

VII. Donor Assistance

This chapter describes donor coordination mechanisms and discusses donor activities in relation to financial management and governance arrangements. It is structured as follows:

- 1 – Overview
- 2 – Coordination Mechanisms
- 3 – Asian Development Bank
- 4 – World Bank
- 5 – United Nations Development Programme (UNDP)
- 6 – Pacific Financial Technical Assistance Center (PFTAC)
- 7 – Australia (AusAID)
- 8 – European Union
- 9 – New Zealand (NZAID)

1. Overview

The Fiji Islands are not heavily aid-dependent (see Figure 5). The country's largest donor and main source of multilateral aid funds is the European Union. Major bilateral donors include Australia, Japan and New Zealand (see Table 20). ADB, Australia and New Zealand have provided support to improve financial governance arrangements. However, many assistance projects were disrupted, curtailed or suspended following the events of May 2000.

A recent review of ADB's 1996-99 *Pacific Strategy* concluded that:

... aid was judged to have been unsuccessful in facilitating growth. Aid had supported large public sectors and involved TA that financed line positions without leading to durable capacity building. Additionally, inadequate aid coordination had contributed to weak or nonexistent linkages between aid programs and sound policy environments.⁸⁶

However, while this finding may apply to PDMCs in general, a Fiji Islands-specific empirical analysis concluded that bilateral aid, grant aid, and technical cooperation grants have had a significant impact on economic growth in the Fiji Islands. Conversely, the same analysis found that domestic resources do not contribute significantly to economic growth in the Fiji Islands.⁸⁷

⁸⁶ ADB. 2000 September. *A Pacific Strategy for the New Millennium*. Office of Pacific Operations. Manila: ADB. p. 16.

⁸⁷ Gounder, Rukmani. 2001. An Empirical Investigation of Development Assistance and Growth for the Case of Fiji. *International Journal of Social Economics*. Vol. 28(3,2). pp. 278-294.

Figure 5: Proportion of Aid and Non-Aid in 13 Pacific Island Countries' GDP, 1998⁸⁸

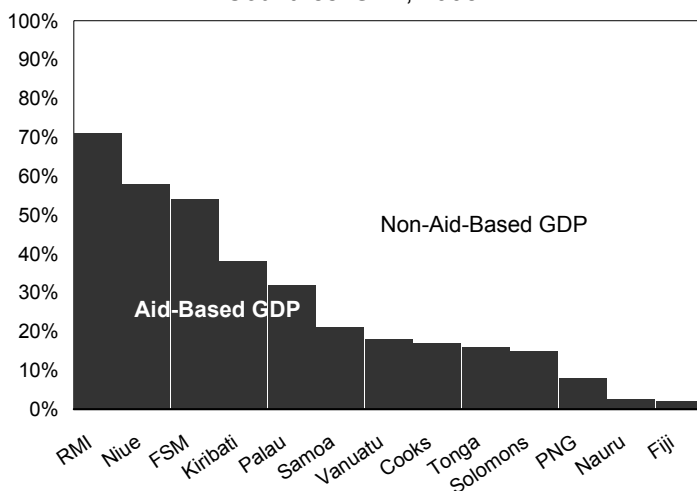


Table 20: Overall External Assistance to the Fiji Islands⁸⁹

External Source (US\$ million)	1995-2000 (annual average)		2000-2001 Program	
	Loan / Credit	Grant	Loan	Grant
Multilateral				
ADB	2.4	1.7	..	0.8
European Union	0.4	2.4
UNDP	..	0.8	..	0.4
World Bank	1.8	0.8
Subtotal	4.6	2.5	..	4.4
Bilateral				
Australia	..	3.0	..	7.1
France	..	1.4	..	0.7
Japan	..	4.8	..	2.2
New Zealand	..	3.6	..	2.4
Others	..	2.3	..	1.8
Subtotal	..	15.1	..	14.2
Total	4.6	17.6	..	18.6

⁸⁸ Source: US General Accounting Office (GAO). 2001 August. *Foreign Assistance: Lessons Learned From Donors' Experiences in the Pacific Region*. Report to Congressional Requesters. p. 37.

⁸⁹ ADB. 1999 December. *Country Assistance Plan 2001-2003: Republic of the Fiji Islands*. Manila: ADB. p. 17.

2. Coordination Mechanisms

The MOFANP coordinates external assistance—the UNDP has provided support to review aid coordination policies and mechanisms, and to establish an aid database.⁹⁰

3. Asian Development Bank

To 31 August 2001, ADB had provided 13 loans totaling \$161.1 million, since the Fiji Islands joined ADB in 1970. TA grants totaling \$18.9 million for 63 projects were also provided in the same period.⁹¹ Only one project loan—the Third Road Upgrading Project—is ongoing. In response to the May 2000 political crisis, ADB suspended all activities and disbursements. These were resumed in December 2000.⁹² The requirements for submission of audited project accounts and financial statements have been met for this project.⁹³

Loan Projects

ADB has not recently provided any loans that are directly related to improving financial management and governance arrangements.

Technical Assistance

Along with assistance provided to executing agencies to strengthen their financial management capacity,⁹⁴ assistance has also been provided to coordinating agencies to improve their loan administration and accounting procedures (in relation to ADB projects).⁹⁵ The relevant initiatives that

⁹⁰ UNDP. FIJ/96/001: *Aid Management Policies and Practises*, for \$57,500.

⁹¹ ADB. 2001 August. *2001 Loan, Technical Assistance and Private Sector Operations Approvals*. Manila: ADB.

⁹² ADB Loan No. 1530-FIJ: *Third Road Upgrading*, for \$40 million, approved on 26 August 1997.

⁹³ ADB. 2001 October. *Semi-Annual Report on Loan and Technical Assistance Portfolio Performance for the Period Ending 31 December 2000*. Manila: ADB. p. 74.

⁹⁴ See, for instance, TA No. 1042-FIJ: *Strengthening the Project Formulation, Evaluation and Monitoring Capabilities of Key Government Ministries*, for \$475,000, approved on 29 September 1988.

⁹⁵ See, for instance, TA No. 1209-FIJ: *Institutional Support to the Fiji Development Bank*, for \$290,000, approved on 9 October 1989.

ADB has supported, or is supporting, in relation to financial management and governance include:

Proposed TA: 33129-01: Institutional Strengthening of the Capital Market Development Authority (CMDA) and South Pacific Stock Exchange (SPSE)

This proposed TA, for \$200,000, is intended to support the development of an effective capital market in the Fiji Islands through building the capacity of the CMDA and the SPSE. Fact-finding is scheduled for early 2002.

TA No. 3436: Fiji Development Bank (FDB) Review (2000–2002)

The objectives of this TA for \$150,000, approved on 10 May 2000, are to: (i) evaluate FDB performance and procedures; (ii) identify operational obstacles; and (iii) provide recommendations for future improvements to best match with government development perspectives and to make FDB financially self-sustainable and functioning within sound banking practices.

TA No. 3408: Preparation of a Medium-Term Development Plan (2001–2002)

This TA for \$150,000, approved on 2 March 2000, is assisting the MOFANP to prepare a medium-term national development plan that presents government policies and strategies, together with performance indicators. A secondary objective is to formulate a medium-term capital expenditure program.

TA No. 3391: Strengthening Debt Management (2000–2002)

This TA for \$150,000, approved on 14 January 2000, is assisting the MOFANP to improve the debt management function from macroeconomic, institutional, financial and data management perspectives.

TA No. 3242: Public Enterprise Reform Program (Phase II) (2000)

This TA for \$600,000, approved on 16 August 1999, supported public enterprise reform efforts. The key areas of assistance included: (i) developing and fully implementing the monitoring framework to include reporting and analytical assessments of public enterprise performance; (ii) assisting the implementation of the public enterprise reform program; (iii) identifying possible corporatization and privatization candidates; (iv) assisting with the implementation of the commercialization process; (v) assisting with the design and implementation of public awareness programs demonstrating the benefits of public enterprise reform; and (vi) supporting the development of capacity, particularly in accounting,

financial analysis, economics, commercial valuation, corporate governance and privatization.

TA No. 3155: Strengthening Public Enterprise Reform (Phase I) (1999–2000)

This TA for \$150,000, approved on 5 January 1999, supported capacity building in the Department of Public Enterprises with regards to policy analysis, formulation and execution capacities for public enterprise reforms.

TA No. 2463: Institutional Strengthening of the Office of the Auditor General (OAG)(1996–1997)

This TA, for \$550,000 approved on 11 December 1995, comprised five activities: (i) reviewing OAG procedures and practices; (ii) improving financial audit capabilities; (iii) strengthening office and portfolio management; (iv) strengthening computer audit capabilities and computer networks; and (v) enhancing performance audit and performance measurement capabilities. Activity (v) was not pursued due to a lack of mandate.

TA No. 2399: Institutional Strengthening of Fiji Electricity Authority (FEA) (1995–1996)

This TA, for \$450,000 approved on 19 September 1995, supported an examination of FEA's operational efficiency before its corporatization and commercialization. The TA focused on: (i) reviewing FEA's management structure and capabilities; (ii) examining existing budgeting and accounting systems; (iii) reviewing existing and proposed management information systems; (iv) examining FEA's operating costs and reviewing the adequacy of tariff levels and financial projections; (v) improving FEA's accounting and billing systems; (vi) reviewing the condition and efficiency of FEA generating plant; and (vii) training FEA staff in related areas.

4. World Bank

In the past decade, the World Bank has supported several projects and programs within Fiji, however these projects have not been directly focused on improving financial governance arrangements. The World Bank's assistance strategy includes a program of country-based economic and sector work (see Box 4).⁹⁶

⁹⁶ World Bank. 2000 April. *Small States: Meeting Challenges in the Global Economy*. p. 54.

Box 4: The World Bank Group's Pacific Strategy⁹⁷

The ready availability of other sources of development financing, particularly grants-based support from bilateral donors, has enabled the Bank to take a more targeted and strategic approach to the provision of lending in the last 2-3 years. The Bank has only accepted a role in lending where it has a proven track record in the sector concerned or where the program of economic and sector work has provided a sound basis for Bank involvement, where the proposed activity has a strong link to an explicit policy reform agenda, is in keeping with the Bank's mission of poverty alleviation and where there are no other sources of finance readily available.

Clearly, as a lending institution the Bank's role in the Pacific is secondary to the ADB and is designed to complement ADB's activities. This is reflected in the current portfolio where the four projects currently under supervision, along with the four at advanced stages of preparation, are all in high priority sectors in which the Bank has a proven track record and which all involve large policy reform components.

Lending operations would be open to all member countries. It is expected, however, that lending will continue to concentrate on the larger Pacific economies in line with the economies of scale associated with doing business with the Bank and given availability of grant based financing opportunities for the smaller Pacific economies.

5. United Nations Development Programme (UNDP)

In addition to its contribution to PFTAC, UNDP has supported improvements to the Fiji Islands' aid coordination mechanism.⁹⁸ The project's aims were to: (i) review aid coordination and management policies and introduce improvements as necessary; and (ii) automate aid information through the creation of a database in the MOFANP.

6. Pacific Financial Technical Assistance Center (PFTAC)

The Suva-based PFTAC provides advice to PDMCs on budget management, tax administration, banking supervision, balance of payments, and national accounts statistics. The International Monetary Fund (IMF) manages PFTAC. The total cost of PFTAC for the period 1999-2001 is estimated at \$2,890,000; funders include ADB, AusAID, IMF, NZAID, and UNDP.⁹⁹

⁹⁷ World Bank. 2000 May. *Pacific Regional Strategy*. East Asia and Pacific Regional Office. p. 30.

⁹⁸ UNDP FIJ/96/001: *Aid Management Policies and Practises*, for \$57,500.

⁹⁹ ADB support to PFTAC includes: TA No. 5604-REG; Training Assistance with the IMF/UNDP Pacific Financial Technical Assistance Center, for \$300,000, approved on 1 December 1994; TA 5672-REG: Pacific Financial Technical Assistance Center, for \$1,136,000, approved on 6 February 1996; TA 5817-REG: Technical Assistance for the Pacific Financial Technical Assistance Center, for \$1.3 million for the period 1999-2001 and for an initial amount of \$433,000 payable in 1999, approved on 10 December 1998.

7. Australia (AusAID)

The Australian Agency for International Development (AusAID) is supporting significant projects in the health, education and community-based sectors—these projects all include aspects of financial management. In relation to core financial governance, AusAID is providing long-term assistance (1999–2004) to improve Fiji’s revenue base. Among other things, this project is assisting the FIRCA to strengthen its technical capacity, reinforce taxpayer compliance and improve services to taxpayers.¹⁰⁰

Furthermore, FIA *Corporate Plan 2001-2006* was developed with assistance from AESOP Business Volunteers (partly supported by AusAID).

8. European Union

The European Union (EU), through the *National Indicative Program*, is concentrating on human resources development and environmental issues. With regards to financial governance, EU is focusing on strengthening vocational training institutes and improving planning and management capabilities in the national administration.¹⁰¹

9. New Zealand (NZAID)

New Zealand Agency for International Development (NZAID) provided support for the suspended FMR program, particularly advice on the development of the enabling legislation; the *PFMA 1999*.

¹⁰⁰ AusAID Project: *Fiji Islands Revenue and Customs Authority*, for A\$8.5 million (\$4.2 million).

¹⁰¹ European Union. 2000. *National Indicative Program For Cooperation Under the Second Financial Protocol of the Fourth Lomé Convention between The Republic of Fiji and The European Community*. pp. 3-4.