



Completion Report

Project Number: 43418-012
Technical Assistance Number: 7995
August 2016

Kiribati: Strengthened Public Financial Management

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| TA Number, Country, and Name: | | | Amount Approved: \$800,000 | |
| TA 7995-KIR: Strengthened Public Financial Management | | | Revised Amount: \$1,800,000 | |
| Executing Agency: Ministry of Finance and Economic Development | | Source of Funding: Technical Assistance Special Fund (TASF-IV). | Amount Undisbursed: \$257,885.24 | Amount Utilized: \$1,542,114.76 |
| TA Approval Date: 14 Dec 11 | TA Signing Date: 9 Jan 12 | Fielding of First Consultants: 10 Jul 12 | TA Completion Date Original: 30 Apr 14 Actual: 31 Mar 15 Account Closing Date Original: 31 Mar 15 Actual: 29 Dec 15 | |
| Description A public expenditure and financial accountability (PEFA) assessment carried out in 2010 identified major weaknesses in the Government of Kiribati's Public Financial Management (PFM) systems. PFM in Kiribati was seen to be weakened by a lack of fiscal discipline, lack of timely bank reconciliations, non-retirement of advances, lack of financial reconciliation between Ministry of Finance and Economic Development (MFED) and line ministries, poor quality of data, lack of effective expenditure commitment controls, and outdated legislation and regulations. In addition, the Accounting Department lacked the capacity to make full use of the accounting functions of its Attaché accounting package. Based on the assessment, the government developed a PFM plan to provide coherent and coordinated guidance on reform activities. The PFM plan focused on three priority areas: (i) improving accounting practices, (ii) strengthening revenue management and policy, and (iii) building capacity within MFED. The TA was formulated to assist the government implement priorities identified in the PFM plan. | | | | |
| Expected Impact, Outcome, and Outputs The TA's intended impact was to strengthen fiscal discipline and resource allocation. The expected outcome was to enhance budget management and monitoring in MFED. The TA had three outputs—(i) build the effectiveness and efficiency of MFED; (ii) strengthened budget management, monitoring, and evaluation; and (iii) strengthened capacity in the Accounting Department | | | | |
| Delivery of Inputs and Conduct of Activities The TA was coordinated with the Ministry of Finance and Economic Development (MFED). A firm—Scope Global Pty Limited—was recruited. The TA included 44.54 person-months of international and 32.02 person-months of national consultants' time. The team included a Treasury Specialist and Team Leader (TL) (27.17 person-months), an Attache Specialist (6.4 months), a Budget Specialist (6.55 person-months), an International IT Hardware Specialist (2.78 person-months), and an International Attache Training Specialist (1.64 person-months). The Local Facilitation Adviser (32.02 person-months) was the national consultant on the team. The consultants' performance was rated satisfactory. Prior to the formulation of the TA, the Government of Australia have committed to the Government of Kiribati their readiness to provide co-financing of \$1 million to allow more time for the consultants to be in country and to purchase new equipment for the Accounting Department. The scope and term of references of the TA were in direct response to the needs identified and were deemed appropriate. The project was to be implemented over a period of 2 years (April 2012–30 April 2014) but the closing date was extended once to 31 March 2015 in order to resolve the issue of exporting and importing data from Ministries to the main system at MFED and the need to provide new equipment for the Treasury Department. During the duration of the TA, the local counterpart (who was the Director of the Accounting Department) was changed three times (the first one retired and the second one was promoted to be the Secretary of Finance). The Secretary of Finance was also changed three times (the first was seconded to ADB in Manila while the second one was seconded to the World Bank). This led to some minor delays in implementation due to the need for government to make decisions on certain issues related to the TA. ADB undertook 7 review missions. | | | | |
| Evaluation of Outputs and Achievement of Outcome: The TA achieved the following: | | | | |
| <u>Output 1: build the effectiveness and efficiency of MFED:</u> The TA worked closely with the National Economic and Planning Office (NEPO). Together with experts from the Pacific Financial Technical Assistance Center (PFTAC), the TA helped to restructure NEPO along sectional rather than functional lines, and staff were trained and mentored in linking of budgeting to planning and in the implementation of these concepts. The unit terms of reference was revised to reflect the new structure. This structure sought to strengthen relationships among NEPO staff and their line-ministry counterparts and to support the linking of planning and budgeting. Each senior NEPO staff member would be responsible for the implementation of one of these functions across all ministries—enabling them to become functional experts. | | | | |
| <u>Output 2: strengthened budget management, monitoring, and evaluation:</u> The use of the <i>Clearview</i> reporting module for <i>Attaché</i> has significantly improved the timeliness and accuracy of reporting of budget data from MFED to line | | | | |

ministries (the direction of reporting used for more than a decade for budget monitoring). Attempts to develop and install standalone *Attaché* to help improve the flow of information from line Ministries to MFED were unsuccessful. To overcome this, the TA developed *MS Access* database to enable Line Ministries to produce timely reports for use by NEPO. This represents a major improvement over past practices where procurement decisions were often made based on out-of-date data that lacked reliability. The TA also developed and trained NEPO staff on a (i) budget M&E reporting framework and (ii) GFS charts of accounts.

Output 3: strengthened capacity in the Accounting Department: In consultation with staff of the Accounting Department, the TA put together a capacity development program. Making full use of the *Attaché* functionality was the top priority identified from these consultations. To support the training an *Attaché* manual was produced as well as a multimedia video with an I-Kiribati voice-over to help improve understanding of the manual. While formal classroom style training has been used from time-to-time, the bulk of the training was and is on-the-job training (OJT) and mentoring. Relevant staff members were fully involved in developing the operating required procedures. A group of senior staff (called *Attaché* super users) was selected and undertook intensive training on the correct use of the *Attaché* functions, however after months of intensive training, the group continued to shortcut the system and continued with the way they have worked with *Attaché* in the past resulting in double entries and creating errors in the system. A meeting with the Secretary of Finance quickly resolved the situation. These *Attaché* super users will mentor and build the capacity of the junior staff within the Accounting Department which will ensure the sustainability of capacity building initiatives within the Accounting Department.

An issue highlighted by the TA was that *Attaché* was not an entirely appropriate system for Kiribati. *Attaché* was designed as an accounting system suitable for medium sized commercial businesses (including SOEs) and had been operating very successfully in these types of organisations in Australia and throughout the Pacific. *Attaché* has good reporting capabilities and reports and can be structured and formatted to meet most government financial reporting requirements. However, there are shortcomings in the software in relation to its ability to report in some government-specific formats. For example, *Attaché* clearly reveals its design focus in the terminology it uses, referring to “business focus, customers, sales and turnover”. But, government revenues come from taxes, charges, fines and so on—rarely from sales per se, and they do not have customers—rather they have taxpayers, permit holders and defaulters from whom revenue is raised. Unlike *Attaché*, some financial management software designed specifically for governments have default reporting formats based on IPSAS presentation standards and include automated conversions of data to satisfy GFS, COFOG and other external reporting formats. *Attaché* does not have that built in functionality.

Overall Assessment and Rating: The TA achieved its 3 outputs—(i) NEPO was restructured and TORs revised to reflect the restructure along sectional lines allowing the department to better link budget and planning functions with the rest of the Ministries; (ii) put in place a M&E framework to strengthen the management, monitoring and evaluation of the Budget and; trained staff within the Accounting Department on the use of *Attaché* functionality. However, it failed to improve reporting from line Ministries to MFED as the TA was unsuccessful in creating standalone *Attaché* software which could be installed in line departments and which would have improved linkage and reporting between line ministries and MFED. However, to overcome the shortcomings of *Attaché* the TA developed *MS Access* database which enabled Line Ministries to produce timely reports for use by NEPO. Based on this, the TA is rated successful.

Major Lessons: (i) Continuity is important for the success of capacity building initiatives. There is a need for Implementing agencies to ensure that core staff remain in their positions for the duration of the TA and are in country during capacity building exercises; (ii) The use of video materials in I-Kiribati language rather than the continued use of manuals has helped make training easier and will ensure sustainability of capacity building assistance and; (iii) a full review of the *Attaché* software should have been conducted to check on the suitability of the system. This would very likely have ruled out the use of *Attaché* at the outset.

Recommendations and Follow-Up Actions: Conduct a thorough review of the available financial management software to identify a suitable one for Kiribati to replace *Attaché*.