

Reform Programs in PDMCs: Design

PDMC	Coverage	Tranche Conditions	Prioritization/ Sequencing	Scheduling Pacing	Monitoring Mechanisms	Technical Assistance
Cook Islands (loan approval Sept. 1996)	<ul style="list-style-type: none"> • Public sector reform • Promotion of private sector growth • Social equity and sustainability • Governance • 110 policy matrix actions 	<p>Eight 2nd tranche:</p> <ul style="list-style-type: none"> • comply with Finance & Economic Management Act • draft Public Sector Investment Program acceptable to ADB • enact amendments to Income Tax and Turnover Tax Acts • enact Act establishing the Development Investment Board • complete agriculture policy & strategy statement • complete marine resources policy & strategy statement • complete tourism policy & strategy statement • legally decentralize a large measure of political and economic power to Vaka & Island Councils & where appropriate village-level bodies 	<ul style="list-style-type: none"> • Priority to public service down-sizing • Simultaneous undertaking of most policy actions 	<ul style="list-style-type: none"> • 55-60% cut in public service employees between May & Sept. 1996 • Tranche conditions to be met between end Sept. 1996 & end July 1997 	<ul style="list-style-type: none"> • Quarterly reports from Govt. to ADB; Program Monitoring Committee chaired by Govt., including ADB & NZODA reps., meeting every 6 months; Bank missions 	<ul style="list-style-type: none"> • \$740,000 for Cook Islands Development Bank; \$251,000 for the Development Investment Board.

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FSM (loan approval April 1997)	<ul style="list-style-type: none"> • Size & operating costs of public service • Domestic revenue generation • Public enterprise reform • Mitigation of social & economic impact of reforms • Private sector development • 122 actions in 5 policy matrices 	<p>Four 2nd tranche:</p> <ul style="list-style-type: none"> • Sufficient progress achieved & maintained in carrying out reform programs as set out in policy matrices • Reduction in number of public servants as specified in policy matrices • Passage of foreign investment laws • Enactment of Customs Act and amendments to Gross Revenue Act 	<ul style="list-style-type: none"> • Priority to reducing costs of public service & implementation of early retirement schemes • Simultaneous undertaking of most policy actions 	<ul style="list-style-type: none"> • Tranche conditions to be met by March 1998 • All actions to be completed by March 1999 	<ul style="list-style-type: none"> • Monitoring by State Public Sector Reform Committee; quarterly reports to ADB by Bank-funded advisory team; joint Bank-Govt. reviews; Bank missions 	<ul style="list-style-type: none"> • \$540,000 to supplement Policy Advisory Team for Economic Management; \$380,000 for development of investment promotion plan and review of financial sector.
RMI (loan approval Jan. 1997)	<ul style="list-style-type: none"> • Stabilization of Government finances in short run • Long-term structural stability of 	<p>Six 2nd tranche:</p> <ul style="list-style-type: none"> • Reduce Government employees from 1,650 to 1,484 & provide compensation as per agreed formula • End all subsidies to Air Marshall Islands except for 	<ul style="list-style-type: none"> • Priority to public service down-sizing 	<ul style="list-style-type: none"> • 2nd tranche conditions to be met by Oct. 1997 	<ul style="list-style-type: none"> • Monitoring program to be designed by Office of Planning & Statistics; Govt. to provide semi-annual 	<ul style="list-style-type: none"> • \$515,000 for program coordination; \$575,000 for institutional strengthening of the transport

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	<p>Government finances</p> <ul style="list-style-type: none"> • The private sector enabling environment • 59 actions in policy matrix 	<p>interest payments on 2 Dorniers</p> <ul style="list-style-type: none"> • Continue 3 year wage freeze for civil servants introduced in March 1996, excluding normal promotions • Establish a Financial Reserves Trust Fund... • Reduce the Board of Directors of Air Marshall Islands from 9 to 5 members, ensuring at least 2 are from the private sector • Establish a Private Sector Unit in the Office of the President for a period of no longer than 2 years <p>Five 3rd tranche:</p> <ul style="list-style-type: none"> • Impose a tax on all rental incomes on commercial buildings • Establish a Road Users Trust Fund... • Establish a Marshall Islands Airport Authority... • Transfer all airport management functions to the new Authority 	<ul style="list-style-type: none"> • Simultaneous undertaking of most policy actions 	<ul style="list-style-type: none"> • 3rd tranche conditions to be met by April 1998 • All actions completed by Oct. 1998 	<p>reports; Bank missions.</p>	<p>sector; \$760,000 for establishment of private sector unit.</p>

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Samoa (loan approval Feb. 1998)	<ul style="list-style-type: none"> • Financial sector liberalization • Strengthening of Central Bank, National Provident Fund, Development Bank and prudential and regulatory framework • Privatization/corporatization of state-owned enterprises (SOEs) • 62 actions in policy matrix 	<p>Six 2nd tranche:</p> <ul style="list-style-type: none"> • Remove foreign exchange levy • Secure agreement, satisfactory to ADB, between Central Bank and Treasury on providing a more secure income stream to the Central Bank • Amend the Financial Institutions Act 1996 so as to include prudential guidelines for the National Provident Fund and the Development Bank... • Ensure that external audits of all SOEs in which the government holds a majority share are carried out on an annual basis... • Divest all government equity in 8 specified SOEs • Corporatize Post and Telecommunications Dept. under a commercially oriented Board of Directors 	<ul style="list-style-type: none"> • Financial sector reform & phased public enterprise reform implemented as components of a sequenced economic reform strategy 	<ul style="list-style-type: none"> • 4 tranche conditions to be met by end 1998, & 2 by end 1999 • All actions to be completed by end 1999 	<ul style="list-style-type: none"> • Financial Sector Program Coordination Committee to prepare semi-annual reports to ADB; Bank review missions 	<ul style="list-style-type: none"> • \$950,000 for institutional strengthening of Central Bank, National Provident Fund, and Development Bank.

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Solomon Islands (loan approval Aug. 1998)	<ul style="list-style-type: none"> • Macroeconomic stabilization • Public service reform (including mitigation of social impact of downsizing) • Public enterprise reform • Public sector governance • 65 actions in policy matrix 	<p>Eight 2nd tranche:</p> <ul style="list-style-type: none"> • Reduce payroll costs to SIS130m. or less on an annualized basis, subject to an adjustment for 1998 inflation acceptable to ADB • Obtain Cabinet approval of budget limits for annual expenditures of each Ministry in accordance with Medium Term Budget Framework; & ensure that MTDS, PSIP & MTBF are consistent • Apply competitive & transparent recruitment, selection & appointment procedures in recruitment of all public service staff... • 1999 budget submissions for at least 4 selected ministries to include verifiable performance targets • For all SOEs, Cabinet to approve action plans for liquidation, restructuring, corporatization, divestment &/or privatization 	<ul style="list-style-type: none"> • Priority to restoration of macro-economic stability through a sequence of actions, followed by public service restructuring & privatization of SOEs, & actions to improve fiscal governance 	<ul style="list-style-type: none"> • Tranche conditions to be met by June 1999 • All actions to be completed by Dec. 1999 	<ul style="list-style-type: none"> • Progress reports of Govt's four reform task forces; minutes of the Policy and Structural Reform Committee and the Monthly Monetary Management Meeting; quarterly reports from Govt. to ADB; Bank missions 	<ul style="list-style-type: none"> • \$1m. loan to assist in implementation of privatization policy; \$600,000 grant to strengthen public sector management.

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		<ul style="list-style-type: none"> • Invite market offers for at least 6 SOEs, finalizing sale or liquidation of at least 3 • Issue guidelines for SOEs that establish a corporate governance framework in order to enhance management & promote accountability • Prepare an action plan to improve the effectiveness of the Auditor General's Office 				
Vanuatu (loan approval July 1998)	<ul style="list-style-type: none"> • Governance • Fiscal management • Public service reform • Reform of public financial institutions • Private sector development • Mitigation of social impact of reforms 	<p>Five 2nd tranche:</p> <ul style="list-style-type: none"> • Enact and implement new VAT law • Reduce total number employed in public sector by between 10 & 15 percent • Establish & operationalize a Development Committee of Officials consisting of all director-generals to coordinate Government-wide policy & technical 	<ul style="list-style-type: none"> • Priority to improving governance through establishing the required legislative framework, & to improving financial and economic management 	<ul style="list-style-type: none"> • 2nd tranche conditions to be met by Sep. 1998 • 3rd tranche conditions to be met by June 1999 • All program outputs to be produced by 	<ul style="list-style-type: none"> • Dept. of Strategic Management & National Task Force; quarterly reports to ADB; six-monthly reviews by Bank, other external funding agencies, & Govt. reps.; 	<ul style="list-style-type: none"> • \$1.2m. in support of Dept. of Strategic Management and Ministry of Finance and Economic Management.

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	<ul style="list-style-type: none"> • 46 program outputs in policy matrix 	<p>advice to the Council of Ministers</p> <ul style="list-style-type: none"> • Enact legislation for & establish an asset management unit • Externally recruit & appoint a new general manager, operations manager, human resource manager, & senior credit officer (for the National Bank) <p>Seven 3rd tranche:</p> <ul style="list-style-type: none"> • Establish with adequate staffing & resources & operationalize the Expenditure Review Committee to scrutinize public expenditures • PSC & DSM to develop & start implementing a management improvement plan for all government agencies... • Establish under legislation a government remuneration tribunal... 	<ul style="list-style-type: none"> • Simultaneous actions on a broad front 	<p>June 1999 (except for 3 expected between Jan. 2000 & Dec. 2002)</p>	<p>monitoring by ADB's Regional Mission office in Port Vila</p>	

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		<ul style="list-style-type: none"> • Establish a Master Plan for national infrastructure development • Amalgamate into the National Bank of Vanuatu the good loans of the Development Bank... • Complete a comprehensive review of health and education policies and services, & require ministers to develop 5 year action plans.. • Establish a decentralization commission to develop policy & implementation for decentralized governance 				