



Technical Assistance Consultant's Report

Project Number: 42141-01
December 2008

Cook Islands: Public Sector Review and Improvements (Financed by the Technical Assistance Special Fund)

Prepared by Thomas Sharp Wilson
ACT, Australia

For Asian Development Bank
Ministry of Finance and Economic Management

This consultant's report does not necessarily reflect the views of ADB or the Government concerned, and ADB and the Government cannot be held liable for its contents. (For project preparatory technical assistance: All the views expressed herein may not be incorporated into the proposed project's design.)

Asian Development Bank

1. Introduction

I traveled to the Cook Islands from the 23rd of November to the 13th of December, 2008 in the third mission of longer-term project jointly financed by the Asian Development Bank (ADB) and International Monetary Fund (IMF)/Pacific Financial Technical Assistance Centre (PFTAC) with the primary objective of assisting the Cook Islands Ministry of Finance and Economic Management (MFEM) to move towards the sustainable implementation of a system of medium-term budgeting within a macro-fiscal framework.

This mission was the first of three consecutive missions associated with the project that are to be financed directly by the ADB, with continuing technical oversight by the IMF/PFTAC Public Financial Management Advisor.

For the last couple of days of this mission I was joined by Mr. Suhas Joshi, the IMF/PFTAC Public Financial Management Advisor.

2. Main Findings and Recommendations

In the previous two missions in relation to the implementation of medium-term budgeting in the Cook Islands, that were conducted in July/August and September 2008 and financed directly by PFTAC/IMF, it had been already concluded that the best way forward in the next phases of the medium-term budgeting project that are to be financed by the ADB was to move to a bottom up approach in the development of a medium-term budget for the Cook Islands that was premised on a clear and robust understanding of the full costs of the government's ongoing policies that could better inform Cabinet's future decisions on resource allocation. Towards that end, a trial preparation of medium-term estimates of the costs of existing policies (the baseline estimates) by two selected ministries had been initiated in late September, with results of that trial to be analysed in the November/December 2008 mission.

In order to maintain the momentum with the project, the major specific objectives assigned to the November/December mission to the Cook Islands were to assist the authorities in MFEM to:

- I. consider implications for the project of lessons from the trial baseline estimates exercise;
- II. review and finalize the budget call circular and medium term budget guidelines, as well as medium term budget estimates templates incorporating any lessons identified to date;
- III. prepare for training and coaching for the ministries and agencies in connection with the preparation of multi-year baseline estimates; and
- IV. manage the preparation of medium term estimates of existing policy by all ministries and agencies.

Reflecting the 25% truncation of the mission (from four to three weeks) as a result of unanticipated delays in completing all the essential administrative processes associated with the mission on the one hand, and the proximity to the virtual closedown of the Cook Islands Administration for the Christmas break on the other hand, the date on which ministries and agencies were to be formally requested to submit their baselines was delayed and the window of opportunity whereby the consultant was available to support the Ministry of Finance and Economic Management as a resource person to work with the various ministries in this task was compressed.

While that truncation in the length of the November/December mission was not optimal, the implications for the project as a whole were not terminal. Indeed, as indicated, in the following section significant progress was achieved in respect of each of the major objectives.

However, in order to allow more time for completion of the preparation of baseline estimates by all ministries and agencies, it was concluded following consultation with the authorities in MFEM and other Heads of Ministry (HoMs), as well as the IMF/PFTAC Public Financial Management Advisor, that the next mission originally scheduled for January 2009 should be deferred to early/mid February 2009.

3. Follow-up Actions / Other Remarks

At the request of the CEO of the Office of the Prime Minister, before the next mission the consultant will review the current Cabinet Handbook to ascertain what changes may be required to ensure Cabinet practices and procedures support the thrust of the move to implement medium-term budgeting in the Cook Islands.

4. Summary of Main Issues and Achievements

Main Issues	Main Achievements
Assist the authorities to commence operationalising certain aspects of the medium-term budgeting project	The trial baseline estimates of the Ministry of Finance and Economic Management and the Office of the Prime Minister were reviewed; including wide-ranging consultations with both ministries, to ascertain what lessons could be learned from that trial. Instructions and guidelines calling for the preparation of baseline estimates by all ministries and agencies issued. Initial one-to-one training for ministries and agencies on the operational aspects of the preparation of baseline estimates commenced.

5. Achievements of TA Activity Tasks

Task Description	Task Assessment
1. Review the trial baseline estimates of the Ministry of Finance and Economic Management and the Office of the Prime Minister were reviewed to ascertain that lessons that could be learned	The primary lessons learned from the baseline existing policy estimates preparation exercise were: <ul style="list-style-type: none"> (a.) that it was imperative that instructions be given that those charged with preparation with the estimates must consult with; <ul style="list-style-type: none"> (i.) their HoM to ascertain whether, in the light of emerging priorities, there would be a need to reallocate resourcing between the ministry's or agency's outputs over the medium-term budget period; and (ii.) directors/output managers to ascertain whether, to improve the efficiency and effectiveness of output delivery, a different mix of inputs was envisaged over the medium-term budget, before expending significant resourcing on deriving the estimates; and (b.) the importance of having a comprehensive picture of resourcing from all sources, including from aid donors.

Task Description	Task Assessment
<p>2. Review and finalize the budget call circular and medium term budget guidelines, as well as medium term budget estimates templates incorporating any lessons identified to date.</p>	<p>Draft operational instructions, guidelines and estimates templates for the medium-term budget previously provided to the authorities were reviewed and revised to ensure they fully reflected the outcome of that baseline estimates trial.</p> <p>In addition, the medium-term template was further enhanced to</p> <ul style="list-style-type: none"> (a.) improve the extent of automated generation of certain medium-term estimates; (b.) to extend the automated internal consistency verification; and (c.) to protect the internal integrity of the estimates templates. <p>The baseline estimates templates for each ministry were populated with the agreed budget estimates for 2008-09 that will serve as the basis for the medium-term baseline estimates preparation exercise</p>
<p>3. Assist the authorities to prepare for training and coaching for the ministries and agencies in connection with the preparation of multi-year baseline estimates.</p>	<p>Memo issued to all HoMs seeking their active participation in the MTB project</p> <p>Instructions and guidelines calling for the preparation of baseline estimates by all ministries and agencies were finalized and issued</p> <p>An information session on the medium-term budgeting project conducted for all HoMs</p> <ul style="list-style-type: none"> • One outcome of those discussions with HoMs was the importance of drawing closer linkages with other reforms such as NSDP and Sector planning and the move to implement a rigorous system of monitoring and evaluation.
<p>4. Assist the authorities to manage the preparation of medium term estimates of existing policy by all ministries and agencies.</p>	<p>Training on the operational aspects of the preparation of medium-term estimates of existing policy that had been developed was trialed first within MFEM</p> <p>One-to-one training for ministries and agencies on the preparation of baseline estimates commenced and completed for selected ministries and will be replicated for all ministries by MFEM staff.</p>

If the project is to remain on track, it will be critical that the deadlines for the preparation of the first round of baseline estimates are adhered to. Because of other workload pressures for the Budget Team associated with the 2009-10 budget, any failure to do so would virtually eliminate the prospect that the medium-term budget reforms could contribute to better informing resource allocation in those processes and could put at risk any realistic prospect of having the project fully functional and sustainable to coincide with the 2010-11 budget.