknowledged standard for PFM assessments. More than 500 PFM assessment reports from 149 countries have been completed as of December 31, 2015.

The paper intends to elucidate pertinent stakeholders who are prime movers in the direction of the management of financial resources in the public sector among the ASEAN 10-member states. The paper intends to establish the key drivers in pursuing continues public financial management reforms, in the following areas: 1) revenue and taxation, 2) procurement, 3) financial reporting, 4) internal and external auditing, 5) public debt management, 6) capacity building, 7) budgeting and 8) governance. Ultimately, financial performance evaluation should lead towards achieving intended outcomes. OECD countries have reported a number of benefits from the use of performance information, as follows: a) it generate a sharper focus on results within the government; b) it provides more and better information on government goals and priorities and on how different programs contribute to achieve these goals; c) it encourages a greater emphasis on planning and acts as a signaling device that provides key actors with details on what is working and what is not; d) it improves transparency by providing more and better information (to parliaments and) to the public, and has the potential to improve public management and efficiency (Curristine, Lonti and Joumard:2007).

Conceptual Framework
On Assessment of Public Financial Management Systems of the ASEAN Member States

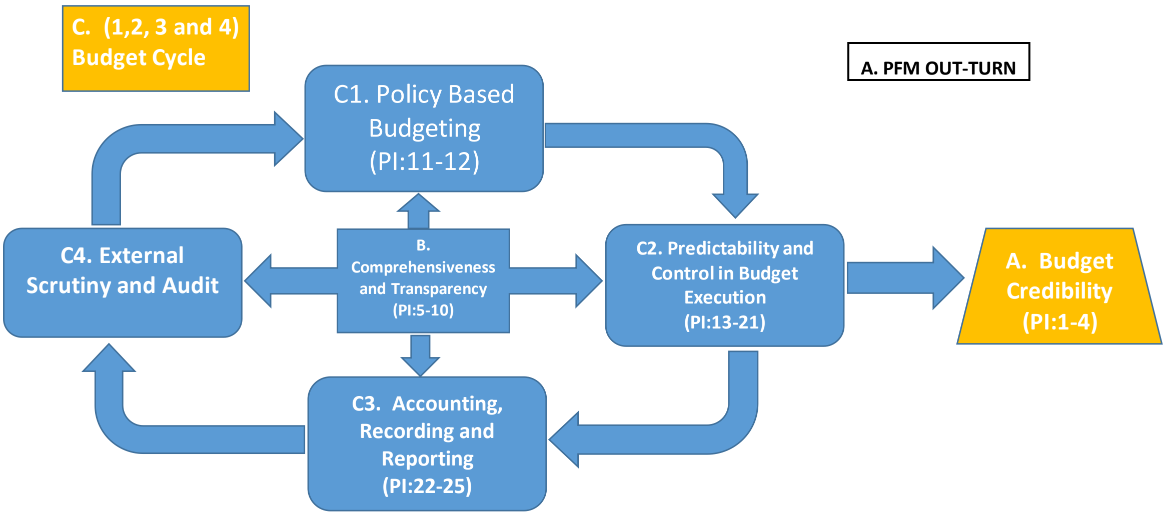

Diagram 1.1 Structure of the PEFA performance indicator set
Source: PEFA Framework, January 2011.

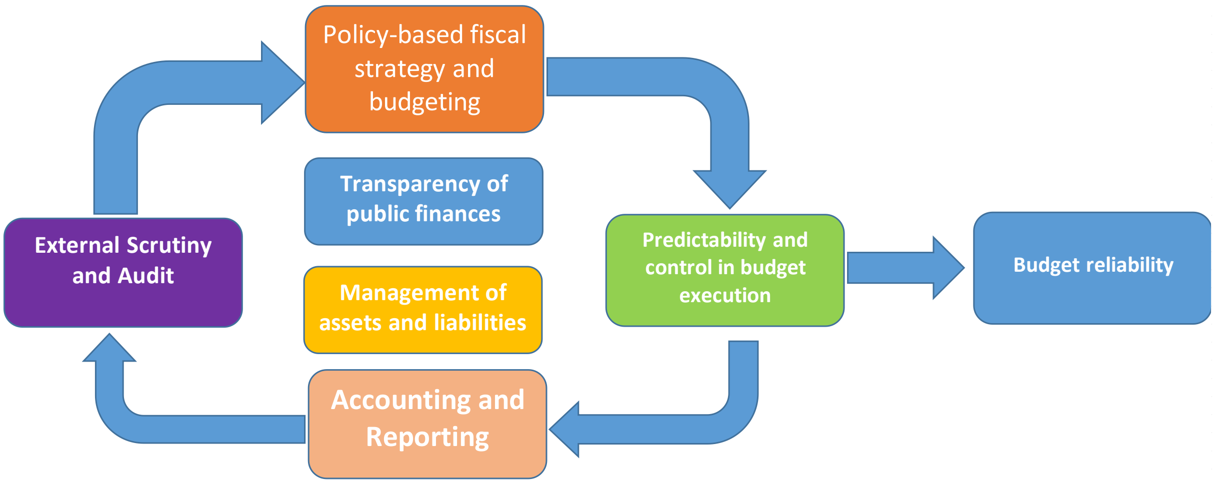

Diagram 1.2 PEFA pillars and the budget cycle
Source: PEFA Framework, 2016

In the review of the literature on public financial management reform, the World Bank Group's Public Expenditure and Financial Accountability (PEFA) frameworks (2011 and 2016) were found to be useful for the purpose of the paper. As indicated in the PEFA reports reviewed, the review conducted were useful in determining the status of a particular ASEAN country in a specific pillar or indicator. Correspondingly, the result of the assessment served as basis in formulating the action plan for the implementation of a specific country's PFM Reform program.

Following the philosophy of the PEFA framework, the performance reports reviewed do not comment on the policies and capacity issues. Thus, after literature review, the author sees the gap and will provide recommendations as deemed fit so as to address policy improvement and capacity concerns.

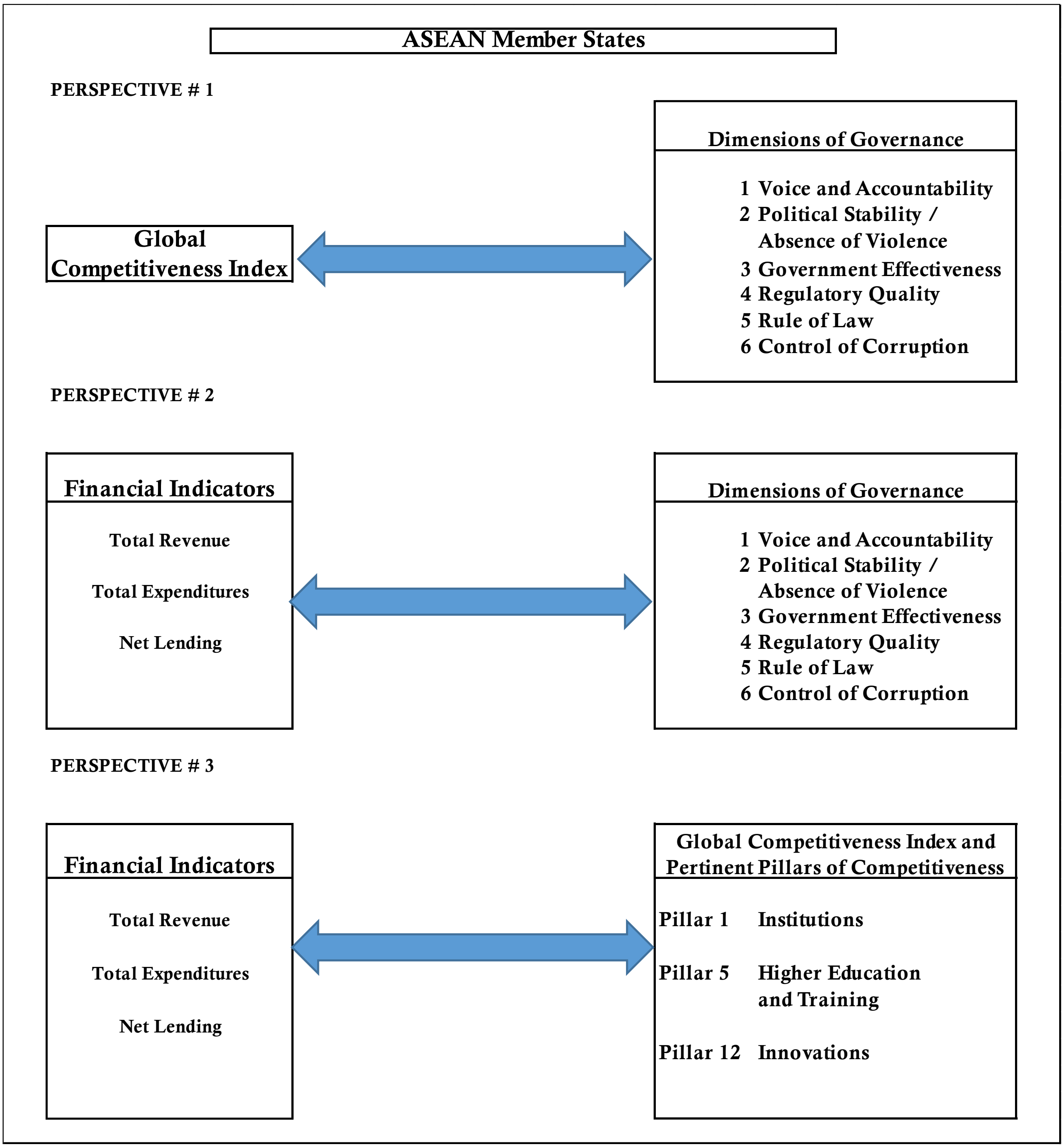

Diagram 1.3 Tri-perspective quantitative analysis of identified dependent and independent variables [Author's concept (Munez, 2017)]

In the last 20 years, enormous progress has been made around the world in terms of socioeconomic indicators. The rapid diffusion of technology and greater access to capital and world markets have enabled economic growth rates that were previously unfathomable and have helped lift over one billion people out of poverty. Yet at the same time, increased flows have also led to rising inequality, both within and across borders, and to greater vulnerability to global economic trends and cycles. Although the global spread of capital, technology, ideas, and people has helped many countries and people progress, other places and populations have been seemingly left behind and are still confronted by violence, slow growth, and limited opportunities for advancement. (World Development Report 2017).

The South East Asian region is characterized with a wide geographical area of diverse landscapes, climates, societies, cultures, religions and economies. Unfortunately, the diversity in the region aggravated inequality and prevalence of utmost poverty in a massive scale. With the reality of environment degradation and climate change, sustainability challenges remain to be a priority in the policy agenda in the ASEAN region. In this regard, competitiveness and sustainability are outcomes that are being measured and monitored by the World Economic Forum for the past 35 years across more than a hundred economies. The Global Competitiveness Index Reports have served as basis for economic, social, political and regulatory reforms adopted to bring about the desired level of inclusivity through formal and informal socio-economic structures (Guha-Khasnobis, Kanbur and Ostrom,2006). The paper will look into ASEAN member states' historical (FY 2006 – 2015) state of competitiveness as consolidated in the Global Competitiveness Index (GCI)[2].

As a validation on the competitiveness policy directions to be taken by ASEAN member-states, the World Governance1 Indicators'[3] six dimensions (voice and accountability,

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[2] There are twelve important pillars of global competitiveness index, namely: Pillar 1 - Institutions, Pillar 2 – Infrastructure, Pillar 3 – Macroeconomic environment, Pillar 4 – Health and primary education, Pillar 5 - Higher education and training, Pillar 6 – Goods market efficiency, Pillar 7 – Labor market efficiency, Pillar 8 – Financial market development, Pillar 9 – Technological readiness, Pillar 10- market size, Pillar 11 – Business sophistication and Pillar 12 -Innovations.

[3] Governance has been defined as the process through which state and non-state actors interact to design and implement policies, within a given set of formal and informal rules that shape and are shaped by power (Dahl, 1957 and Lukes, 2004). This definition is consistent with the World Bank's corporate definition of governance which emphasizes formal institutions (denotes organizations and rules) and the role of state actors. Power on the other hand has been defined as the ability of groups and individuals to make others act in their interest and to bring about specific outcomes

political stability and absence of violence, government effectiveness, regulatory quality, rule of law and control of corruption) will be regressed with the ten-year average Global Competitiveness Index and anticipated to reveal significant relationship results (Note: For ASEAN member states r2s' range of .80 to .98 which will be discussed further in the analysis) Despite of the ensuing global economic downturn and the vulnerability of the region to changes in the global market, the principle of sustainability in policy processes in the region will have to be reinforced, in a collective effort to pursue a trajectory of achieving sustainable development fueled by competitiveness.

Based on the world economic outlook of the International Monetary Fund website, government financial statistics provide various indicators of a particular country's economic development and financial performance. For the purpose of the paper, the financial indicators that were considered relevant to public financial management are as follows: general government revenue[4], general government expenditures[5] and general government net lending. / borrowing[6].

[4] General government revenue (National currency). Revenue consists of taxes, social contributions, grants receivable, and other revenue. Revenue increases government's net worth, which is the difference between its assets and liabilities (GFSM 2001, paragraph 4.20). Note: Transactions that merely change the composition of the balance sheet do not change the net worth position, for example, proceeds from sales of nonfinancial and financial assets or incurrence of liabilities.

[5] General government total expenditure (National currency). Total expenditure consists of total expense and the net acquisition of nonfinancial assets. Note: Apart from being on an accrual basis, total expenditure differs from the GFSM 1986 definition of total expenditure in the sense that it also takes the disposals of nonfinancial assets into account.

[6] General government net lending/borrowing (National currency). Net lending (+)/ borrowing (–) is calculated as revenue minus total expenditure. This is a core GFS balance that measures the extent to which general government is either putting financial resources at the disposal of other sectors in the economy and nonresidents (net lending), or utilizing the financial resources generated by other sectors and nonresidents (net borrowing). This balance may be viewed as an indicator of the financial impact of general government activity on the rest of the economy and nonresidents (GFSM 2001, paragraph 4.17). Note: Net lending (+)/borrowing (–) is also equal to net acquisition of financial assets minus net incurrence of liabilities.

Dimension of Governance per World Governance Indicators

World Bank's Worldwide Governance Indicators[7] project reports aggregate and individual governance indicators for over 200 countries and territories over the period of 1996 to 2015, for six dimensions of governance: Voice and Accountability; Political Stability and Absence of Violence; Government Effectiveness; Regulatory Quality; Rule of Law and Control of Corruption. These aggregate indicators combine the views of a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. They are based on over 30 individual data sources produced by a variety of survey institutes, think tanks, non-governmental organizations, international organizations and private sector firms[8].

Kaufmann, Kraay and Mastruzzi (2010) defined governance as *"the traditions and institutions by which authority in a country is exercised".* This includes (a) the process by which governments are selected, monitored and replaced; (b) the capacity of the government to effectively formulate and implement sound policies and (c) the respect of citizens and the state for the institutions that govern economic and social interactions among them" Thus, they have constructed two measures of governance in the above listed areas resulting to the dimensions of governance, as follows:

a) The process by which governments are selected, monitored and replaced:

1) **Voice and Accountability (VA)** – capturing perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association and a free media.

[7] Produced by: Daniel Kaufmann, Natural Resource Governance Institute (NRGI) and Brookings Institution and Aart Kraay, World Bank Development Research Group.
[8] Retrieved at http://info.worldbank.org/governance/wgi/index.aspx#home

2) **Political Stability and Absence of Violence / Terrorism (PV)** – capturing perceptions of likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism.

b) The capacity of the government to effectively formulate and implement sound policies:

3) **Government Effectiveness (GE)** – capturing perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.

4) **Regulatory Quality (RQ)** – capturing perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.

c) The respect of citizens and the state for the institutions that govern economic and social interactions among them:

5) **Rule of Law (RL) –** capturing perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police and the courts, as well as the likelihood of crime and violence.

6) **Control of Corruption (CC) –** capturing perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.

As emphasized by Kaufmann Kraay and Mastrruzi, the six dimensions of governance should be interpreted to be independent with one another. The inter-relationships mean that the task of assigning individual variables measuring various aspects of governance to the broad six categories is not clear-cut.

Pertinent global competitiveness index

Since 2005, the World Economic Forum has based its competitiveness analysis on the Global Competitiveness Index (GCI), a comprehensive tool that measures the microeconomic and macroeconomic foundations of national competitiveness (Schwab, 2014). Considering the pressing needs of the time, the study will focus on only 3 pillars from each sub-index categories in order to determine the performance of ASEAN member-states during the time period of 2006 to 2016.

The following discussions were excerpts taken from the Global Competitiveness Report 2014 – 2015 (4-9):

First Pillar: Institutions

The institutional environment is determined by the legal and administrative framework within which individuals, firms and government interact to generate wealth. The importance of a sound and fair institutional environment has become all the more apparent during the recent economic and financial crisis and is especially crucial for further solidifying the fragile recovery, given the increasing role played by the state at the international level and for the economies of many countries. The quality of institutions has a strong bearing on competitiveness and growth[9]. It influences investment decisions and the organization of

[9] See Easterly and Levine, 1997; Acemoglu et al 2001, 2002; Rodrik et al, 2002 and Saia-I-Martin and Subramanian, 2003.

production and plays a key role in the ways in which societies distribute the benefits and bear the costs of development strategies and policies.

Fifth Pillar: Higher education and training

Quality higher education and training is crucial for economies that want to move up the value chain beyond simple production processes and products[10]. In particular, today's globalizing economy requires countries to nurture pools of well-educated workers who are able to perform complex tasks and adapt rapidly to their changing environment and the evolving needs of the production system. This pillar measures secondary and tertiary enrolment rates as well as the quality of education as evaluated by business leaders. The extent of staff training is also taken into consideration because of the importance of vocational and continuous on-the-job training – which is neglected in many economies – for ensuring a constant upgrading of workers' skills.

Twelfth Pillar: Innovations

Innovation can emerge from new technological and non-technological knowledge. Technological breakthroughs have been the basis of many of the productivity gains than our economies have historically experienced. For low ranking countries, there is a need to have an environment that will be conducive to innovative activities and supported by both the public and the private sectors. Investments in research and development will have to be pursued for it will be critical for sustainable growth into the future.

[10] See Schultz 1961; Lucas 1988;Becker 1993 and Kremer 1993.

Problem Statement

The paper intends to provide answers to the following research questions:

1) How does the public financial management systems of the ASEAN member states similar and different across various public financial management areas?
2) What were the reform priorities carried out by these ASEAN member states?
3) How were the ASEAN member states' financial performances in relation to governance and competitiveness?
4) In the light of their respective public financial management reform programs, how will low ranking ASEAN member states improve their competitiveness performance vis a vis with governance dimensions? What competitiveness policy directions may be pursued by these countries in order to improve their competitiveness?

Literature Review

Public Financial Management Reform

Strong Public Financial Management (PFM) systems are essential to improved service delivery, poverty reduction and to achievement of the MDGs. Effective PFM systems maximise financial efficiency, improve transparency and accountability, and – in theory – will contribute to long-term economic success. Activities range from the preparation and fulfilment of the budget cycle, budget oversight and control, taxing and debt management and procurement, to resource allocation and income distribution, and are increasingly seen as a set of inter-related sub-systems (and organisational and political cultures), rather than a stand-alone activity (Pretorius, C. and Pretorius, N.:2008)[11].

[11] This literature review done by Pretorius and Pretorius aimed to synthesise the main theoretical approaches and findings from evaluations of PFM reform programmes, and to identify knowledge gaps. The literature reviewed included academic and technical articles, development practitioner guides, manuals, handbooks and websites. A multi-donor evaluation examining how to strengthen PFM in (and with) partner countries is planned for 2009, and this literature review will feed into that process

The review conducted by Pretorius and Pretorius has focussed on literature written in the last ten years. Given that the overall objective of the review is to provide inputs to an evaluation on how to strengthen PFM in partner countries, the emphasis is placed on recent research into PFM reform in developing and transition countries. Experience in Organisation for Economic Cooperation and Development (OECD) countries is referenced, where relevant. The following paragraphs provide a brief summary of the various approaches, major trends, reform experience and evaluation gaps.

> ***Triggers for PFM Reform***
>
> *The Paris Declaration on Aid Effectiveness, the associated emphasis on the use of country systems, the increasing use of budget support, and greater emphasis on governance and anti-corruption issues, have placed PFM reform in centre stage, both from a poverty reduction and sustainable peace (in post-conflict countries) perspective. For donors, the importance of sound PFM systems in recipient countries also relates to concerns about funds not being used for intended purposes and the associated impact on development effectiveness and their own reputation. Triggers for PFM reform include fiscal crisis, public pressure, donor pressure, political change including post-conflict situations and the demands of regional affiliations such as European Union (EU) accession. In a postconflict situation, for example, the establishment of an overall framework for PFM and economic management is considered to be an important first step for sustainable peace as well as economic growth.*

Approaches to PFM Reform

During the seventies and eighties, OECD countries and some developing countries began to review the management of their public sector. This led to the development of the New Public Management (NPM) model, which emphasises managerial accountability, and was accompanied by the introduction of financial management measures, often referred to as New Public Financial Management (NPFM). Reviews in OECD countries show that the precise direction and speed of these PFM reforms were influenced by the country's political and social heritage.

By the mid-nineties, there was a general realisation that the transferability of ideas to developing countries using a blueprint approach was beset with problems, and there was a shift to acknowledging the importance of context, and first getting 'the basics right' for each situation. The World Bank's Public Expenditure Management (PEM) represented another approach, which highlighted the need to move from the due process approach, to consider all actors and practices (formal and informal) involved in the budget process.

By the beginning of 2000, developing country governments and donors began to question why PFM reforms had achieved only limited success. The ensuing search for answers led to the following conclusions. Firstly, that the budget is a political process, not just a technical one, and that in many countries informal behaviour and practices override the formal ones. Secondly, that reform programmes need country ownership and political commitment to achieve real sustainable progress, and thirdly, that donor coordination and harmonisation is essential.

This improved understanding has led to the development of three different, but potentially mutually re-enforcing approaches to PFM reform. Political Economy models, such as the Drivers of Change (DoC) Approach and the Expected Utility

Stakeholder Model (EUSM) emphasise the importance of political context; the Platform Approach focuses more on the sequencing of reform within a specific country context; and the Strengthened Approach defines the relationship and roles of stakeholders in the PFM reform process.

Evaluations of where a Political Economy model has been applied to PFM reform are limited. DFID, for example, has carried out a number of DoC studies, but it does not yet appear to be possible to verify whether these high-level analyses have been translated into operational strategies and programmes, and the subsequent impact. Both the Platform and Strengthened approaches are comparatively new, and consequently few progress assessments or substantive evaluations have been conducted. However, initial studies show some positive impact and tangible benefits.

The above models and approaches have essentially been applied to reform of expenditure management rather than revenue administration. NPM, PEM and the Basics First Approach apply predominantly to expenditure management. The Political Economy, Strengthened and Platform approaches are applicable more widely, they have in practice been generally used for expenditure reform. A different set of models have been applied to revenue reform.

Tax revenue administration 'models' have involved organisational changes. The main model at least for African and Latin American countries has been the creation of a semi-autonomous revenue agency (SARA). Another trend in revenue administration has been to organise activities by function e.g. audit services, collections, rather than by tax type e.g. Value Added Tax (VAT) or Income Tax, in the belief that this increases collections and reduces the potential for corruption.

Claims are made about the positive impact of SARAs; however, attributing increases in revenue collections solely to a new governance framework is difficult, and their introduction alone does not prevent political interference or fraudulent activities.

Measuring Change

Despite the level of investment in PFM reform in both developed and developing countries, monitoring and evaluation appears to have been comparatively weak. Until recently, assessment of PFM reform progress has been hampered by the lack of performance-based indicators.

In developing countries, donor evaluations have frequently concentrated on their technical assistance, rather than the impact, relevance or sustainability of the reform itself. Other evaluations have often been based on observation and experience, rather than use of OECD evaluation criteria. This seems to be true across geographical region, although sub Saharan African countries' reforms seem to have been more extensively monitored and evaluated.

Reform Experience

The following section summarises reform experience. It is not possible to relate this experience directly to the above models. Reform experience has guided the development of some of the newer approaches and continues to reinforce the need for recognition of country context; however, links between the theory and practice are often tenuous.

Most of the PFM reform literature now agrees that PFM reform is a long-term endeavour, or even a continuing process of improvement. Progress assessments for heavily indebted poor countries (HIPC) show limited, but uneven progress and stress the need for realistic timescales. Unrealistic timescales were identified as one *of the reasons for many PFM reform failures e.g. implementation of integrated financial management information systems (IFMIS). There is concern in some of the literature that Ministry of Finance (MoF) managed PFM reforms are concentrating on the achievement of aggregate fiscal discipline and improvement at the centre, to the detriment of sector requirements.*

Most reforms fail not because of the contents or technical aspects of the reform programmes, but because of the way in which they were implemented. Evaluations have shown, in particular, that PFM reform programmes need to be country-specific, as they cannot be divorced from their historical, political and social heritage.

Initial evaluations of the medium-term expenditure framework (MTEF) in 2002, showed limited success, because of the highly complex, political and institutional nature of the task. Similarly, OECD experience suggests that performance-based budgeting is having mixed results, because of the need to customise the approach and develop appropriate incentive systems for civil servants and politicians.

The aim of general tax administration reforms is to increase voluntary compliance, as well as increasing revenue and reducing evasion. Country experience suggests that success requires time, high-level political commitment and public support, and to be embedded in and part of wider public sector reforms.

Procurement reforms and the modernisation of procurement systems in developing countries has recently received increased attention. Objective indicator-based assessments of procurement practices were only launched in 2008, so the evidence of success is somewhat limited. However, in the Philippines success is reported as being due to strong ownership of less than perfect reform, rather than no ownership of state of the art practices. This underlines the importance of understanding how *the political economy functions, although there is no evidence from the literature, of analysis having been carried out to inform procurement reform.*

Support to payroll reforms has concentrated on the introduction of automated systems; however, there appears to have been no evaluation of their effectiveness, either in terms of improving controls or in improving medium-term planning processes.

In heavily indebted countries, there are reported to be only limited improvements in internal controls, although no clear explanation as to why this has occurred. Debate continues on the best role for internal audit in the public sector.

The importance of timely, consistent and comprehensive reports is emphasised in PFM reform literature, and efforts to improve consistency and comparability have been made through the introduction of international public sector standards. The academic debate on the advantages and disadvantages of accrual accounting (and budgeting) continues. OECD experience shows that the move from cash to accrual accounting needs careful planning, and to be part of wider public sector reforms.

Supreme Audit Institutions (SAIs) have a vital role in holding government to account and ensuring transparency in government operations. Generally, audit reforms take a long time, although a number of quick wins have been identified. Reviews suggest that audit reforms have benefited from peer-learning practices including twinning arrangements, contact committees and other regional affiliations.

Cross-cutting Issues

First-generation PFM reforms in developing countries concentrated on technical issues, second-generation reforms have recognised the need to enhance the role of the legislature and thus improve domestic accountability. .In developing countries, *many donors have been promoting changes in legislation, but the literature notes that lack of compliance is often the major issue, and new legislation alone is unlikely to achieve desired results. The literature highlights a general lack of evaluations on the effectiveness of support provided to legislatures.*

Generally, PFM reforms in OECD countries have taken place alongside broader public service reforms. OECD guidelines and results from several capacity building evaluations also highlight the links and dependencies between public service reforms and sustainable PFM reform.

Automated systems, particularly IFMIS have become synonymous with PFM reform, seen by some as even drivers of reform. Failure rates were reportedly high, because of unrealistic timescales, lack of ownership, insufficient consultation and inadequate specifications.

Gender responsive budget analysis (GRB) involves analyzing and reordering budgetary priorities from a gender perspective. The evidence from GRB initiatives is mixed, with concerns raised about the sustainability of initiatives where government ownership is weak. The role of civil society, and the value of tailored context specific inputs have been highlighted where a more equitable distribution of public resources has been achieved.

Moving Forward

The new guidance for donors is to build on existing capacity rather than impose external solutions. There is also a realisation that money alone will not buy real reform. The literature highlights lack of professional skills, rather than managerial skills, as a serious constraint on PFM reform. Various training methods are used, but there appear to be no studies on which one is the most effective. However, peer groups and regional affiliations are becoming increasingly popular.

Recent reform literature emphasises the need to consider cross-cultural change management issues in the design and implementation of reforms. In Bangladesh and Guatemala, establishing 'bottom-up' support for reforms was critical to their *progress; however, there appears to be limited evidence of the use of broader change management methods, such as managerial coaching. In the Pacific region, recognition of different cultural values has also been important in designing capacity-building programmes, but this appears to be a rather isolated example.*

Recent literature emphasises the importance of civil society in all stages of the budget cycle and their role in promoting and monitoring PFM reform. The role of the media and private sector is also acknowledged, particularly in procurement reform and in the Extractive Industries Transparency Initiative (EITI); however, there do not appear to be many evaluations of their actual influence on PFM reform.

The trend towards greater use by donors of partner-country systems means that in aid-dependent countries, donors play a significant role in promoting PFM reform. The literature does highlight the need to understand the incentives of aid and the political economy of donors on PFM reforms, but no studies could be found on their impact.

Strong Institutions

Sustainable Development Goals 16 promotes peace, justice and strong institutions[12]. The attainment of all SDGs will require a solid understanding of governance so as to enable

[12] Retrieved from http://www.un.org/sustainabledevelopment

effective policies. Drivers of policy effectiveness include commitment[13], coordination[14] and cooperation[15] (World Development Report 2017) which will ensure stronger institutions.

State-building—the creation of new governmental institutions and the strengthening of existing ones—is a crucial issue for the world community today. (Fukuyama, 2004). OECD (Whaites, 2015), in its High-Level Panel Report on the Post-2015 Development Agenda, has made a strong plea for effective institutions, calling for a "fundamental shift" to recognise their significant role in contributing to citizens' well-being. The Open Working Group (OWG) on Sustainable Development Goals (SDGs) has followed suit by putting forward a goal to "promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels." The challenge lies on the mechanism that will actually transfer strong institutions in developing countries.

Talent Maximization

The reality in organizations is to ensure that their institutions will be able to provide good reasons in attracting, hiring and retaining highly qualified individuals for sustainable development of their respective organizations and collectively the entire economy will benefit as a whole. A high quality of instruction and the holistic approach in educating prospective and

[13] Commitment enables actors to rely on the credibility of policies so as to calibrate their behaviour accordingly. Consistency over time in terms of policies is not easy to achieve. Circumstances change, policy objectives may extend beyond the political cycle, and resources may fail to match, changing the incentives to implement previously chosen policies. In line with the economic theory of incomplete contracts, policies require commitment devices in order to ensure their credibility. (World Development Report 2017, 4)

[14] Coordination is also needed. Investment and innovation require that firms and individuals believe that others will also invest. Institutions can help solve market failures by coordinating investment decisions and coordinating the expectations of market participants. (World Development Report 2017, 6)

[15] Policy effectiveness to achieve equitable development requires cooperation, particularly citizens' willingness to contribute to public goods and not free-ride on others. The extent to which societies can ensure opportunities for all individuals relies on their ability to provide high-quality services, such as health, education, or connectivity, and to ensure access to economic opportunities, especially access to markets that allow individuals to use the assets acquired. Collecting the taxes needed to fund investments in public goods requires individuals' willingness to comply and cooperate. Credible and consistent enforcement of laws are also needed to expand opportunities and level the playing field. (World Development Report 2017, 7)

existing workforce, through extension work and research, are becoming a pre-requisite for people from whatever country to be globally competitive. Talent maximization may be construed as job enrichment, but then the focus is not the job but rather the talent that every employee may be bringing into the table. There are talents that are highly utilized but there underneath the surface but at the very core of an individual, talents which may be explored and used so as to drive productivity level to higher heights. The training of worker or employees is important. It is necessary to adjust the characteristics of each person in each office designated to make the company more functional and meaningful. According to Nadler y Nadler (1994) there are three areas of activity in the development of human resources (HR): Training, Training and Development. Training is focused on improving the current or future performance of a person in his current job or workplace. Development on the other hand, focuses on possible future performance in posts not yet appointed in the same organization or the market in general.

Human Capital, through the ideas, thoughts, innovations and creativity, is able to influence positive results of companies. It is the fundamental basis of these results, to generate profits and achieve goals. All these reasons require the assertion that the human factor is the most valuable of the organization's resources. Human Capital development provides the opportunities for each person in the firm. (Correa et al, 2015)

The Theory of Human Capital is the basic idea of considering education and training of the organization as an investments by rational individuals, to increase production efficiency and income. The Human Capital Theory, using micro foundations, believes that economic agent (individuals) makes the decision to invest in their education (further education or not). The arbitrator or judge is the relationship between the benefits a person will get in the future if it incurs and the investment costs (the opportunity cost of foregone salary to be studying and direct costs, cost of studies). The individuals and firm will continue to explore whether the net present value of costs and benefits is positive (Gitman, 2005)

Wider Innovation Spaces

Innovation is a competitive advantage that all actors should encourage: educational institutions, businesses and government agencies. This should be done not by decree, but through strategic plan generation and promoting innovation, convinced by the concept that competitive advantage is urgent. (Gonzales, 2008). For many years, technology policy was under the umbrella of industrial policy or research and therefore education. When innovation policy emerged as a distinct field, the belief that innovation is derived naturally and without problems of scientific discovery. Developments in recent times related to technological advancements and innovations are the basis an innovation systems approach, which provide a conceptual framework for understanding the complexities of the innovation process, institutional arrangements that may affect the firm and contribute to extend the sphere of creation of innovative policies.

Methodology

The paper project has been a triangulation of qualitative and quantitative methodologies. Through content analysis of various related PEFA reports as well as relevant quantitative review and analysis of financial statistics, commonalities and differences has been identified. The paper looked into the ASEAN member states' historical (FY 2006 – 2015) and current state of competitiveness. Competitiveness' developments and areas for improvement in the ASEAN countries has been compared and contrasted for a comprehensive understanding of certain complexities prevalent in the South East Asian region. As a validation on the competitiveness policy directions to be taken by ASEAN countries, the World Governance Indicators' six dimensions (voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law and control of corruption) has be regressed with the ten-year average Global Competitiveness Index and Financial Performance Indicators. Specifically, financial indicators (averaged general government revenue, expenditures and net lending) have been regressed separately with the over-all average Global Competitiveness Indices

(GCI) and the corresponding average Pillar 1 – Institution, Pillar 5 – Training and Pillar 12 – Innovation GCIs.

Discussion and Analysis

Comparisons / Contrasts of the Public Financial Management across ASEAN nations

A review of the website of the Worldbank Group on the PEFA revealed that only the following ASEAN member-states have PEFA reports for the past seven years: Cambodia, Indonesia, Lao PDR, Myanmar, Philippines, Thailand and Viet Nam. Brunei Darussalam, Malaysia and Singapore were not reviewed by the World Bank Group. Thus, for the purpose of this paper, the discussion will be limited to the comparisons done among those ASEAN member states with PEFA Evaluation reports. Consequently, any reports on the Public Financial Management Reforms undertaken by the governments of Brunei Darussalam, Malaysia and Singapore will be based on other reports that will be considered relevant.

Table 2.1 Comparisons on the Results of the Evaluation of the PEFA of several ASEAN member-states.

Summary of PEFA Assessment Methodology of PFM Performance							
Indicators	**Cambodia** (2015)	**Indonesia** (2012)	**Lao PDR** (2010)	**Myanmar** (2012)	**Philippines** (2016)	**Thailand** (2009)	**Viet Nam** (2013)
A. PFM Out-Turns: Credibility of the budget							
PI-1 Aggregate expenditure out-turn compared to original approved budget	A	C	B	C	D	B	C
PI-2 Composition of expenditure out-turn compared to original approved budget	D+	D	NR	D+	D+	A	D+
PI-3 Aggregate revenue out-turn compared to original approved budget	A	A	A	B	B	A	D+
PI-4 Stock and monitoring of expenditure payment outcomes	D+	B+	C+	NR		A	NR

Source: Various PEFA Reports (please refer to references for the details)

As far as credibility of budget is concern, Thailand got the highest rating of A in three out of four performance indicators and B for PI-1. Second to good performance is Cambodia with A in PI-1 and PI-3. Surprisingly, though Cambodia will have to make the necessary improvement in their expenditure management system and payment outcomes. It was commendable that 4 out of 7 countries were able to get an A rating in PI-3. Except for Thailand, all six countries will have to make the necessary push in improving the reporting of the composition of expenditure outturn in comparison to original approved budget. Correspondingly, these six countries will have to improve their stock and monitoring expenditure payment outcomes. Myanmar and Viet Nam do not have sufficient information to provide a proper rating for PI-4. In the case of the Philippines, since the PEFA framework has been changed (please refer to Diagram 1.2), PI-4 has not been included among the indicators being monitored. The Philippines, Myanmar and Viet Nam will have to ensure that the credibility of their annual budgets be more credible by taking steps in order to improve their performance rating in PI-1, 2 and 3.

Indicators	Cambodia (2015)	Indonesia (2012)	Lao PDR (2010)	Myanmar (2012)	Philippines (2016)	Thailand (2009)	Viet Nam (2013)
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency							
PI-5 Classification of the budget	C	A	C+	D	C	B	D+
PI-6 Comprehensiveness of information included in budget documentation	C	A	B	D	A	B	B
PI-7 Extent of unreported government operations	C	C+	D+	D+		B+	C+
PI-8 Transparency of inter-governmental fiscal relations.	B	B	D	D	A (PI-7,2016)	D+	B+
PI-9 Oversight of aggregate fiscal risk fom other public sector entities.	C+	C+	D+	C	B(PI-10, 2016)	A	C+
PI-10 Public access to key fiscal information	D	A	C	D		B	B

Source: Various PEFA Reports (please refer to references for the details)

On comprehensiveness and transparency, only Indonesia and the Philippines were able to get an A rating on the comprehensiveness of information included in the budget documentation. Philippines also got an A rating in PI-8 transparency of inter-governmental fiscal relations and Thailand got A rating in PI-9 oversight of aggregate fiscal risk from other public sector entities. Myanmar, Lao PDR and Viet Nam will have to consider providing necessary provisions to be more transparent and comprehensive with their disclosures.

Indicators	Cambodia (2015)	Indonesia (2012)	Lao PDR (2010)	Myanmar (2012)	Philippines (2016)	Thailand (2009)	Viet Nam (2013)
C. Budget Cycle							
C(i) Policy-Based Budgeting							
PI-11 Orderliness and participation in the annual budget process.	A	A	C+	C+	A (PI-17, 2016)	A	B
PI-12 Multi-year perspective in fiscal placing expenditure policy and budgeting.	C+	C+	D+	D+	B (PI-15, 2016)*, A (PI-16, 2016)*	C	C

Source: Various PEFA Reports (please refer to references for the details)

Consistently, Cambodia, Indonesia, Philippines and Thailand got A rating in PI-11 orderliness and participation in the annual budget process. Philippines is actually commendable for getting rating in both PI-11 and PI-12. Again, Lao, Myanmar and Viet Nam will have to consider providing the necessary provisions to improve their budget processes both in the coming fiscal year but also on a multi-year perspective.

Indicators	Cambodia (2015)	Indonesia (2012)	Lao PDR (2010)	Myanmar (2012)	Philippines (2016)	Thailand (2009)	Viet Nam (2013)
C(ii) Predictability and Control in Budget Execution							
PI-13 Transparency of taxpayer obligations and liabilities.	C+	B	D+	C+		A	C+
PI-14 Effectiveness of measure for taxpayers' registration and tax assessment.	D+	C+	C	D+		B	C+
PI-15 Effectiveness in collection of tax payments.	D+	C+	NR	D+		A	C+
PI-16 Predictability in the availability of funds for commitment of expenditures.	C+	C+	B+	D+		A	B+
PI-17 Recording and management of cash balance, debt and guarantee.	C+	B+	D+	C+		B+	B
PI-18 Effectiveness of payroll controls.	D+	C+	C+	D	B+ (PI-23, 2016)	B	B
PI-19 Competition, value for money and controls in procurement.	D+	C	D+	D+	C+ (PI-24, 2016)	B	C+
PI-20 Effectiveness of internal controls for non-salary expenditure.	C	C+	D+	D+	B+ (PI-25, 2016)	C+	D+
PI-21 Effectiveness of internal audit.	C	D+	D	D+	C+ (PI-26, 2016)	C+	D+

Source: Various PEFA Reports (please refer to references for the details)

Thailand is commendable for getting A rating in PI-13 transparency of taxpayer obligation and liabilities, PI-15 effectiveness in collection of tax payments and PI-16 predictability in the availability of funds for commitment of expenditures. All other six countries will have to make the necessary provisions in order to improve the predictability of their respective budget and well as set in place control in their budget execution through internal audit. PEFA assessment in the Philippines has been changed and PI-13 to PI-17 has been classified differently.

Indicators	Cambodia (2015)	Indonesia (2012)	Lao PDR (2010)	Myanmar (2012)	Philippines (2016)	Thailand (2009)	Viet Nam (2013)
C(iii) Accounting, Recording and Reporting							
PI-22 Timeliness and regularity of accounts reconciliation.	**C**	**B**	**C**	**C+**		**C+**	**B+**
PI-23 Availability of information on resources received by service delivery units.	**D**	**D**	**D**	**D**	**B+ (PI-8, 2016)**	**B**	**A**
PI-24 Quality and timeliness of in-year budget report.	**C+**	**C+**	**C+**	**C**	**D+ (PI-28, 2016)**	**B+**	**D+**
PI-25 Quality and timeliness of annual financial statements.	**D+**	**B+**	**D+**	**D+**	**C+ (PI-29, 2016)**	**C+**	**D+**

Source: Various PEFA Reports (please refer to references for the details)

For Accounting, recording and reporting, Viet Nam is commendable for getting an A rating on PI-23 availability of information on resources by service delivery units. Cambodia, Indonesia, Lao and Myanmar will have to adopt schemes to improve their rating in PI-23. In general, all seven countries need to improve the quality and timeliness of annual financial statements (PI-25). Again, Philippines was not rated in PI-22 on the timeliness and regularity of account reconciliation.

Indicators	Cambodia (2015)	Indonesia (2012)	Lao PDR (2010)	Myanmar (2012)	Philippines (2016)	Thailand (2009)	Viet Nam (2013)
C(iv) External Scrutiny and Audit							
PI-26 Scope, nature and following of external audit.	**NR**	**B+**	**D+**	**C+**	**C+ (PI-30, 2016)**	**B**	**C+**
PI-27 Legislative scrutiny of the annual budget law.	**C+**	**B+**	**C+**	**N/A**	**B+ (PI-18, 2016)**	**B+**	**B+**
PI-28 Legislative scrutiny of external audit reports.	**B**	**C+**	**C+**	**N/A**	**D (PI-31, 2016)**	**D**	**B+**

Source: Various PEFA Reports (please refer to references for the details)

On external scrutiny and audit, it will be important to note that majority of the countries were not able to get a good rating. It's very reflective that Supreme Audit Institutions in these countries will have to be reformed, encouraging participatory audits through citizen participation, making sure that external audit reports be subjected to legal scrutiny to ensure quality assurance.

Indicators	Cambodia (2015)	Indonesia (2012)	Lao PDR (2010)	Myanmar (2012)	Philippines (2016)	Thailand (2009)	Viet Nam (2013)
D. Donor Practices							
D-1 Predictability of Direct Budget Support.	**D**	**B+**	**D+**	**N/A**			**D+**
D-2 Financial information provided by donors for budgeting reporting on project / program aid.	**D+**	**D+**	**C+**	**D**			**B**
D-3 Proporton of aid that is managed by use of national procedures.	**D**	**C**	**D**	**D**			**C**

Source: Various PEFA Reports (please refer to references for the details)

Donor practices have not been very encouraging. Except for Philippines and Thailand, all other ASEAN countries will have to be improved.

Indicators	Cambodia (2015)	Indonesia (2012)	Lao PDR (2010)	Myanmar (2012)	Philippines (2016)	Thailand (2009)	Viet Nam (2013)
PEFA 2016 Changes:							
Pillar III Management of Assets and Liabilities							
PI-11 Public Investment Management					A		
PI-12 Public Asset Management					C+		
PI-13 Debt Management					B		
Pillar IV Policy-Based Fiscal Strategy and Budgeting							
PI-14 Macroeconomic and Fiscal Forecasting					A		
*PI-15 Fiscal Strategy, PI-16 Medium Term Perspective in expenditure budgeting							
Pillar V Predictability and Control in Budget Execution							
PI-19 Revenue Administration					B		
PI-20 Accounting for Revenue					A		
PI-21 Predictability of in-year resource allocation					B+		
PI-22 Expenditure Arrears					C+		
Pillar VI Accounting and Reporting							
PI-27 Financial data integrity					C+		

Source: Philippine PEFA Report (2016)

It will be important that ASEAN countries will have to undergo a re-assessment of their respective Public Financial Management systems based on the new PEFA framework. Philippines was able to get good ratings in most performance indicators. Again, it will be important to state that these assessments serve as basis for policy

Reform Priorities of ASEAN member states

The 7 countries reviewed will have to make the necessary provisions in order to improve their rating on those performance indicators where the got a D, D+, C, C+ ratings. Priority should focus on the following: PI-2, PI-4, PI-5, PI-7, PI-8, PI-9, PI-12, PI-13, PI-14, PI-15, PI-18, PI-19, PI-20, PI-21, PI-24, PI-25, PI-26 and donor practices.

Financial Performance in relation to Competitiveness and Governance

Multiple regression analysis were carried out in order to establish or determine a positive or negative relationship between the independent variables and dependent variable. Please take note that due to missing information, multiple regressions were not carried out for Brunei

Darussalam, Lao PDR and Myanmar. Three perspectives were carried out to cluster the various multiple regressions carried out. The details are as follows:

Perspective 1 Global Competitiveness vs World Governance Dimensions

Table 3.1 Regression Statistics (2006 to 2015)

	7 ASEAN countries	Singapore	Malaysia	Thailand	Indonesia	Philippines	Viet Nam	Cambodia
Regression Statistics								
Multiple R	**0.9645399**	**0.9097281**	**0.8951608**	**0.9388551**	**0.9644412**	**0.9615531**	**0.9683592**	**0.9902302**
R Square	**0.9303373**	**0.8276052**	**0.8013129**	**0.8814488**	**0.9301468**	**0.9245843**	**0.9377195**	**0.9805559**
Adjusted R Square	0.9237028	0.4828155	0.4039386	0.6443465	0.7904405	0.773753	0.8131585	0.9416676
Standard Error	0.1651952	0.069477	0.0895193	0.0628626	0.0602691	0.0844947	0.0466885	0.0578307
Observations	70	10	10	10	10	10	10	10

Source: Author's computations

To determine the influence of the independent variables taken together linear regression analysis was performed. The linear regression model indicates that the factors (dimensions of governance indicators) explained 40 percent (for Malaysia) to 94 percent (adjusted R square) of the variable of competitiveness, the balance are explained by other factors.

Perspective # 2 – General Government Revenue vs World Governance Indicators

	7 ASEAN COUNTRIES	Singapore	Malaysia	Thailand	Indonesia	Philipines	Viet Nam	Camvodia
Regression Statistics								
Multiple R	**0.789545254**	**0.978230724**	**0.969505341**	**0.86033452**	**0.962379712**	**0.980626428**	**0.995755285**	**0.993144546**
R Square	**0.623381708**	**0.956935349**	**0.939940607**	**0.740175487**	**0.926174709**	**0.96162819**	**0.991528587**	**0.98633609**
Adjusted R Square	**0.587513299**	**0.870806046**	**0.81982182**	**0.220526461**	**0.778524128**	**0.884884571**	**0.97458576**	**0.959008269**
Standard Error	325469.0354	5.746332969	18.16148001	371.4224487	214304.3846	118.3085932	51102.86342	587.2147544
Observations	70	10	10	10	10	10	10	10

Source: Author's computations

To determine the influence of the independent variables taken together linear regression analysis was performed. The linear regression model indicates that the factors (dimensions of governance indicators) explained 22 percent (for Thailand) to 97 percent (adjusted R square) of the variable of government general revenue, the balance are explained by other factors.

	7 ASEAN COUNTRIES	Singapore	Malaysia	Thailand	Indonesia	Philippines	Viet Nam	Cambodia
Regression Statistics								
Multiple R	**0.793403533**	**0.982276714**	**0.967904864**	**0.823890085**	**0.968746139**	**0.989452489**	**0.997798415**	**0.986169127**
R Square	**0.629489166**	**0.964867544**	**0.936839825**	**0.678794872**	**0.938469081**	**0.979016227**	**0.995601677**	**0.972529546**
Adjusted R Square	**0.59420242**	**0.894602631**	**0.810519475**	**0.036384616**	**0.815407243**	**0.937048682**	**0.986805031**	**0.917588639**
Standard Error	348883.2331	4.911633044	23.82020898	603.8157922	213488.0004	100.9939328	41255.96739	984.6771835
Observations	70	10	10	10	10	10	10	10

Source: Author's computations

To determine the influence of the independent variables taken together linear regression analysis was performed. The linear regression model indicates that the factors (dimensions of governance indicators) explained 59 percent (for the 7 ASEAN COUNTRIES – aggregated values) to 98 percent (adjusted R square) of the variable of government general expenditure, the balance are explained by other factors. The only exception among the data analyzed is the regression result for Thailand with 3.63 percent explanatory relationship to the World Governance Dimensions.

	7 ASEAN Countries	Singapore	Malaysia	Thailand	Indonesia	Philippines	Viet Nam	Cambodia
Regression Statistics								
Multiple R	**0.780991423**	**0.694037393**	**0.958989137**	**0.784071744**	**0.952209629**	**0.991189956**	**0.98977011**	**0.897010767**
R Square	**0.609947603**	**0.481687903**	**0.919660166**	**0.614768499**	**0.906703178**	**0.98245753**	**0.97964487**	**0.804628317**
Adjusted R Square	**0.572799755**	**-0.55493629**	**0.758980497**	**-0.155694502**	**0.720109533**	**0.947372589**	**0.938934611**	**0.41388495**
Standard Error	31115.00086	8.976833333	6.368105884	233.7105139	27903.35816	20.87413359	13208.68793	545.1561512
Observations	70	10	10	10	10	10	10	10

Source: Author's computations

To determine the influence of the independent variables taken together linear regression analysis was performed. The linear regression model indicates that the factors (dimensions of governance indicators) explained 41 percent (for Cambodia) to 98 percent (adjusted R square) of the variable of government general net lending, the balance are explained by other factors. The only exceptions among the data analyzed is the regression result for Singapore (– 55 percent) and Thailand (-16 percent) with an adverse explanatory relationship with the World Governance Dimensions.

Perspective # 3 – Financial Indicators vs Global Competitive Indices (P1, P5, P12)

	General Govt Revenues	General Govt Expenditures	General Govt Net Lending
Regression Statistics			
Multiple R	**0.771770848**	**0.766437501**	**0.654747167**
R Square	**0.595630241**	**0.587426443**	**0.428693853**
Adjusted R Square	**-0.213109277**	**-0.23772067**	**-0.713918441**
Standard Error	549394.0539	597623.0531	54926.88822
Observations	7	7	7

Source: Author's computations

To determine the influence of the independent variables taken together linear regression analysis was performed. The linear regression model indicates that the factors (financial indicators – general government revenues, expenditures and net lending dimensions of governance indicators) have negative explanatory relationship with the Global Competitiveness Indices.

Conclusion

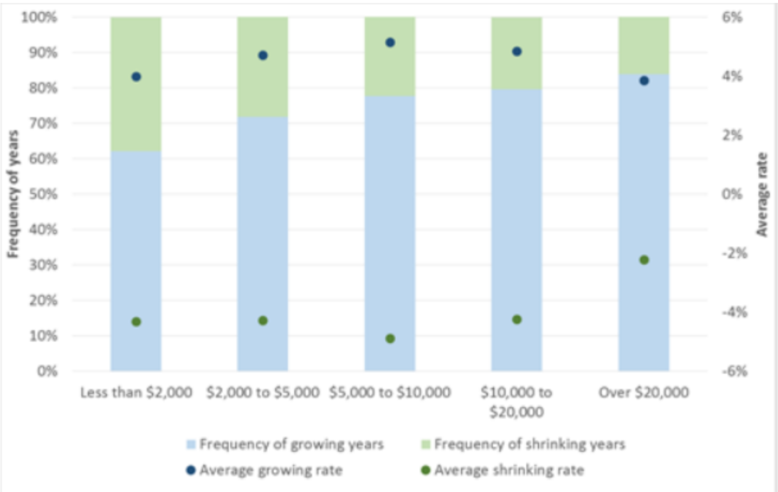
Based on the Public Expenditure and Financial Accountability (PEFA) assessment methodology in determining the Public Financial Management (PFM) system of a particular country, there is still much to be done in order for the ASEAN member-states to have an acceptable public financial management system. Priorities as to the PFM performance indicators to be improved generally are common among 17 out of 28 performance indicators. Donors practices are definitely to be improved in order to encourage a more transparent and credible budgetary process, implementation and execution.

Considering that the Global Competitiveness Index is being prepared by World Economic Forum and the Dimensions of Governance Indicators is being created by World Bank, for the multiple regression, a goodness of fit across the several multiple regression analysis run were evident due to high register of adjusted r squares except for Perspective # 3 (Financial indicators vis a vis global competitive indices) which provided negative results. Perspectives 1 and 2 revealed that the Global Competitiveness Index and the three financial indicators and the independent variables (dimensions of governance indicators) are significantly related.

Recommendations

Based on the analysis done by the World Economic Forum, they were able to determine that high income countries are better off not because they grow faster when they grow but because they shrink less frequently and at a slower rate compared to lower income countries. Please refer to Diagram 4, as follows:

Diagram 4 Long-term growth is less about how fast you grow than about not tripping along the way



Sources: WDR 2017 team based on Wallis 2016, with data from the Penn World Tables 2015.
Note: Real GDP per capita (constant prices: chain series). Countries first sorted into income categories based on their income in 2000, measured in 2005 dollars. Average annual growth rates are the simple arithmetic average for all the years and all the countries in the income category, without weighting. The sample underlying the figure includes 141 countries, which have data available from at least 1970 onward.

There is a need to work on renewed competitiveness agendas and sources of global inequality. Slow progress among commodity-dependent countries to boost resilience through diversification and widespread failure to build an enabling environment that allows innovation to truly flourish, create negative feedback loops between low competitiveness, macroeconomic vulnerability and low diversification. (Schwab, 2016, 31).

More open economies are also more innovative. Therefore, failing openness – in the form of increased non-tariff barriers to trade and investment – represents a real threat to future prosperity. (ibid, 31)

Admittedly, all factors of competitiveness are complimentary and should be addressed simultaneously. With the advancement of new technologies and innovations, the Fourth Industrial Revolution prompted the study to focus on the three pillars which should be reviewed together with all other pillars of competitiveness.

The Global Competitiveness Indices and the World Governance Indicators are metrics that will guide policymakers and the private sector in identifying areas for improvement in the sustainable development agenda. There will be a need for continues collaboration through public-private partnerships, inter-governmental alliances and pursuit toward strengthening of economic cooperation initiatives across member states in the Asia Pacific region.

For public financial management system to be more effective and efficient in achieving the dimensions of governance as well as the global competitiveness of each of the countries, improvements will have to be done in making the budgets credible, adoption of tighter internal control system, use external audit reports in budget preparation, transparency in tax assessment and collections and all important disclosures related to the account details, and procurement processes.

Future Researches

Public Administration Reforms and Public Financial Management Reforms: Integration and Harmonization

Reforms on decentralization and deconcentration

Strategic leadership and monitoring and control in public financial management

Assessment and Evaluation of Public Financial Management System of ASEAN member-states using the New PEFA Framework: Comparisons and Contrasts

Evaluation of National Development of ASEAN member states in Light of the Fourth Industrial Revolution

Determinants in Building Strong Institutions across the ASEAN member states for a more effective and efficient PFM system

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