



Technical Assistance Report

Project Number: 42035
Capacity Development Technical Assistance (CDTA)
November 2008

Republic of Kiribati: Economic Management and Public Sector Reform (Financed by the Japan Special Fund)

CURRENCY EQUIVALENTS

(as of 8 October 2008)

Currency Unit	–	Australian dollar (A\$)
A\$1.00	=	\$0.71
\$1.00	=	A\$1.42

ABBREVIATIONS

ADB	–	Asian Development Bank
AusAID	–	Australian Agency for International Development
KDP	–	Kiribati Development Plan
MFED	–	Ministry of Finance and Economic Development
MTFF	–	medium-term fiscal framework
NZAID	–	New Zealand Agency for International Development
RERF	–	Revenue Equalization Reserve Fund
SPSO	–	Pacific Subregional Office
TA	–	technical assistance

TECHNICAL ASSISTANCE CLASSIFICATION

Type	–	Capacity development technical assistance (CDTA)
Targeting Classification	–	General intervention
Sector	–	Law, economic management and public policy
Subsector	–	Public finance and expenditure management
Themes	–	Sustainable economic growth, private sector development
Subthemes	–	Promoting macroeconomic stability, private sector investment

NOTE

In this report, "\$" refers to US dollars, unless otherwise stated.

Vice-President	C. Lawrence Greenwood, Jr., Operations 2
Director General	S. Hafeez Rahman, Pacific Department (PARD)
Regional Director	R. Keith Leonard, Pacific Subregional Office, PARD
Team leader	E. Ferguson, Country Specialist, PARD

I. INTRODUCTION

1. The Government of Kiribati expressed a need in late 2006 for technical assistance (TA) to improve economic management and conduct public sector reform.¹ The Asian Development Bank (ADB) undertook a country consultation mission in July 2007 to discuss the country's needs. In August 2007, the Pacific Financial Technical Assistance Centre conducted an in-depth review of public financial management in Kiribati. Its report identified eight areas where management needed support: (i) the fiscal strategy and multiyear budget framework, (ii) fishing license revenue, (iii) cash and treasury, including the Revenue Equalization Reserve Fund (RERF), (iv) customs duties, (v) unproductive subsidies, (vi) planning, budgeting, and monitoring, (vii) accounting, and (viii) auditing. A second ADB mission decided that ADB could serve Kiribati best by helping implement a multiyear budget framework and addressing the poor performance of public enterprises by supporting reforms through an integrated capacity-building program.

2. A TA fact-finding mission (the Mission) visited Kiribati from 24–26 June 2008. It reached an understanding in discussions with the Government and other stakeholders on the impact, outcome, outputs, implementation arrangements, cost, financing arrangements, and terms of reference for consulting services. The TA design and monitoring framework is in Appendix 1.²

II. ISSUES

3. Kiribati has experienced slow or even negative growth since 2002. In 2007, economic growth slowed to an estimated 0.5%. High population growth has increased the impact of this poor performance. The Government's recurrent and development expenditures are the main determinant of aggregate demand. In 2006, the general government sector made up 47% of the economy and was the country's primary source of employment.

4. The Government also faced substantial domestic revenue declines between 2001 and 2005, due primarily to a drop in proceeds from fishing licenses. Other factors included rising international commodity prices, unstable RERF returns from volatile international capital markets, and losses incurred by public enterprises. The decline has been offset to some degree by an increase in external grants-in-aid but revenue flows need to be improved. The Government must recognize that it is restricted in its ability to balance revenue flows and that revenues from key sources will always fluctuate year on year. Expenditure, in particular recurrent expenditure, on the other hand, is much more rigid in nature.

5. As a result, Kiribati has sustained high fiscal deficits since 2003. In 2006–2008, they reached an estimated A\$20 million per annum, or about 20% of gross domestic product. To fund this deficit, the RERF, which is the principal source of budget financing, has declined 30% since 2000. In 2007, to finance expenditures and repay loans from the Bank of Kiribati, the Government sharply increased these drawdowns to A\$45 million. While the RERF balance remained above an informal benchmark of the real capital value in 1996, a continuation of this trend could undermine the fund's capacity to fulfill its role as a permanent source of budget support. Weaker global equity market returns will now necessitate much lower drawdowns and a more prudent approach to government expenditures in 2008 and 2009. The characteristics of Kiribati public finances therefore demand a solid fiscal framework that imposes discipline on the budgetary process by restraining the tendency to increase spending in high-revenue years without regard for sustainability in years when revenue will be poor.

¹ Multidonor (ADB, AusAID, NZAID, and Pacific Financial Technical Assistance Centre) mission in November–December 2006, which included Country Economist, A. Huang, Pacific Subregional Office (SPSO).

² The TA first appeared in the business opportunities section of ADB's website on 30 June 2008.

6. To strengthen Kiribati's fiscal position, unnecessary expenditures must also be reduced. Public enterprises operate in most sectors of the economy, including air and sea transport, utilities, telecommunications, manufacturing, housing, tourism, finance, media, wholesaling, and retailing. The legislative framework to ensure government oversight of public enterprise performance is not being fully utilized. Subsidies have been scaled back in the recurrent budget in recent years but now show up more frequently in the development budget. Most of these public enterprises also rely on the Government to fund major items of capital acquisition or replacement. Some look to the Government to support maintenance and training needs. A number have government-guaranteed overdraft or term loan facilities with the Bank of Kiribati. There is ample scope for reducing fiscal leakages and paving the way for private sector development through the reform of public enterprises.³

7. The Kiribati Development Plan 2008–2011 (KDP) prioritizes the improvement of the Government's fiscal position.⁴ To achieve this goal, the KDP calls for the Government to commit to fiscal prudence; refrain from unnecessary overspending; strengthen public financial management through long-term budget strategies, including multiyear budgets; and reduce excessive borrowings by public enterprises. The draft economic and social review of Kiribati calls for stronger revenue and expenditure planning, implemented by positive management using up-to-date information within a realistic statement of medium-term public financial policy and annual budgets transparently set in a published multiyear framework.⁵

8. Limited human capacity has been a perennial problem for the Government. Of the 120 staff members of the Ministry of Finance and Economic Development (MFED), fewer than 20 have an academic degree and require on-the-job training to lift their performance. Fifty posts remain vacant. Technical advice and support to counterparts is needed to move through the prioritized changes and reforms. Personnel management must be improved. This is a considerable task that can only be pursued through the Public Service Commission.

9. Kiribati has received ADB TA in economic and fiscal management, albeit heavily focused towards national planning and utility management, since the early 1990s. ADB provided TA between 1997 and 2002 to strengthen the institutional capacity of what is now MFED in development policy analysis and planning and budget formulation, execution, and monitoring.⁶ These efforts encountered difficulties, including the engaged consultants' lack of expertise in training and facilitation, delays in redirecting TA to respond to the dynamic political economy, weak capacity in key ministries, resistance to change due to a lack of understanding on the part of decision makers, and a high staff turnover with a poor incentive and sanction structure. The effect of the capacity development components has been transient.

10. ADB development partners have begun or are planning assistance that will complement this TA. Australian Agency for International Development (AusAID) is funding technical specialists in auditing, accounting, and taxation, and has proposed short studies to assess the status of public enterprises and the management and utilization of the RERF. The New Zealand Agency for International Development (NZAID) is supporting the improvement of management skills in public enterprises. The United Nations Development Programme is assisting the strengthening of aid coordination and management. The MFED wants to increase the coordination between the development partners supporting improved public financial management. By providing a strong core of assistance to public financial management, the TA

³ The KDP also recognizes the need to stimulate the private sector to create jobs and to promote economic growth.

⁴ Government of Kiribati. 2008. *Kiribati Development Plan 2008–2011*. Tarawa.

⁵ ADB. Forthcoming *Kiribati: Managing Development Risk*. Manila.

⁶ ADB. 1996. *Technical Assistance to Kiribati for Strengthening Institutional Capacity for Financial and Economic Management Phase 1*. Manila (TA 2657-KIR, rated partly successful); and ADB. 1999. *Technical Assistance to Kiribati for Strengthening Institutional Capacity for Financial and Economic Management Phase 2*. Manila (TA 3159-KIR, rated successful).

would act to tie together and hence leverage the impact of many of its partners' ongoing and proposed projects.

11. In accordance with ADB's approach for engagement in fragile situations, the TA will be delivered through a phased approach.⁷ This will allow an initial diagnostic analysis of capacity development needs to guide the development of the assistance required to help Kiribati move to the use of a medium-term fiscal framework (MTFF) and implement public enterprise reform. Employing a phased approach will also allow the setting of clear targets or trigger points that should be met before proceeding to subsequent phases, thus ensuring that capacity development is bedded down in each stage. This will allow ADB adapt to changing internal or external factors.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

12. The intended impact of the TA is to improve fiscal performance and reduce the fiscal deficit through the disciplined use of a MTFF and specific steps to control key expenditure items. The outcomes of the TA are expected to be the adoption of the MTFF approach to fiscal planning and the implementation of reforms to improve the management and performance of public enterprises. These outcomes can only be successfully achieved in a phased approach that incorporates sufficient capacity building.

B. Methodology and Key Activities

13. The TA supports the government strategies set out in the KDP to ensure fiscal prudence and refrain from unnecessary overspending, strengthen public financial management through long-term budget strategies, including multiyear budgets, and improve and enhance the efficiency of public enterprises. It comprises three TA subprojects.

14. **Subproject 1: Capacity development Diagnostic Analysis.** This subproject will support a consultative and participatory assessment and analysis of capacity within the public enterprise oversight and budget-related units of MFED, as well as the budget-related capacity in line ministries. It will be conducted jointly by the consultant and the ministries concerned. The capacity development priorities needed to support subprojects 2 and 3 will be identified and a capacity development road map to achieve them prepared. The road map will explicitly recognize the influence of political economy and will consider the appropriate capacity development modes based on past experience in Kiribati and the Pacific, including that contained in the Pacific capacity development case studies undertaken by ADB in 2007. It will also consider innovative options, such as the use of consultants as mentors or the use of local training institutions. Deepening capacity will also be important. It is expected that the roadmap will identify capacity development needs that are beyond the financial resources of the TA—including institutional twinning and longer-term training—and additional support will be actively sought from development partners. TA funds will focus primarily on building capacity on the job with the direct support of the TA consultants. To enable a complete assessment of capacity development needs, subprojects 2 and 3 will be further designed within subproject 1 and, upon ADB approval, implemented together.

15. **Subproject 2: Working Towards a Medium-Term Fiscal Framework.** Subproject 2 comprises three sequential components, each with predetermined trigger points to indicate when a desired level of competence has been achieved and the next component should be

⁷ ADB. 2007. *Achieving Development Effectiveness in Weakly Performing Countries*. Manila.

initiated.⁸ The capacity development needs identified in subproject 1 will be addressed as the technical aspects of this component are implemented, both directly through the TA and in concert with other development partners. The subproject will

- (i) strengthen the annual budget (years 1 through 2) through assessment of the existing budget process and practices with a view to identifying weaknesses and highlighting opportunities for improving their performance focus, strengthen public cash management and commitment control, strengthen macroeconomic and fiscal forecasting capacity, and address related legislation;
- (ii) implement a multiyear budget framework (years 2 through 3) by building capacity in forecasting, preparing related legislation, and building awareness and understanding of the purpose of the framework among stakeholders; and
- (iii) implement a MTFF (year 4), further strengthen forecasting capacity, and strengthen awareness and understanding of the purpose of the MTFF among stakeholders.

16. Subproject 3: Public Enterprise Performance Improvement. Subproject 3 will develop a public enterprise reform strategy and its endorsement will allow for demonstration of government commitment to its implementation. This strategy will build on the proposed AusAID review of the status of public enterprises and will also recognize the ongoing role of NZAID in improving the performance of public enterprise managers. The TA will support the initial implementation of this strategy. Priority will be given to piloting actions that can be replicated across public enterprises and trying innovative approaches such as the use of management contracts. The capacity development needs identified in subproject 1 will be addressed as the technical aspects of this subproject are implemented, both directly through the TA and also in concert with other development partners. This subproject can be expected to have tangible impacts on the fiscal deficit.

17. Under the broad methodology for subprojects 2 and 3, consultants will help counterpart staff implement the reforms included in the initial detailed design in a consultative and participatory manner through a mix of field and remote support. The capacity development efforts designed under subproject 1 will be integral to subprojects 2 and 3. Their success will be closely monitored through predetermined indicators. Consultants will be required to have proven experience in developing capacity. This will ensure that capacity development will be timely and fully integrated in the TA and will avoid previous problems that arose when consultants lacked the necessary capacity development skills. To overcome another identified weakness in earlier TA design, the implementation of subprojects 2 and 3 will be supported by a change management specialist and a local facilitator who will generate internal and external awareness and support. External awareness-raising will be directed to key decision makers as well as to the general public.

18. A number of assumptions are important to the success of the TA. Sustained Government commitment to public sector reforms will be key, particularly in the implementation of the MTFF, the strengthening of cash management (which is hampering public debt management), and the carrying out of public enterprise reform. Kiribati's financial position has tightened due to high RERF drawdowns. This and leadership changes in the 2007 elections have created an environment that is conducive to tackling these issues and addressing the resulting constraints on growth. The possibilities that counterpart staffs are not provided or key operational staffs are not retained are the greatest risks to the TA's success. A weakening of political support and reversion to past trends, when political considerations drove short-term

⁸ Trigger points will be developed in consultation with the Government and specified in the design of component 2 that will be undertaken during under component 1. The trigger points will be subject to ADB approval.

resource allocation, would also place TA outcomes at risk. Government failure to prioritize strengthening of the public sector IT interconnectivity would limit the TA benefits. Continued broad policy support for private sector development and public sector reform, including personnel management, is likewise essential. The flexibility provided by the phased approach will allow the TA to adapt to a changing environment.

C. Cost and Financing

19. The total cost of the TA is estimated at the equivalent of \$880,000. Of this, \$800,000 will be financed on a grant basis by the Japan Special Fund, funded by the Government of Japan. The Government of Kiribati will finance the equivalent of \$80,000 in kind through the provision of counterpart staff, office accommodations, and local communication. Details of the cost estimates and financing plan are in Appendix 2.

D. Implementation Arrangements

20. The MFED will be the executing agency, while implementing agencies will include MFED, line ministries such as health and education, and selected public enterprises. Under the MFED, a TA focal point will be appointed to liaise with the consultant team and oversee its activities. The consultants and the TA focal point will liaise with relevant development partner programs and/or projects to promote coordination and complementarity in all activities. As subprojects 2 and 3 are developed, cofinancing will be sought to extend the range of activities. Initial approaches have been made to potential partners. Consultative and participatory processes will be used in TA implementation to promote successful capacity development outcomes. Disbursement under the TA will be done in line with the *Technical Assistance Disbursement Handbook*.⁹

21. The TA will be implemented intermittently over a 4-year period, starting in November 2008 and ending in November 2012. The first subproject (\$89,000) will be implemented between November 2008 and March 2009. The TA will finance 23 person-months of international consulting services and 5 person-months of a national consultant. The proposed consultants will all provide services intermittently and will comprise six international consultants: (i) team leader, a public financial management specialist (9 person-months), (ii) treasury specialist (1 person-month), (iii) capacity development specialist (3 person-months), (iv) public enterprise specialist (7 person-months), (v) macroeconomist (1 person-month), (vi) change management advisor (2 person-months), and one national consultant, facilitator (5 person-months). ADB will engage the team of consultants as a firm based on a simplified technical proposal under the quality- and cost-based selection process, using an 80:20 weighting for quality–cost. The firm will be contracted for all three subprojects to ensure continuity of input and a sustained relationship with counterparts. The consultants will be engaged in accordance with ADB's *Guidelines on the Use of Consultants* (2007, as amended from time to time). Appendix 3 gives the outline terms of reference. Reporting will comprise an inception, half-yearly progress, and draft final and final reports. ADB will support the government in sharing all reports with other development partners.

IV. THE PRESIDENT'S DECISION

22. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$800,000 on a grant basis to the Government of Kiribati for the Economic Management and Public Sector Reform, and hereby reports this action to the Board.

⁹ ADB. 2008. *Technical Assistance Disbursement Handbook*. Manila.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Impact Improved fiscal performance</p>	<p>Fiscal resource allocation aligned with Kiribati Development Plan objectives</p> <p>Improved fiscal expenditure control</p> <p>Timely debt amortization payments to sovereign creditors</p> <p>Reduced fiscal deficit in the medium term particularly reduced fiscal allocations to public enterprises (PEs).</p> <p>Growth in private sector activity in areas formerly dominated by PEs</p>	<p>Budget papers and medium-term fiscal framework (MTFF)</p> <p>Annual reports of the PEs</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Government's sustained commitment to public sector reforms <p>Risks</p> <ul style="list-style-type: none"> • External shocks • Narrow political considerations affecting reform implementation and resource allocation
<p>Outcome 1. Adoption of MTFF approach to fiscal planning</p> <p>2. Public sector reform strategy implementation commenced</p>	<p>Establishment of MTFF by June 2012</p> <p>Transparent and sustainable use of the Government's overdraft with the Bank of Kiribati</p> <p>Reduced government budget allocations to PEs by FY2010</p>	<p>Budget papers</p> <p>MTFF reports, including public investment program reports.</p> <p>Revenue Equalization Reserve Fund data</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Retention of key operational staff • Commitment of central Government agencies to adoption of MTFF • Commitment to adoption of recommendations for PE performance improvement <p>Risks</p> <ul style="list-style-type: none"> • Poor public sector absorptive capacity • Political considerations in short-term resource allocation
<p>Outputs Subproject 1: 1. Capacity Development (CD) Diagnostic Analysis</p> <p>2. CD program designed in support of subprojects 1 & 2</p> <p>3. CD activities,</p>	<p>CD diagnostic analysis accepted by the Government by April 2009</p> <p>Government endorses CD program by May 2009</p> <p>Success of CD activities</p>	<p>Consultant's progress report</p> <p>TA review mission reports</p>	<p>Assumptions</p> <ul style="list-style-type: none"> • Availability of counterpart staff <p>Risks</p> <ul style="list-style-type: none"> • Limited capacity among public agencies, including PEs, and private sector to respond to recommendations for possible private public

<p>including on-the-job training, mentoring etc.</p> <p>Subproject 2: 1. Implementation of a multiyear budget framework (MYBF)</p> <p>2. Implementation of a medium-term fiscal framework</p> <p>Subproject 3: 1. Start of implementation of PE portfolio performance improvement strategy</p>	<p>as measured against specific indicators developed</p> <p>Adoption of cash planning and commitment control processes in the context of the MYBF by October 2010</p> <p>Adoption of annual budgeting processes in the context of the MYBF by October 2010</p> <p>Adoption of prompt data collection processes and fiscal and economic forecasting processes in the context of the MYBF by October 2011</p> <p>Adoption of recommendations for a public enterprise performance improvement agenda by December 2009</p> <p>Successful completion of one exemplary case of privatization/divestiture or another modality by April 2011</p>	<p>Budget papers</p> <p>Consultant's progress report</p> <p>TA review mission reports</p> <p>Consultant's progress report</p> <p>TA review mission reports</p>	<p>partnership opportunities for improvement of the PE portfolio performance</p>
<p>Activities with Milestones</p> <p>Subproject 1—Capacity Development Diagnostic Analysis</p> <p>1.1 Diagnostic analysis of capacity development status and needs of targeted areas of Ministry of Finance and Economic Development and budget-related areas of line ministries (March 2009)</p> <p>1.2 Design and implementation of capacity-building strategy for subprojects 2 and 3 (ongoing throughout TA)</p> <p>Subproject 2—Medium-Term Fiscal Framework</p> <p>Activities (to be specifically identified during the implementation of subproject 1) relating to:</p> <p>2.1 Implementation of effective and interlinked annual budgeting processes (October 2011)</p> <p>2.2 Implementation of effective cash planning and commitment control process (October 2010)</p> <p>2.3 Development of macroeconomic and fiscal data collection and forecasting capacity (October 2011)</p> <p>2.4 Implementation of a multiyear budget framework (October 2011)</p> <p>2.5 Design and gradual integration of MTFF processes through central and line agencies (October 2012)</p>			<p>Inputs</p> <ul style="list-style-type: none"> • ADB: \$800,000 • Government of Kiribati: \$80,000

<p>Subproject 3 – Public Enterprise Reform Specific activities to be identified during the implementation of subproject 1 but these will relate to:</p> <ul style="list-style-type: none"> 3.1 Undertake needed assessments of public enterprise issues (May 2009) 3.2 Development of a PE portfolio performance strengthening strategy (December 2010) 3.3 Implementation of priority representative elements of the strategy (October 2012) 	
--	--

ADB = Asian Development Bank, AusAID = Australian Agency for International Development, CD = capacity development, GDP = gross national product, MFED = Ministry of Finance and Economic Development, MOP = ministerial operation plan, MTFE = Medium-term fiscal framework, MYBF = multiyear budget framework; NGO = non-governmental organization, NSDP = National Sustainable Development Plan, NZAID = New Zealand Agency for International Development, PE = public enterprise.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Total Cost
A. Asian Development Bank Financing^a	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants	511.0
ii. National Consultants	14.0
b. International and Local Travel	150.0
c. Reports and Communications	15.0
2. Training, Seminars, and Conferences	40.0
3. Miscellaneous Administration and Support Costs	10.0
4. Contingencies	60.0
Subtotal (A)	800.0
B. Government Financing^b	
1. Office Accommodation and Local Communication	18.0
2. Remuneration and Per Diem of Counterpart Staff	62.0
Subtotal (B)	80.0
Total	880.0

^a Financed by the Japan Special Fund, funded by the Government of Japan.

^b Government of Kiribati financing.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. Consultant services will support the three subprojects of this technical assistance (TA). A team leader, who will be a public financial management specialist, will be in charge of supervising all subprojects and lead the work on subproject 2. It is expected that consultants will work closely with each other to keep the TA in line with its scope and ensure that each subproject will be coherent.

2. The consultants will work as a cohesive team to deliver the tasks below. The TA will be implemented intermittently by a team of six international consultants for 23 person-months and one national consultant for 5 person-months. The international consultant team will comprise a public financial management specialist/team leader (9 person-months); a treasury specialist (1 person-month); a capacity development specialist (3 person-months); a public enterprise specialist (7 person-months); a macroeconomist (1 person-month); and a change management advisor (2 person-months). These will be joined by a local facilitation specialist (national, 5 person-months intermittent).

1. **Public Financial Management Specialist and Team Leader** (international, 9 person-months, intermittent)

3. The public financial management specialist and team leader will have a strong background in expenditure management, especially output-based budgeting; capacity building and training; and project and/or program development and management. The specialist should have at least 10 years of experience providing such advice to a variety of Pacific governments and societies, including having demonstrated strong political, negotiation, and process facilitation skills, and should hold a tertiary degree, preferably a Master's degree or PhD, in finance, economics, or a related field. This consultant should have excellent communication skills, both written and verbal, and be skilled in the use of consultative and participatory processes.

4. The assignment of the public financial management specialist and team leader will include but not be limited to

- (i) providing intellectual leadership and guidance to the consultancy team;
- (ii) developing a detailed work plan for the technical assistance, in consultation with the TA focal point, that seeks to build on and complement earlier and ongoing related assistance, matches the TA inputs to the Government's annual budget cycle, and includes measurable indicators that can be the basis for determining the appropriate point to move between components of subproject 2;
- (iii) working closely with the capacity development specialist to develop an understanding of the capacity implications of the proposed TA inputs and propose a supportive short- to medium-term approach for sustainable capacity development in public financial management;
- (iv) coordinating with development partner(s) and relevant specialists providing related assistance;
- (v) reviewing budget preparation process, including preparation schedules, the process of setting overall priorities (inter-sectoral allocations), budget preparation process in the line ministries (intra-sector allocations), the coordination of internally and externally financed expenditure, the interaction between the sector ministries and the Ministry of Finance and Economic Development (MFED) (timetable, material presented by line ministries, discussions and negotiations);

- (vi) preparing a proposal for a modified budget preparation process aimed at ensuring the alignment of the budget with the country's development priorities and increasing the effectiveness and efficiency of public expenditure;
- (vii) reviewing and preparing a proposal for a unified (recurrent and development) and less detailed structure for budget appropriations;
- (viii) preparing a proposal for the development of the budget document so as to enhance its information content and readability;
- (ix) working with the treasury specialist to strengthen cash management and commitment control in line ministries and MFED;
- (x) preparing templates for ministerial substantive and financial reporting;
- (xi) preparing templates for summary financial and substantive government reporting to Parliament;
- (xii) working closely with the macroeconomist to develop forecasting (multiyear and cashflow) capabilities in MFED, including medium-term revenue forecasts and ceilings on the budget deficit and/or sectoral expenditure initially and subsequently for sectoral and global expenditure;
- (xiii) developing processes and formats for communicating forecasts to the political level, cabinet and Parliament;
- (xiv) folding these developments into a coherent multiyear budget framework and subsequently into a medium-term fiscal framework that can be operated independently by the government officials;
- (xv) assisting in any other tasks to ensure the successful implementation of the TA subprojects;
- (xvi) performing overall TA management and coordination among ADB, the Government of Kiribati, development partners, and other stakeholders to ensure that the TA milestones are met;
- (xvii) maintaining close contact with the ADB project officer and the executing and implementing agencies throughout entire execution of the TA; and
- (xviii) collating and preparing inception, half-yearly, draft final and final reports on the TA as a whole, as required by ADB, as well as preparing end-of-mission reports for subproject 2.

2. Treasury Specialist (international, 1 person-month intermittent).

5. The person will have a background appropriate to undertaking the tasks set out below, with at least 10 years practical experience and significant experience specific to small island states.

6. The assignment of the treasury specialist will include but not be limited to

- (i) assisting in the strengthening of the annual budget with accurate, up-to-date recording and compilation of revenues and expenditures from line ministries and the public enterprises;
- (ii) reviewing, under the leadership of the public financial management specialist, the current capacity in cash management and commitment control at MFED and line ministries and designing and proposing an effective capacity development plan to boost such a capacity;
- (iii) training the accounting cadres from the MFED and those accounting staff from the public enterprises in areas of preparing public accounts and financial statements for line ministries and public enterprises;

- (iv) assisting in any other tasks to ensure the successful implementation of the TA; and
- (v) providing input for TA reports, as requested by the team leader.

3. Macroeconomist (international, 1 person-month intermittent).

7. The person will have a background appropriate to undertaking the tasks set out below, with at least 10 years practical experience and significant experience specific to small island states.

8. The assignment of the macroeconomist will include but not be limited to

- (i) assessing the current capacity for macroeconomic analysis to support revenue and expenditure forecasting, inclusive of human resources, information sources, and roles of various government agencies;
- (ii) helping establish capacity within the MFED for macroeconomic analysis, with a focus on feeding the data for the preparation for relevant forecasts in revenue and expenditure;
- (iii) identifying the macroeconomic forecasting needs for a multiyear budget framework and for a medium-term fiscal framework and supporting the development of the needed capacities and systems to enable this forecasting;
- (iv) coordinating with the Government and development partner(s) providing assistance to better link the annual budget process to the ministry operations plans and the ministry plans to the national plan;
- (v) assisting in any other tasks to ensure the successful implementation of TA subproject 2; and
- (vi) providing input to TA reports, as requested by the team leader.

4. Capacity Development Expert (international, 3 person-months intermittent).

9. This person must have an appropriate background to undertaking the tasks as outlined below but also be able to act as an efficient facilitator. The expert should have at least 10 years of experience providing such related advice to a variety of Pacific governments and societies and have demonstrated strong political, negotiation, and process facilitation skills. Knowledge in assessment of competency and formulation of measurement of set targets of competency is essential. A practical understanding of consultative and participatory processes is also needed.

10. The assignment of the capacity development expert will include but not be limited to

- (i) undertaking a participatory diagnostic analysis of TA-relevant areas of MFED and line ministries, supported by the public financial management and public enterprises specialists, conducted jointly by the consultants and the ministries concerned, and including consideration of capacity dimensions at the individual, organization, inter-organization, and environment levels;
- (ii) reaching an agreement with the Government on the necessary areas for capacity development;
- (iii) providing a framework for intermittent and/or sustained capacity development in areas identified in the initial diagnostics, including a monitoring framework to measure impact of the individual interventions and measurement of baseline competency levels for the various areas for capacity development;
- (iv) identifying opportunities for MFED to access capacity development opportunities supported by other development partners;

- (v) providing input for TA reports as requested by the team leader.

5. Public Enterprise Reform Specialist (international, 7 person-months intermittent).

11. This person will have extensive experience in public sector reform and enterprise development across a range of geographic, technical, and, possibly, political settings. The specialist will be able to meet all the broad technical requirements competently at both the macro government level and in enterprise development and have demonstrated strong political, negotiation, and process-facilitation skills. A practical understanding of consultative and participatory processes is needed.

12. The assignment of the public enterprise reform specialist will include but not be limited to several tasks:

- (i) Assess the Australian Agency for International Development (AusAID) status report and identify any further information collection or analysis needed as a basis for TA subproject 3 and undertake this collation and analysis.
- (ii) Based on AusAID's status assessment of public enterprises and additional analysis, and in close coordination with government and stakeholders, develop a public enterprise portfolio performance improvement strategy that aligns with the Government's economic and political strategic concerns and any possible social concerns. The strategy could include elements of corporatization and outsourcing, privatization, rationalization, regulation, and strengthening of the management and financial positions of public enterprises that remain under government ownership. In undertaking this task, the consultant should be cognizant of and guided by lessons from previous assistance to public enterprises.
- (iii) Develop a detailed work plan to implement priority elements of the strategy that are representative of the whole strategy as pilot activities to build understanding and capacity for final full implementation of the strategy by the Government. The work plan is to be endorsed by ADB and the Government.
- (iv) Work closely with the capacity development specialist on understanding the capacity implications of the proposed TA inputs and propose a short- to medium-term approach for sustainable capacity development in public enterprise reform.
- (v) Coordinate with development partner(s) and relevant specialists providing related assistance.
- (vi) Advise the Government, with the assistance from the local facilitation specialist, on the strategy to retain employment and social cohesion. This includes proposal of such methods as management buy-in, management contract, or appropriate social safeguard options.
- (vii) Support change management expert and local facilitation specialist in the conduct of a public awareness campaign, public consultation, and information dissemination on key aspects of the TA work.
- (viii) Assist in any other tasks to ensure the successful implementation of the proposed public enterprise reforms.
- (ix) Provide input for TA reports, as requested by the team leader.

6. Change Management Advisor (international, 2 person-months intermittent).

13. The person will have a background appropriate to undertaking the tasks set out below, with at least 20 years practical experience and significant experience specific to small island

states. The advisor should demonstrate an ability to effect change in a manner that reflects cognizance of the social and political constraints of a small community. A demonstrated practical understanding of consultative and participatory processes is needed.

14. The assignment of the change management advisor will include but not be limited to
- (i) working with the public financial management specialist, the public enterprise specialist, and the capacity development specialist to identify key points where change will need to be managed and then designing specific interventions to support the management of change;
 - (ii) working with those in public enterprises that are being reformed under the TA to enable a smooth change to the reformed status;
 - (iii) designing a public awareness campaign and information dissemination on the TA work and working with the local facilitation specialist in its implementation;
 - (iv) designing an awareness-raising program for members of Parliament on the expected impacts and outcomes of the TA and working with the local facilitation specialist in its implementation; and
 - (v) providing input for TA reports, as requested by the team leader

7. Local Facilitation Specialist (domestic, 5 person-months intermittent).

15. The local facilitation specialist will have a strong background in training and education and consultative and participatory processes, as well as extensive experience in technical assistance in those fields in small island states.

16. The assignment of the local facilitation specialist will include but not be limited to several tasks that will be carried out under the guidance of the team leader or specialists and advisors.

- (i) In concert with other team members, conduct public awareness campaign and information dissemination on key aspects of the TA work.
- (ii) Assist MFED and the consulting team in any necessary public consultation related to the TA.
- (iii) Assist in any other tasks to ensure the successful implementation of the TA.
- (iv) Provide input for TA reports, as requested by the team leader.

17. An inception report will be prepared for ADB and the Government by the team leader within 8 weeks of the start of field activities. It will include the capacity development roadmap. Half-yearly progress reports will be submitted throughout the TA, and a draft final report completed by October 2012. The final report is to be submitted within a month of the incorporation of ADB comments on the draft final report.