

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: PAHQ

TA No. and Name TA 4253-TUV: IMPROVING PUBLIC EXPENDITURE MANAGEMENT AND ACCOUNTABILITY			Amount Approved: 300,000	
			Revised Amount: 300,000	
Executing Agency: Ministry of Finance Economic Planning and Industries (MFPEI)		Source of Funding: TASF	TA Amount Undisbursed \$140,400.78	TA Amount Utilized \$159,599.22
Date			Completion Date	
Approval	Signing	Fielding of Consultants	Original	Actual
13 December 2003	20 January 2004	25 May 2004	28 February 2005	22 July 2005
			Closing Date	
			Original	Actual
			28 February 2005	30 November 2005
Description				
<p>Tuvalu began a public financial management and budgetary reform program in the mid- 1990s by introducing output-based budgeting. The reform program was supported by the Asian Development Bank (ADB), the United Nations Development Programme (UNDP), and the Pacific Financial Technical Assistance Centre (PFTAC). The necessary budget management structure was established, but the capacity building and the institutional framework to operate it were not. In view of limited resources and the lack of technical expertise in the public sector, during the 2003 Country Programming Mission, the Government of Tuvalu requested ADB to assist the Ministry of Finance, Economic Planning, and Industries (MFPEI) to improve current public financial management. The technical assistance (TA) for Improving Public Expenditure Management and Accountability was included in the Country Strategy and Program Update 2004-2006 for Tuvalu. A 2-month comprehensive review was conducted in 2003 to identify options for improving public expenditure management systems. The review covered the strategic management of the budget, budget preparation, budget execution, output-based budgeting format for managing the expenditure of public money, and organizational structure and capacities of MFPEI. This provided additional guidance for the specific content of the TA.</p>				
Objectives and Scope				
<p>The objective of the TA was to improve transparency, accountability, and efficiency of government expenditure management systems and procedures, consistent with the capacity and resources of Tuvalu. The TA scope included:</p> <ul style="list-style-type: none"> (i) improving public expenditure management systems and procedures through better cash, budget, and treasury management systems; (ii) implementing a government finance statistics-based coding system for recording revenue and expenditure data; (iii) building the capacity of MFPEI and line agencies to implement the new system and procedures recommended under (i) and (ii); and (iv) improving the budget and financial management practices of state-owned enterprises (SOEs). <p>This TA was well formulated, building on previous donor activities in this area and the specific need being identified through the CSPU process. Its formulation also benefited from an earlier review of options in improving current public expenditure management systems. The design, scope and terms of reference (TOR) of the consulting services were generally appropriate for achieving the TA objectives.</p>				
Evaluation of Inputs				
<p>The TOR provided for three international consultants for a total of 10 person-months. The TOR for the international consultants were clear and specific in setting boundaries around the large TA area while still allowing flexibility to ensure that the immediate needs of Tuvalu were being met. In the final case, one consultant took on two of the roles – Public Financial Management Specialist/SOE specialist and the task of the Financial Management Training Specialist was undertaken by a second consultant. The performance of both consultants was satisfactory¹ as measured by the quality and timeliness of their reports and the PERs. The structured training and development courses were well regarded by recipients (both MFPEI staff and other government staff involved in the budget process), as evaluated by participant feedback surveys. A considerable degree of on-the-job training / knowledge transfer was also provided to MFPEI staff.</p> <p>On the whole, the Government of Tuvalu made available the necessary counterpart staff and facilities, although the unavailability of some key staff during the visit by the Financial Management Training Specialist meant a number of practical demonstrations of the new systems (such as the loading of 2005 opening general ledger balances and debtor transactions, processing of 2005 bank reconciliations, etc.), could not be completed and were substituted by detailed written instructions. The hardware and software provided under the TA was put in place and utilized satisfactorily. The TA inputs provided a cost effective means to jointly address Tuvalu's difficulties due to lack of capacity and an appropriate institutional framework to operate the budget management structure. The development of systems and processes was converted into local capacity through targeted training. The TA developed local capacity and put in place procedures, the result of which is long term benefits to Tuvalu through improved public financial management. The client expressed satisfaction with the inputs provided. The performance in the provision of inputs by the ADB was rated as satisfactory and the performance of the EA as satisfactory.</p>				

¹ The PER for both consultants rates them as satisfactory overall.

Evaluation of Outputs

The key output was the implementation of an appropriate public expenditure management system that provides financial information necessary for defining and monitoring expenditure policy and permits public scrutiny of government financial operations. There were four broad areas through which this output was achieved:

1. Establishment of systems and procedures for improved cash, budget, and treasury management by MFEPI and line agencies;
2. Implementation of a government financial system (GFS)-based coding system for recording revenue and expenditure data;
3. Training and development programs for MFEPI and line agency staff to effectively operate new cash, budget, and treasury management systems and procedures; and
4. A review of budget and financial management practices of four SOEs and recommendations on reforms to improve the quality of budget and financial management performance and procedures.

Reporting requirements were met through the provision of an inception report, monthly progress reports to the implementation steering committee and ADB, and final reports from the Team Leader and specialists. During the course of the TA, a significant number of specialist/technical reports, guidelines and related documents were completed. Key outputs achieved were:

- implementation of a new budget approach, making Programs the basis for control, though retaining transitional restrictions over sensitive items
- use of the comprehensive guidelines and instructions regarding the new budget approach
- merging Budget and Economic Planning Divisions to give an efficiency gain through maximizing work program synergies
- use of upgraded financial system software and associated hardware which allows for faster processing of financial information and greater accuracy in reporting
- A GFS-compliant chart of accounts was devised and implemented for FY2005. IMF questionnaires now able to be completed.

The training outputs were of high quality with coverage extending to all Ministries and with workshops being backed by considerable one-on-one coaching. Evaluation forms from workshops showed these were well-received by participants, with case studies being considered most useful. The increased capacity of those who received training in the new financial system/budget approach is difficult to gauge; however, the fact that the new budget process is being followed suggests the training was successful. Outputs were efficiently produced within budget and without major changes to the scope of the TA. The TOR was met as far as possible within the constraints imposed by the availability of human resources in Tuvalu. The TA is considered to have been effective in achieving the desired outputs with quality reports/training provided on time. Priority areas of financial management – such as transaction reporting, cash flow monitoring, end of year out-turn prediction - have clearly been improved in Tuvalu as a result of this TA. The client expressed satisfaction with the outputs achieved. In evaluating outputs the performance of the ADB has been ranked as satisfactory and the EA as satisfactory.

Overall Assessment and Rating

The TA was rated overall as successful, although it was recognized that training follow-up did not yield the maximum benefit due to the unavailability of some staff.

Major Lessons Learned

The TOR required drafts to be prepared for many manuals and procedures. However, for these to be of most benefit to the country, they need to be officially accepted by Government and used. The TOR could have required that these documents, at a minimum, be set upon a path to endorsement and use – although in some cases this was the approach taken by the consultants. Indeed the consultants provided documentation setting out the sequencing and resourcing requirements for full implementation through incremental steps which allows the Government of Tuvalu to implement the improvements to the financial system in a manner which is sustainable within the resource and capacity constraints they face. Some of the hands-on-training were less effective, due to the non-availability of some key departmental staff. In such cases where the Government is unable to fully comply with its commitment under the TA, it would be important for ADB to send the Government a formal notice of its disappointment and to request suggestions for how the issue can be avoided in the future.

Recommendations and Follow-Up Actions

The TA provided detailed recommendations for follow-up in the area of SOE performance. Many of these recommendations will require external assistance for effective implementation. Further areas highlighted which may require external assistance include Medium Term Planning and development of a Public Sector Investment Program. These could be considered for further ADB support in so far as they complement the strategic objectives of the Tuvalu CSPU as well as the priorities of the Government of Tuvalu.