



PFTAC PUBLIC FINANCE ADVISOR
COUNTRY STRATEGY NOTES

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PFTAC STRATEGY NOTES BY COUNTRIES



PUBLIC FINANCE ADVISOR

	CURRENT SITUATION	RECENT RESULTS AND OUTCOMES	ADVISOR VISITS – 2007/2008	STRATEGY/ FUTURE VISITS	OTHER DONOR ACTIVITY
COOK ISLANDS	<p>Reform. Ambitious Economic Restructuring Program commenced in '96-97, based on the NZ model, designed to bring the overall budget outcome under control after a period of unsustainable deficits and excessive borrowing. Legislative and policy framework came into effect in the late '90s. Implementation of the reforms has laid the foundation for sound PFM.</p> <p>Economic/Fiscal Issues: Gov't finances appear to be in a good position with an operating surplus over the past 5 years. Data from '06/07 Budget :</p> <p>Capacity: Have a number of very competent local managers. AusAID's 2 yr funding of the Principle Economic Adviser ended in Dec '06. Strengthening Outer Island financial capacity has recently been undertaken in 3 islands and is to be undertaken in others.</p> <p>PFTAC PFM missions. Earlier assessment was that no follow-up TA was necessary due to the strong NZ and AusAID TA presence. During March '07 mission, new requests made by authorities and assistance provided by PFTAC.</p> <p>IMF Article IV. Not an IMF member but discussions underway to join.</p>	<p>CI has successfully implemented a sound financial management framework and generally good practice. There has been a long period of sustained economic growth, with an average growth rate of 6.7% between 1999 and 2004, driven primarily by the private sector and tourism in particular but stagnated at 0.1% in 05 due to several cyclones. Planning, output budgeting, accounting policies and funds management have been refined over this period with significant multilateral and bilateral TA.</p> <p>Major reduction in Crown Debt in 2005/06, down from 73% GDP to 28%, arising from the successful settlement of the long outstanding failed Hotel Project. Major policy announcements in the 2006/07 Budget, include: removal of import levies, estimated to cost \$6.3m and expected to be offset by higher projected growth in other sources of revenue; and a cost of living adjustment, estimated to be around 10-12%. In addition, from March 2006, superannuation coverage is being progressively expanded to the private sector and authorities are considering an increase in the minimum wage.</p>	<p>PIFMA: 3 participants attended the March '06 conference in Suva and seven in March 2007 in Rarotonga.</p> <p>April '06 : Mission undertaken at request of Minister to develop ToR for Training of Outer Island Finance Officers (OIFO).</p> <p>March 07: During the introductory mission of PFTAC Advisor, in conjunction with the PIFMA meeting, two requests, one for training in debt management and another for assistance in medium term budgeting, were received.</p> <p>July 2008: Installed a peripatetic consultant to assist with MT Budgeting</p>	<p>PIFMA: Participants to be invited for workshop in Nov 08 and for fourth PIFMA meeting in Early 2009.</p> <p>Attachments: One official on attachment to PFTAC for 2 weeks in February, 2008.</p> <p>Further TA: Continue to provide assistance in medium term budgeting (MTB) and debt management (expected to start in June). Financial Secretary & Treasury Operations Manager participated in PFTAC organized US Treasury study visit in August 2008.</p>	<p>NZAID/AusAID: Co-funded project facility managed by NZAID '04-'06, focused on outer islands development, education, human resource development and good governance.</p> <p>ADB is providing assistance primarily through support for specific sectoral programs, including for reform of SOEs and strengthening economic development and planning capacity and governance and has expressed an interest in working with PFTAC in the MTB area. A Pacific Island Economic Report (PIER) for Cook Islands has recently been concluded. ADB also expected to provide part assistance in funding the MT Budget consultant's work.</p>



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FEDERATED STATES OF MICRONESIA	<p>Federation system makes fiscal management difficult.</p> <p>Last Article IV Review in 2006; 24 month cycle.</p>	<p>PIFMA: One person each attended the workshop in Dec. 2006 and meeting in March 2007.</p>	<p>The advisor has not visited FSM since May 2006. However another mission is planned for later in 2008, possibly with ADB.</p>	<p>PIFMA: Participants to be invited for workshop in Nov 08 and for fourth PIFMA meeting in Early 2009.</p> <p>Attachments: One official on attachment to PFTAC for 2 weeks in May 2007</p>	



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FIJI	<p>Reform: Slowed momentum since Dec. 2006 coup. Earlier, MoF driving FMR based around: implementation of the FMA '04; a new FMIS; devolution of financial management responsibilities to CEOs; intro performance-based budgeting and longer term phasing in of accrual accounting.</p> <p>Economic/fiscal issues: Vulnerable economic outlook post coup arising from donor reaction and even earlier, related to sugar and garment sectors; expansionary fiscal policy and increasing domestic debt; limited capacity for redirection of resources to priority areas; lack of budget discipline and poor expenditure control & cash management - increasing use of Treasury Bills.</p> <p>Capacity: PFM capacity thinly spread. Persistent vacancies in Budget. Silo operations and lack of action on compliance breaches. New FMIS should assist with expenditure control.</p> <p>PFTAC PFM missions: 7 since 2000. ROSC finalized March '04. Action Plan for strengthening PFM April '04.</p> <p>IMF Art IV: next staff visit September, 2008.</p>	<p>Public Accounts Committee re-established end of 2004 and working its way through long outstanding accounts. Recent Gov commitment to putting in place mechanisms for following up on AG's report but stalled after the coup..</p> <p>May '05 WB/AusAID mission assessed developments in the PSR program. Proposed a series of joint PERs to clarify the links between policy and expenditure</p> <p>Dec '06 Public sector salaries and wage settlement. Provided a 16% increase across-the-board (partly backdated) for the period '03-'07. However, post-coup a salary cut has been imposed in the new budget.</p> <p>The Dec. 2006 coup has made significant changes in the structure of the government and pace of fiscal reform. The recent resignation of the Finance Minister, who supported reforms in Performance Budgeting may have some impact.</p>	<p>May-June '05: development of a Good Practice Financial Management Guide to assist CEOs, Accounting Heads and line managers understand their responsibilities under the FMA and key elements of good practice PFM.</p> <p>Aug-Sept '05 2006 Budget: Assist with updating the medium term economic and revenue forecasts; and development/presentation of fiscal aggregates within a MTEF.</p> <p>PIFMA Conference in Suva, end of Feb '06: 3 participants attended. 2 participants in Nov. 06 workshop and one in PIFMA meeting in March 07 and March 2008, each.</p> <p>12 wk peripatetic adviser Portfolio Performance Statements (PPS) FY2007. Consultant completed his assignment in November 2006 and after a hiatus, work recommenced December 2007 by short term consultant, and later by PFTAC Advisor in 2008.</p>	<p>PIFMA: Participants to be invited for workshop in Nov 08 and for fourth PIFMA meeting in Early 2009.</p> <p>PPS: After a peripatetic advisor in December 2007 to rejuvenate the system the PFTAC PFM Advisor is now working to finalize the Performance Budgeting system in Fiji.</p> <p>Strengthening Treasury management: authorities requested PFTAC to provide follow-up TA to April '04 mission. However no formal follow up request after the coup although indications of request likely shortly. However requests in several areas on improving MOF capacity have been received recently and are being examined.</p> <p>Economic Reform Program (EPR) TA. Joint AusAID, ADB and PFTAC mission to develop policy matrix, linked to ADB program loan, was under discussion, till the coup</p> <p>Debt Management: Assistance in debt management given in August 2007.</p> <p>Attachments: One officer from RMI and Tonga each, attached to MoF, Fiji in last quarter of 2006.</p> <p>Finance Secretary participated in PFTAC organized US Treasury study visit in August 2008.</p>	<p>AusAID: Country Program estimate '05-06 \$24m. TA focus on governance, improving human/financial resource management, and delivery of improved services in rural/urban areas. TA to the MoH for FMIS implementation. Since mid-2005, funded short term TAs to MoF in Accounting Policy, Performance Budgeting.</p> <p>ADB annual TA program of around \$1.5m. TA support for FMR in '04 drafting FMR policy, FMA and Regs, FMIS tender. Early '05 S/T TA Public Sector Banking and Cash Management.</p> <p>Recent ADB Reports: - PIER update for Fiji report, June '05; - Fiji Macroeconomic Assessment, April 2006; - ERP Concept Paper June '06 and follow up meetings.</p>



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KIRIBATI	<p>Reform: National Development Strategy (NDS) '04-07 priorities includes economic growth, public sector performance and sustainable use of financial reserves. Donor concern over: a lack of demonstrated gov support for competitive private sector development; a poorly performing public service; and heavily subsidized/inefficient SOEs.</p> <p>Economic/fiscal issues: weak economic growth projections; volatility of fiscal revenues; and expansionary fiscal policy. Request made to donors in July 06 for support totaling USD 30 m. as budgetary support but withdrawn after joint ADB/PFTAC mission.</p> <p>Capacity: Improved the financial and economic management a priority. A medium term budget mechanism would help fiscal management in view of the wide fluctuations in revenue.</p> <p>PFTAC missions: 2 missions April '00 & Feb '02 focused on FTQ. A joint PFTAC/ADB mission in August 2006 was followed by a joint donor mission with AUSAID, NZAID, PFTAC and ADB in December 2006. Identified several areas where donor TA could be useful.</p> <p>IMF Article IV: 24 mth cycle. Article IV January 2007; Staff Visit February 2008.</p>	<p>Fiscal policy in highly expansionary and a steep drawdown from the Revenue Equalization Reserve Fund (RERF) to meet deficit. Government filled the gap by borrowing from ANZ Bank of Kiribati</p> <p>There is a need to reduce the wage bill, better target copra and seaweed subsidies, and limit development spending to available donor grants.</p> <p>Authorities recently committed to a joint country strategy with Aust/NZ with the intention to expend this to include other development partners (including Taiwan, WB and UN) and integrate in budget framework. At the Mch '06 PFTAC Tripartite meeting, the Minister requested PFTAC to be involved in this, particularly in relation to developing a MTF. Following this PFTAC participated in two joint donor missions.</p>	<p>Aug. 06- Joint ADB/PFTAC introductory mission August '06. PFTAC advisor participated in ADB mission in July '06. TA needs identified and donor coordination underway to determine the next steps forward.</p> <p>December 2006-A joint donor mission with AUSAID, NZAID, PFTAC and ADB led to requests to PFTAC to assist in multi year budgeting and cash management and commitment control.</p> <p>PIFMA Conference in Suva, end of Feb: No nominations received from Kiribati. Participant in workshop in Nov. 2006 and at second and third PIFMA meetings in March 2007 and 2008 respectively.</p>	<p>PIFMA: Participants to be invited for workshop in Nov 08 and for fourth PIFMA meeting in Early 2009.</p> <p>Donor coordination and needs identification: Following a joint ADB/PFTAC mission in Aug. 06 and a joint AUSAID/NZAID/ADB/PFTAC mission in Dec. 06- a basic need identification document prepared and request for assistance in multi year budgeting and cash management and commitment control now received.</p> <p>Work will start as soon as ADB processes the funding. This is awaited.</p>	<p>ADB: program for '05-06 maintains a focus on developing outer islands, promoting social development, and improving governance. Includes TA in '06 to promote private sector investment by improving the country's regulatory framework; and TA to improve corporate governance in certain public enterprises. ADB Suva office last year took over from Sydney office responsibility for ADB Kiribati programs.</p> <p>AusAID: \$2.7m in '02-07 for implementation of a FMIS (recently reviewed). TA is also provided across a range of sectors. TA recruited under the <i>Pacific Technical Assistance Facility</i>. Currently several Australian volunteers, working in government and private sectors.</p>



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NAURU	<p>Reform: A reformist administration elected in Oct '04 has a strong public mandate to implement economic reforms. Next elections due in Nov. 2007</p> <p>Economic/fiscal issues: economic indicators, such as GDP and inflation not available. Significant development challenges, including a shrinking resource base and unsustainable government expenditure.</p> <p>IMF Article IV: Not an IMF member.</p>	<p>In March '04 Aust signed the third MOU for management of the offshore processing centre for asylum seekers and Nauru's long-term development (\$29m '03-05). Key features of the MOU includes deploying an in-line finance team of Treasury and Finance officials to help carry out the economic reform agenda. This includes budgeting and revenue generation.</p> <p>PFM Advisor visited in June 2007, and again in December 2007, to install a cash planning system, provide training and to introduce a basic commitment control system. Feedback being sought on the implementation after the recent change of Government.</p>	<p>PIFMA Conference '06: 2 participants attended. 2 participants attended both the workshop at Nadi in Nov. 2006 and PIFMA meeting in Rarotonga in March 2007.</p>	<p>PIFMA: Participants to be invited for workshop in Nov 08 and for fourth PIFMA meeting in Early 2009.</p> <p>Attachment: one official attached to PFTAC advisor for 3 weeks in March-April 2007</p>	<p>AusAID: Provides several in-line officers including the Secretary (Finance), Economic Advisor and the Budget Advisor. Other consultants also work in debt management, SOS, planning and related areas. For first time training now being imparted for local counterparts in SOE area.</p> <p>ADB: In 1999 ADB provided a US\$5m loan and a \$600,000 TA grant for a Fiscal and Financial Reform Program to introduce extensive fiscal reforms, an asset management framework for phosphate and financial investments, and carry out reforms in the public and financial sectors. The TA grant focused on strengthen capacity in financial and economic management. <i>Current status of ADB programs unknown.</i></p>



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NIUE	<p>Reform: Niue was devastated by cyclone Heta in Jan '04. Estimated \$NZ40m damage. The current priority of the Gov, with significant donor support, is implementation of the Cyclone Heta Recovery Plan and secondly to continue with implementation of the economic initiatives under the Niue Integrated Strategic Plan.</p> <p>Economic/Fiscal issues: Tourism, fisheries and horticulture provide the most significant prospects for economic development. A program and sequencing of projects is being prepared in consultation with donors. Current GDP figures unavailable.</p> <p>PFTAC missions: No PFM mission given level of support from NZ and Australia.</p> <p>IMF Article IV: Not a member country.</p>	<p>A Trust Fund is being established through consultations between Niue, Aust and NZ to provide a revenue stream to the Gov to fund recurrent budgetary costs. In 2004 Aust contributed AUS\$4m, NZ\$5m and the Gov \$50,000 towards the establishment of the Trust Fund.</p> <p>In the '04/05 Budget the Gov announced a initiative for a 'Whole of Government Review', focused on the management of gov expenditures and deficits, including appropriate government structures, as well as revenue and capital investment requirements needed to develop the economy.</p> <p>The review was recently undertaken with NZAID TA which assessed immediate fiscal problems and longer-term issues such as the appropriate size, structure, and configuration of government institutions.</p> <p>A Joint Working Group has been set up with officials from both Governments to oversee and monitor the implementation of the reform. Preliminary consultations with departments underway</p>	<p>PIFMA Conference '06: 2 participants attended. Nov '06, participant attended MTBF workshop; but no participant for Mch '07 Conference. Participant in March 2008 PIFMA.</p>	<p>PIFMA: Participants to be invited for workshop in Nov 08 and for fourth PIFMA meeting in Early 2009.</p> <p>At the last PFTAC TRC meeting in Mch '06, the authorities identified that PFTAC TA would be beneficial in economic and fiscal forecasting capacity development. Also mentioned 2-3 week attachments of MoF officials in the Cook Islands and/or Samoa but no formal request received.</p> <p>Introductory mission proposed for 4th quarter 2008 for PFM Adviser to discuss then recent requests received.</p>	<p>AusAID: approx \$1m bilateral aid annually to support efforts to promote economic development and growth, and increase in self-reliance. Includes 2yr TA placements such as an Accountant in Treasury.</p> <p>NZAID: approx NZ\$8m bilateral annually \$10m over 5yrs to strengthen links between NZ and Niue gov departments.</p>



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PALAU	<p>Reform: PSR outlined in the authorities Management Action Plan. Reformist President was re-elected in Nov 2004. Continued difficulties with Congress declined or reversed budget consolidation measures over the last 4 years.</p> <p>Economic/fiscal issues: Growth in FY2004 appears to have picked up and is expected to continue at the same rate. This is driven by a surge in tourist arrivals and ongoing foreign funded public projects. Fiscal performance has also significantly improved from the deficit low in FY02 of 29% GDP. Longer term prospects depend crucially on the possible extension of the US Compact past 2009. IMF '05 data:</p> <p>Capacity: Palau is the better economic and fiscally performing country out of the 3 Northern PICs. Local capacity is also higher.</p> <p>PFTAC missions: June '06 mission first one in over 6 yrs due to the absence of any TA requests and large US TA. PFM Advisor visited in January 2007 and again in March 2008 and in May 2008.</p> <p>IMF Article IV: 24mth cycle, with the most recent in March 2008.</p>	<p>Government agencies' moved to the new capital building in Oct-Dec '06. This is anticipated to facilitate expansion of housing and businesses out of crowded Koror</p> <p>Scoping study conducted at to identify preparedness for a MT Budget system.</p>	<p>PIFMA Conference Mch '06: 1 attendee. Workshop in Nov. 06 and in second PIFMA in March 07- one attendee each.</p> <p>June '06 mission. At request of Minister, developed ToRs for (i) TA development of a Finance and Accounting Policy and Procedures (FI) Manual; and (ii) TA on development of a fiscal forecasting model and associated training.</p> <p>Jan 07 mission: Installed two peripatetic consultants to (i) developing FIs and (ii) fiscal forecasting models. Work has since been completed.</p> <p>March 2008: Discussion to identify preparedness for a MT Budget system.</p> <p>May 2008: Scoping study for introduction of a MT Budget framework and cash management</p>	<p>PIFMA: Hosted the Third PIFMA meeting in March 2008. Participants to be invited for workshop in Nov 08 and for fourth PIFMA meeting in Early 2009.</p> <p>Arrange/oversight FAPP and Fiscal Forecasting TAs: Oversight being provided. FIs developed and training provided. Fiscal forecasting model submitted to government. Scoping study conducted at the request of ADB and Government to identify system preparedness for a MT Budget system.</p> <p>Finance Minister participated in PFTAC organized US Treasury study visit in August 2008.</p>	<p>USA: Largest donor under the Compact and Federal grants.</p> <p>ADB: in the process of developing a TA program.</p> <p>AusAID: aid to Palau targets education and training. Further support for community organisations and the work of government agencies is provided through the Small Grants Scheme.</p>



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PAPUA NEW GUINEA	<p>Reform: Gov PSR program underpinned by a multi-donor Expenditure Review and Rationalization Program (ERRP). Key elements of ERRP include restoring the integrity of budget institutions and systems and the reprioritization of expenditures. The program is subject to biannual reviews by a joint WB, AusAID, ADB PERR team.</p> <p>Economic/fiscal issues: Progressive strengthening of fiscal policy since '02 under Somare Gov. Structural reforms to boost growth and reduce external vulnerabilities seen as a priority. However, public finance is under pressure, especially in the context of the forthcoming elections.</p> <p>Capacity: Refer Aug '05 review of PEER.</p> <p>PFTAC missions: Most recent Mch '00 focused on completion of ROSC to meet the conditionality of Fund assistance/budgetary support.</p> <p>IMF Article IV: 12 mth cycle, most recent Article IV in November 2007; staff visit May 2008. Resident Representative Office closed at end-2007.</p>	<p>Medium Term Development Strategy (MTDS) 2005-10, approved in April '05. Goals to be achieved through: the PSR; redirecting expenditures to priority areas; and creating a favorable climate for private sector growth. Financing of the MTDS mapped out in the context of a MTF. Strategy to be reviewed annually and aligned to budget.</p> <p>Aug '05 review of the PEER identified that whilst some progress has been made in the areas of debt management and budget transparency, greater effort required in strengthening: expenditure control (payroll); transparency & accountability; leadership management and operational capacities.</p> <p>Implementation of new FMIS (with ADB/AusAID TA) in Finance, Treasury, Planning, Health and Works during '05 with the intention of using the budgeting sub-system in '06 to develop the '07 national budget. Stage 2, will implement the FMIS in remaining national departments as well as provinces and districts.</p>	<p>PIFMA Conference '06, one participant. MTBF workshop; and Mch '07 PIFMA-one participant each.</p> <p>PFM adviser was scheduled to participate on the Dec. 06 Article IV mission due to joint mission with AUSAID and ADB to Kiribati could not join in again in Dec. 2007 but likely to join next staff visit.</p>	<p>PIFMA: Participants to be invited for workshop in Nov 08 and for fourth PIFMA meeting in Early 2009.</p> <p>At the PFTAC Tripartite Committee Meeting in Mch '06, the authorities identified a number of areas for future PFM TA:</p> <ul style="list-style-type: none"> - participation on the multi donor annual PEER; - strengthening legislative framework with a view to 'locking-in' the MTDS to provide a greater level of stability, regardless of changes in government; and - strengthening expenditure reprioritization and control, including at sub-national level. <p>However, no formal request received.</p> <p>Introductory mission proposed with PEFA assessment: Possibly in October-November 2008.</p> <p>4 officials participated in PFTAC organized US Treasury study visit in August 2008.</p>	<p>ADB: Financial Management Program (FMP), US\$27m loan, focused on improving financial management. Program assistance provided for public service improvement, including implementing an integrated FMIS.</p> <p>AusAID: Aust/PNG 5yr <i>Enhance Cooperation Package</i> (\$800m). Includes up to 36 economic and public admin specialists working within central economic and sectoral national agencies. Also funding a <i>Provincial Financial Management Training Program</i> (PFMTP), A\$30m in grants to strengthen financial management across national and sub-national government; and a <i>Strengthening Provincial Internal Audit</i> project.</p>



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REPUBLIC OF MARSHALL ISLANDS	<p>PFTAC provided assistance in 2007 and 2008 in two areas of macro fiscal and revenue estimation and cash management.</p> <p>IMF Article IV: Last Article IV December 2007; Staff Visit March-April 2008; 24 month consultation cycle.</p>	<p>Two consultants – one on cash management and one on macro fiscal modeling were installed in 2007 and were sent in again for a second round of training, on cash management in January 2008 and Revenue estimation in July 2008, and have since completed their work.</p>	<p>Advisor visited in January 2007 and January 2008, following the introductory mission to assess TA needs and to review current work the two missions have been to install a cash management system, provide training and to develop a commitment control manual.</p>	<p>PIFMA: Participants to be invited for workshop in Nov 08 and for fourth PIFMA meeting in Early 2009.</p> <p>Attachment: One officer from Budget likely on attachment in June 2009.</p> <p>Finance Secretary participated in PFTAC organized US Treasury study visit in August 2008.</p>	<p>Forum Secretariat</p> <p>Forum Secretariat recommended that it and PFTAC identify gaps in RMI's supervisory framework and explore ways to address these gaps. To date, the Forum has not progressed the issue.</p>



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SAMOA	<p>Reform: Strong Gov support for economic and public sector reform over the past ten years. Legislative and policy framework for PFM and PE reform enacted in mid-'03. Strategy for the Development of Samoa (SDS) 2005-2007 updated annually.</p> <p>Economic/fiscal issues: After a strong performance in 2004/5 growth has recently slowed down to 2%. However, inflation remained low at 3-4%, although in the run up to the elections in 2006 fiscal policy loosened. Short term prospects are good and real GDP growth is expected to recover to around 3% for 2006-7. Over the medium term steady real per capita growth is expected to continue at around 3% till 2010/11 and external debt is expected to decline to 30% of GDP by 2010/11.</p> <p>Capacity: MoF lacks depth of skills/experience. Budget process very centralist and weak integration with strategic plans. Poor quality and timeliness of fiscal reporting.</p> <p>PFTAC PFM missions: 6 since '00, ROSC completed in June '04. Most recent, PFM Advisor in Dec. 2006 to install peripatetic advisor on forward estimates system and a review in November 2007.</p> <p>IMF Article IV: 24mth cycle; last Art IV mission March 2007.</p>	<p>5-year Financial Management Improvement Implementation Plan and a Integrated Management Cycle, developed with ADB TA, announced in the '05/06 Budget. The plan is focused on the phased operational zing of the strengthened budget, reporting and accountability requirements of the PFM Act.</p> <p>New FMIS (GOFAR) implemented during FY06, should significantly improve expenditure control and reporting.</p> <p>Government re-elected in May '06. New Minister for Finance appointed.</p> <p>Departure of Assistant CEO, Finance, in July '06 leaves large vacuum in staff skills/experience for a considerable time. Further gaps have since built up with the departure of Budget Head.</p>	<p>Mch '05: participation in Article IV.</p> <p>PIFMA Conference, 2 participants, Nov. workshop – 2 participants, Second PIFMA meeting in March 2007- one participant.</p> <p>April '06: Peripatetic Fiscal Forecasting Adviser, 3wks: policy analysis and advice on the fiscal impacts of various policy initiatives under consideration in the FY07 Budget; and agree with authorities follow-on TA needs. December 2006 & November 2007: To install consultant on Forward estimates and review work</p>	<p>PIFMA: Participants to be invited for workshop in Nov 08 and for fourth PIFMA meeting in Early 2009.</p> <p>Dec. 06- Installed peripatetic Advisor to develop a Forward Estimates system over two budget cycles (17 weeks of work). Work completed in March 2008. A final visit in April 2008 to bed down the system.</p> <p>Further visits: One more visit likely in December 2008, in coordination with the Statistics Advisor, to ensure data flows and their accuracy. May extend to 3 visits over the next two years</p> <p>CEO, MOF, invited to participate in PFTAC organized US Treasury study visit in August 2008.</p>	<p>ADB Financial Management Improvement Project: July 2003 to June 2005: 16 pm of TA, 3advisers over 24 mths. Update PIER mission scheduled for July '06.</p> <p>AusAID/NZAID: Joint Aid Program Strategy '05-07. PFM related programs: (i) <i>Public Sector Improvement Facility</i>, \$10m '05-09, to improve the efficiency and effectiveness of the public service to support national development priorities; (ii). <i>Financial Management Information System</i>, \$1.5m;and (iii) <i>Pacific Technical Assistance Facility</i>, supporting the secondment of Aust expertise generally for 2yr capacity-building assignments.</p>



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SOLOMON ISLANDS	<p>Reform: The Gov has started addressing some of its reform priorities, but progress has been mixed. The wage bill needs to be contained and spending re-oriented to priority sectors. Improving tax administration and a comprehensive tax reform are priorities.</p> <p>Economic/fiscal issues: Economic recovery started in '03 has continued against a backdrop of macroeconomic stability, but structural reforms have lagged. Debt sustainability fragile.</p> <p>Capacity: Significant capacity development needs being addressed by AusAID and ADB.</p> <p>PFTAC missions: Last mission in Aug '06 to install consultants to write Financial Instructions.</p> <p>IMF Article IV: most recent in May 2008.</p>	<p>Honiara Club meeting in mid-Oct '05: Aust agreed to a two year moratorium on debt repayments. In 2007 SI will be eligible for at least 60% of debt to Aust to be forgiven as long as SI continues good budget management and follows through on the reforms.</p> <p>April '06: New PM, Minister of Finance and Permanent Secretary (PS) of Finance. The PM also announced that all PS posts will be advertised as the contracts of current holders of the positions are due to expire at the end of June '06.</p>	<p>PIFMA Conference, Mch '06; two participants. MTBF workshop and Mch '07 PIFMA-one participant each.</p> <p>May '06. Mission requested by authorities to review PFM legislative and procedural framework. Outcome was development of ToR for TA to undertake a process redesign of the key accounting operations, linked to a significant redraft of the finance and accounting manual.</p> <p>August 06. New Advisors introductory mission and installation of two peripatetic consultants to write Finance Instructions.</p>	<p>PIFMA: Participants to be invited for workshop in Nov 07 and for third PIFMA meeting in Early 2008.</p> <p>Financial instructions: Government has now indicated that the new RAMSI Advisor will review the Financial Instructions with PFTAC.</p>	<p>AusAID: significant TA under Budget Stabilization Program; ensuring basic gov functions; several advisors and in-line personnel working in the key areas of budget, audit, treasury, inland revenue, customs, payroll and debt management; and Economic Reform Unit, focused on a longer-term and targeted economic reform program</p> <p>ADB: '98 a US\$25m loan to support policy and PS institutional reforms. Program for '05-06 focus on transport and private sector development. TA grants totaling up to US\$3m to assist reforms including economic reform.</p> <p>NZAID focus on education, law and justice sectors as well as to support civil society and sustainable livelihoods.</p>



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	CURRENT SITUATION	RECENT RESULTS AND OUTCOMES	ADVISOR VISITS – 2007/2008	STRATEGY/ FUTURE VISITS	OTHER DONOR ACTIVITY
TOKELAU	<p>Reform: Tokelau is dependent on NZ assistance, which makes up 80% of its budget. Most of NZAID's bilateral assistance is transferred directly to the Tokelau budget. Annual funding enables Tokelau to meet the demands of its recurrent budget for services including transport, education and health. However, Tokelau seeks to become more self-reliant, especially through economic development.</p> <p>Economic/fiscal issues: Not available.</p> <p>Capacity: Not known.</p> <p>PFTAC PFM missions: Nil. Primarily due to strong NZAID support and poor transport access. PFM Advisor has visited local office in Apia twice for discussions.</p> <p>IMF Art IV: Not a member of IMF.</p>	<p>Trust Fund: In 2004, NZAID worked with Tokelau to establish the Tokelau Trust Fund, aimed at enhancing Tokelau's long term self-reliance. Also in 2004, NZAID and Tokelau signed a 3-year agreement, which outlines budget support, and reporting and monitoring arrangements until 2006/07. In addition, NZAID has undertaken to carry out annual joint sectoral reviews in Tokelau, including a review of shipping services and ongoing financial reviews.</p>	<p>PIFMA Conference Feb '06: No nominees received due to difficulties in travel. MTBF workshop and Mch '07 PIFMA-one participant each. Could not send participant to PIFMA 2008 due to exigencies of work.</p>	<p>PIFMA: Participants to be invited for workshop in Nov 08 and for fourth PIFMA meeting in Early 2009.</p> <p>Attachments: The government has expressed an interest in attachment of one official to PFTAC although a formal request is awaited.</p>	<p>NZAID: Support is provided in accordance with NZ's constitutional obligations outlined in the 2003 Joint Statement of the Principles of Partnership between NZ and Tokelau. NZ gov departments supplement the limited resources of the Tokelau Public Services (which may include any area of government activity including specialist areas such as health, education and economic development).</p>



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TONGA	<p>Reform: Gov committed in '02 to a Economic and Public sector Reform Program (EPRSP). Key legislation enacted in '03. Focus now on implementation, but slow progress.</p> <p>Economic/fiscal issues: Country faces difficult political transition flowing the recent riots in Nov. 06. Concerns over budgetary developments. Overall fiscal balance declined in 2006/7 set to widen further to close to 7% of GDP in 2006/07. Monetary policy tightened but Central Bank has recently relaxed policy to accommodate lending for reconstruction of the capital.</p> <p>Capacity: Low PFM capacity, including eco/fiscal policy analysis and reform implementation, despite significant levels of TA over past 10 yrs. Exacerbated by persistent staff vacancies in professional and middle management levels further compounded by recent civil service departures. Lack of HRM capacity is a fundamental constraint to TA sustainability.</p> <p>PFTAC PFM missions: 11 since 2000. Most recent May 2008.</p> <p>IMF Art IV: most recent Art. IV mission April 2008.</p>	<p>Political uncertainty: Arising from the 6 week strike of civil servants in July-Aug '05: parliamentary Kingdom of Tonga National Committee for Political Reform (NCPR) has been established, which Aust and NZ are providing financial support; the PM resigned in Feb '06, and the People's Representative, Fred Sevele, appointed new PM. King dies- Crown Prince appointed King. Riots in Nuku'Alofa shortly after the death of the King devastating large parts of the capital.</p> <p>Fiscal pressures: Over the medium term further corrective action to contain fiscal imbalance of wage settlement. Further tightening of fiscal policy needed. Contain non-priority items, hold wages and large expenditure items.</p> <p>ADB PIER, December '05.</p> <p>AusAID proposed FEMP: design mission on hold pending demonstrated progress in democratic reform.</p>	<p>PIFMA Conference Feb '06. 2 participants. MTBF workshop- no participant due to recent riots. Mch '07 PIFMA-one participant. March 08- one participant.</p> <p>Feb '05: Reviewed progress with 2005/06 Budget and PEM reforms.</p> <p>April: '05 participation on Article IV consultations.</p> <p>April '05: attend Donors' Forum arranged by the authorities to discuss TA needs.</p> <p>June '05: participation on a joint donor mission.</p> <p>Nov '05: short mission to discuss developments since the wages settlement and contribute to the assessment of fiscal impact.</p> <p>April-June '06 Fiscal Forecasting, peripatetic adviser provided tax policy and forecasting advise in FY07 budget</p> <p>July '06 Formal Donors' Conference, attended by new PFM Advisor</p> <p>Fiscal Forecasting capacity development. Follow-on training in March 2007.</p> <p>Secondment. Organized secondment of one Tongan official with Fiji MoF.</p> <p>March 08 Fiscal Forecasting, peripatetic adviser provided tax policy and forecasting advise in joint mission with PFTAC Statistics Advisor.</p> <p>May 2008 Devolution of powers to line ministries: Consultant installed by PFM Advisor to examine devolution of financial powers to line ministries.</p>	<p>PIFMA: Participants to be invited for workshop in Nov 08 and for fourth PIFMA meeting in Early 2009.</p> <p>Training of CEOs: At Government request a training for new CEOs on PFM principles (April 2007). Request for a mission to build capacity in line ministries recently received and is being examined.</p> <p>Devolution of powers to line ministries: Consultant likely in November 2008 to develop manuals and regulations.</p>	<p>AusAID: L/T advisers (12-24 mths) to assist with the revenue reforms (Tax Adviser, Customs Adviser, Legal Adviser, NRBT Research Adviser); a High Level Budget Adviser (6 pm to end of March '06); funding L/T TA to the Customs. Also for reconstruction.</p> <p>ADB: funding TA (6 pm) under an <i>Integrated Strategic Planning, MTF and Budgeting</i> project, through to March '06; and TA to the Public Enterprise Reform Unit.</p> <p>NZAID: funding: the implementation of the Revenue Management System and PC/Trade; short-term TA in Tax Compliance; and TA to the Public Enterprise Reform Unit and for reconstruction efforts.</p>



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TUVALU	<p>Reform. No overall reform strategy. Weak environment for driving substantial change in PFM. limited demonstrated MoF reform commitment</p> <p>Economic/fiscal issues: pressing need for strengthening PFM: major structural reforms required to bring the fiscal situation into long-term sustainability; lack of fiscal discipline; poor revenue projections and collections, large arrears; low capital budget execution; poor cash management, with continued overdrafts at high interest rates; limited fiscal reporting.</p> <p>Capacity: significant PFM capacity constraints – both technical and actual personnel numbers. lack of compliance with existing Act; poor financial management practices. Weak external pressures for accountability: non-functioning of the PAC; lack of publicly available information on the budget and performance; and absence of any media scrutiny.</p> <p>IMF Article IV: Not an IMF member.</p>	<p>August '05: the PFTAC Project Coordinator sent a letter to CEO Finance outlining PFTAC's position regarding the authorities' various TA requested. It proposed the authorities make an approach to donors for high level discussions on the priorities that should apply to the various TA projects proposed.</p> <p>Review of the TTF: joint AusAID, NZAID and Tuvalu review of the Tuvalu Trust Fund (TTF) undertaken in September 2005.</p> <p>ADB PIER completed June 2006.</p> <p>Donor harmonization: there is commitment by PFTAC, AusAID, NZAID and ADB to agreeing with the authorities a coordinated and appropriately sequenced TA strategy. Numerous informal donors meeting held, with PFTAC participation. Formal donor meeting with Tuvalu authorities held in Suva in June '06, which Ms Adams. Follow-up informal meeting held in Suva, which Mr Joshi attended. Further meetings to finalize performance bench marks due in mid-Sept. 06</p>	<p>PIFMA Conference Feb '06. 3 participants. MTBF workshop and Mch '07 & 08 PIFMA-one participant each.</p> <p>Feb '05: Scoping study, at the request of the authorities, for possible development of a new Financial Management Act. Mission assessed that given the existing weak reform environment and capacity constraints, development of a new Act was not a priority. Subsequent meetings with donors agreed a coordinated strategy is required.</p> <p>April '06, peripatetic, 15 day, Financial Systems Software (ACCPC) expert, to provide urgent training to authorities in the system and migration of data for the FY2006. The project was co-financed with the authorities. The adviser recommended an upgrade of the Payroll system.</p> <p>Dec 06- PFTAC assisted in the development of budget data on ACCESS data base.</p> <p>April 07: Training of officials of MoF on Access data base.</p> <p>August 2008: Further work on ACCESS data base to refine it.</p>	<p>PIFMA: Participants to be invited for workshop in Nov 08 and for fourth PIFMA meeting in Early 2009.</p> <p>Budget ACCESS data base: Further training o be provided on request. Government has also requested assistance in : Review of Financial Regulations Debt management training</p>	<p>AusAID and NZ's program supports development priorities through both direct assistance and involvement in the management of the TTF Fund. An AusAID funded LT Budget adviser commenced in Nov '05 for a 2 yr period.</p> <p>NZAID providing TA to review operation of the Outer Island Trust Fund. Also consultant to be engaged in early '06 to look at strengthening coordination of NZ/ADB/JICA support under the Education Improvement Program.</p> <p>ADB TA project <i>Improving Public Expenditure Management and Accountability</i> ended in mid-April '05. The completion report identifies the need for continued TA to further progress planning and PFM reforms incldgd in State Owned Enterprises.</p>

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VANUATU	<p>Reform: Comprehensive Reform Program underway since '97. Formal structure for planning and implementing reforms, involves the Council of Ministers, a Development Committee of Officials, the Department for Strategic Management and the relevant implementing body.</p> <p>Economic/fiscal issues: After two years of contraction, output growth recovered in 2003. Growth reached 7 % in 2005 and an estimated 5½ % in 2006. After peaking at 3% in 03, inflation declined to 1½ % in 06. Reserves increased to over 7 months of imports. Budget performance improved with cuts in capital spending and improved tax collection. Budget moved from a deficit of 4% of GDP in 2002 to a surplus of nearly 2 % of GDP in 2005. The increase in civil servants' wages from July 06 led to an expected deficit in 06 of around ½ % of GDP. However, the public debt-to-GDP ratio continued to decline to about 30% from 45% in 2002.</p> <p>Capacity: Strong local capacity in Budget office. Local economic policy capacity weak, but supplemented by advisers.</p> <p>PFTAC missions: 3 missions during '00-03 assisted with preparation of FTQ and development of an action plan. Advisor visited 4 time since Aug. 06, the latest in June 2008..</p> <p>IMF Article IV: Latest Art. IV mission December 2006; staff visit February 2008.</p>	<p>Joint Australia-Vanuatu Strategy '05-10, which is guided by the PAA. Millennium Challenge Account (MCA): In May '04, Vanuatu was the only PIC country selected by the US Millennium Challenge A 5 yr USD66m compact was signed in Dec '05, primarily for infrastructure projects.</p> <p>June '06, PEFA assessment, funded by EU. Identified the main weaknesses relate to: i) the lack of up to date information on state enterprises; ii) the poor link between the budget and policy; iii) lack of effective external scrutiny and audit and availability of information for public scrutiny; and iv) inadequate information on the totality of donor resources.</p>	<p>PIFMA Conference Feb '05, 2 participants. MTBF workshop and Mch '07 and 08 PIFMA-one participant each.</p> <p>August '05: AusAID requested the PFTAC adviser's participation in a review of the MoF progress with financial management reforms and future needs. However, it was subsequently postponed to Oct when the adviser was unavailable.</p> <p>Nov/Dec '05: Independent assessment of various data integrity concerns raised by an EU consultant, and participation on Fund Staff Visit.</p> <p>Aug. 06- Visit by new Advisor to finalize TOR and timing of Macro-fiscal consultant.</p> <p>October 06- Installation of Macro-fiscal consultant</p> <p>July 2007- visit by Advisor at the completion of the work by consultant and attend the donor meeting</p> <p>February 2008- visit by advisor to train line ministries on PFM June 2008- visit by Advisor to develop the training for trainers program.</p>	<p>PIFMA: Participants to be invited for workshop in Nov 08 and for fourth PIFMA meeting in Early 2009.</p> <p>Economic policy and forecasting training: authorities requested PFTAC funding of a Macroeconomic adviser. Following Advisors mission in Aug 06 both ToR and timing agreed with authorities and consultant installed. Third round of training expected to be completed by June 2007.</p> <p>Attachments: One attaché in April 2008 and one in May 2008 to work on developing a training for trainers program. Advisor visited in June 2008 to develop the training for trainers program. Manuals developed and training like to be undertaken in early 2009.</p>	<p>AusAID: Ministry of Finance and Economic Management program, '99-04, focused on strengthening PFM and implementation of program budgeting and a new FMIS Included funding budget, accountancy and accounting systems advisers. AUSIAD has recently advertised for an Economics Advisor, a Strategy & Sector Policy Advisor and an OD and Management Specialist.</p> <p>ADB US\$1.45m TA '04-06 focused on promoting private sector growth.</p> <p>NZAID: TA priorities in education, governance and economic dev. Assistance includes advisers working in the MoF.</p>