Technical Assistance Report

Project Number: 42154
Regional Capacity Development Technical Assistance (R-CDTA)
December 2008

Strengthening Public Financial Management in Pacific Developing Member Countries

Asian Development Bank
ABBREVIATIONS

ADB – Asian Development Bank
AusAID – Australian Agency for International Development
GACAP II – second governance and anticorruption action plan
IMF – International Monetary Fund
MTEF – medium-term expenditure framework
PASAI – Pacific Association of Supreme Audit Institutions
PEFA – public expenditure and financial accountability
PFM – public financial management
PFTAC – Pacific Financial Technical Assistance Centre
PIF – Pacific Islands Forum
PIFMA – Pacific Islands Financial Managers’ Association
PRAI – Pacific Regional Audit Initiative
SAS – subregional audit support
TA – technical assistance

TECHNICAL ASSISTANCE CLASSIFICATION

| Type | – Regional capacity development technical assistance (R-CDTA) |
| Targeting Classification | – General intervention |
| Sector | – Law, economic management and public policy |
| Subsector | – Public finance and expenditure management |
| Themes | – Governance, regional cooperation and capacity development |
| Subthemes | – Public governance, regional public goods, organizational development |

NOTE

In this report, "$" refers to US dollars.

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I. INTRODUCTION

1. The Pacific region is characterized by high public expenditures and significant government ownership of assets. Inadequate oversight of these resources and the public financial management (PFM) systems that are used to account for them undermines the stability of governments and the wellbeing of Pacific peoples. This technical assistance (TA) will support initiatives to strengthen Pacific PFM and reduce fiduciary risk, including by providing accounting and internal audit support, and designing a competency-based capacity development program. The design reflects consultations undertaken over the past 2 years, including with the Pacific Financial Technical Assistance Centre (PFTAC), the Pacific Islands Financial Managers Association (PIFMA) and the Pacific Association of Supreme Audit Institutions (PASAI).

2. The assistance is consistent with the strategies, priorities and commitments of Pacific countries and the Asian Development Bank (ADB), including the Pacific Plan, which seeks to enhance good governance, economic growth, sustainable development and security through regionalism. The TA will contribute to strategic objective 12 of the Pacific Plan, which aims to improve transparency, accountability, equity and efficiency in the management and use of resources in the Pacific. The TA is also consistent with ADB’s Pacific Strategy 2005–2009, which identifies strengthened government transparency and accountability as a key result area, and with ADB’s second Governance and Anticorruption Action Plan (GACAP II), which is focused on improving ADB’s performance in implementing governance and anticorruption policies in sectors where ADB is active. Finally, in supporting the 2005 Paris Declaration on Aid Effectiveness, recipient countries have committed to publishing timely, transparent, and reliable financial reports, while development partners (including ADB) have committed to relying to the maximum extent possible on country PFM systems. The design and monitoring framework is in Appendix 1.

II. ISSUES

3. In the Pacific region, the public sector represents over 32% of total gross domestic product, and annual public sector expenditures exceed $8.8 billion. However, the PFM systems that are used to manage these resources are in many cases inadequate. For instance, the 2008 ADB country performance assessment exercise assigned ratings to 10 Pacific countries. The average rating for the quality of budgetary and financial management was 3.3 (out of a possible 6.0); three countries received low ratings of 2.5. Although some Pacific countries have made significant progress in reducing financial reporting backlogs, others have far to go: one country has financial reporting arrears of 10 years, and several others are in arrears by 3–4 years. The absence or late provision of financial information fundamentally undermines accountability mechanisms. Furthermore, without timely and reliable information on emerging issues, policymakers are unable to react in a timely manner to emerging crises and problems.

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5 Signatories of the Paris declaration include Cook Islands, Fiji Islands, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, and Vanuatu.
6 The TA first appeared in the business opportunities section of ADB’s website on 18 November 2008.
4. Evidence suggests that the benefits stemming from sound PFM systems are disproportionately important for small states. Fiscal transparency can support fiscal adjustments in small states by creating wider public support and understanding of government policies. In addition, transparency can help investors make better-informed assessments on risk and lending to small states, and can reassure financial markets and donors regarding a government’s fiscal goals. A recent study suggested that improving governance through increased government effectiveness may help small states reduce public and external debt and thus support fiscal adjustment, indicating that small states should strive to improve their institutional capacity to devise and implement government policies and improve the quality of public services. Measures that enhance policy credibility, such as increasing the accountability of the government to fiscal targets, regular publication of economic data, and improving transparency, should also help increase government effectiveness.

5. Moreover, developing countries and donors are not on track to meet the Paris Declaration commitments. On 4 September 2008, developing countries’ ministers and heads of development partner agencies, including ADB, agreed to accelerate and deepen implementation of the Paris Declaration. Relevant commitments include strengthening PFM systems, aiming to provide 66% of aid through program-based approaches, and channeling 50% or more of government-to-government assistance through country fiduciary systems.

6. ADB recognizes the importance of PFM in the Pacific and has provided significant support to improve PFM arrangements. Since 1994, ADB has provided $5.5 million support to the multi-donor, Fiji Islands-based PFTAC, which is operated by the International Monetary Fund (IMF). ADB is also supporting the design and implementation of the Pacific Regional Audit Initiative (PRAI), which is a Pacific Plan initiative. After an extensive consultation process, the April 2008 congress of the 25-member PASAI endorsed the PRAI design; the initiative was also endorsed by Pacific island leaders at the August 2008 meeting of the Pacific Island Forum (PIF). Among other things, the PRAI involves establishing a subregional auditing model in which participating countries (Kiribati, Nauru, and Tuvalu) will pool national and external resources to jointly undertake audits.

7. These and other efforts have produced positive results in several aspects of PFM. For instance, public auditing in the Pacific region overall has advanced substantially in the past decade, with numerous audit backlogs cleared and a significant improvement in audit quality. Likewise, the application in the Pacific of the Public Expenditure and Financial Accountability (PEFA) PFM Assessment Framework reveals that planning and budget processes are rated satisfactorily (B+ average). Given their potential to better link policy with budgets and to enable better decision-making, it is not surprising that emphasis has been placed on developing
medium-term expenditure frameworks (MTEFs), but some reviews caution countries to implement MTEFs only when basic financial controls and annual budgeting are working well. However, Pacific island countries rate poorly in terms of budget execution, with payroll controls scoring a C average and internal audit scoring a D+ average. A Pacific auditor-general reported recently to their public accounts committee that “Put simply, sometimes there is nothing to audit because the records are non-existent” … “there was a lack of bank reconciliations, poor documentation supporting the transactions, lack of physical stocktakes … and ineffective budget controls. [... Moreover, the Office has been] auditing accounts and records that are sometimes six years old.” The situation described is not uncommon in the Pacific.

8. As with supreme audit institutions, the effectiveness of Pacific finance ministries is generally constrained by their ability to attract, retain, and develop qualified staff due to their small sizes and remote locations, difficulties in competing with the private sector for qualified staff, often-constrained budgets, and limited access to professional accounting bodies. However, there is a range of capacities, with some Pacific finance ministries meeting best practice in many respects. In general, PFM capacity-development efforts to date have been somewhat fragmented and issue-based, rather than being structured around a competency framework.

9. The quality and timeliness of public sector financial reporting, including for state-owned enterprises, is also variable. In that connection, financial reporting awards, including for the public sector, are common internationally and highlight and encourage sound financial reporting practices. For instance, the Government Finance Officers Association of Canada and the United States established the certificate of achievement for excellence in financial reporting program in 1945 to encourage governments to prepare comprehensive annual financial reports that provide evidence of the spirit of transparency. Likewise, the Fiji Islands-based South Pacific Stock Exchange inaugurated its annual report competition in 1981; since then the competition has evolved to include differing organization types, including parastatals. The judging panel comes from various professional financial institutions including accountants, capital market, academics, and other financial institutions.

10. Recognizing these issues and considerations, the PFTAC-sponsored PIFMA and PASAI have in the past 2 years discussed the need for a Pacific regional PFM initiative to parallel the PRAI. Among other things, the March 2008 PIFMA meeting agreed that (i) development partners would consider options for providing support to a Pacific regional PFM initiative; (ii) PIFMA will move beyond its role to date as discussion and training forum to being a professional association (similar to PASAI); and (iii) PIFMA will establish working groups, including to identify PFM competencies. In line with these considerations, PFTAC is undertaking a pilot study (for Fiji Islands, Palau, Cook Islands, and Tonga) to evaluate the status of internal auditing arrangements, identify training and organizational needs, and recommend possible solutions to implement strengthened internal auditing in selected Pacific island countries.

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III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

11. The proposed project is intended to promote good governance through improved transparency, accountability, and efficiency in managing and using public resources in the Pacific.\(^{18}\) Specifically, the proposed TA is intended to strengthen the capacity of Pacific island governments to manage public resources.

B. Methodology and Key Activities

12. The TA is intended to deliver four outputs during the period 2009–2011.

13. **Strengthened Internal Auditing and Financial Reporting.** Building on the PFTAC diagnostic study of internal auditing for four pilot countries,\(^{19}\) the TA will support, under PFTAC guidance (i) the preparation of generic records management, and internal control and internal audit manuals; and (ii) activities that specifically target the pilot countries, including (a) tailoring of the manuals; (b) training on strengthened records management, internal control and internal auditing; and (c) initial implementation of strengthened records management, internal control and internal auditing arrangements. In relation to accounting and financial reporting, and recognizing PIFMA’s call for accounting and financial reporting support along the lines of the PRAI subregional audit support (SAS) program, assistance will be provided to three pilot countries to develop financial reporting frameworks in line with the cash basis international public sector accounting standard. Advice will also be provided on particular accounting issues on a demand basis. The TA will also support a scoping and design study of options for using a cooperative approach, modeled on the PRAI SAS program, to support internal auditing, accounting and financial reporting arrangements (including providing support to reduce financial reporting backlogs and address infrastructure financial management issues), including for the internal auditing pilot countries and for the SAS program countries (Kiribati, Nauru, and Tuvalu).\(^{20}\) The scoping and design study will consider cost-recovery options and potential funding modalities.

14. **Structured PFM Capacity Development Program Designed.** Under PFTAC/PIFMA’s guidance, generic PFM competencies will be identified and a core PFM competency model developed, on the basis of which a structured and costed PFM capacity development program will be prepared for consideration by potential funders. The structured program design will consider options for cost recovery\(^{21}\) and will examine similar initiatives, including the PASAI competency framework and the structured capacity development program that will be designed through the PRAI. An analysis of strengths, weaknesses, opportunities, and threats will be undertaken in preparing the competency model and designing the capacity development program.

15. **Strengthened Aid Coordination and Debt Management.** In keeping with the Accra Agenda for Action commitments, which call for donors to support and invest in strengthening the

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\(^{18}\) This is in keeping with the objective of Pacific Plan (footnote 1), initiative 12.

\(^{19}\) The selection of pilot countries remains tentative (including Cook Islands, Palau and Tonga), and may change or be extended in consultation with PFTAC and potential participants. The Fiji Islands will not be included in the pilot. Activities will commence only when no-objection advice is confirmed.

\(^{20}\) Subject to no-objection confirmation from these countries.

aid management systems of developing countries, peripatetic support will be provided to review, recommend and strengthen aid coordination and debt management arrangements, with a focus on the pilot countries.

16. **Sound PFM Advocated.** The TA will advocate for the importance of sound PFM through journal and media articles, and through support for participation in PEFA PFM assessments and PFM conferences and meetings. In addition, in collaboration with PFTAC/PIFMA and regional academic institutions, it will establish annual Pacific financial reporting awards. Potential categories include best annual report by a corporate, best annual report by a public sector nonprofit organization and best annual report by a public sector commercial organization. However, the initial focus of support under the TA will be on financial reporting by parastatals, including state-owned enterprises. The TA will support the design and establishment of the Pacific financial reporting awards, which will involve establishing linkages with professional accounting associations, PASAI, and universities and colleges, with an initial focus on state-owned enterprise reports from pilot countries.

C. **Cost and Financing**

17. The TA’s total cost is estimated at $1,700,000 equivalent. The TA will be financed on a grant basis ($1,500,000) by ADB’s TA funding program. The remainder of the cost ($200,000) will be contributed through in-kind contributions from participating governments (Appendix 3).

D. **Implementation Arrangements**

18. ADB’s Pacific Department will be the executing agency. PFTAC will provide implementation guidance. The TA will require (i) international consultants (an estimated 37 person-months of inputs) with skills and expertise in PFM, internal auditing, accounting and financial reporting, aid coordination and debt management, and capacity development; and (ii) national and regional consultants (an estimated 18 person-months of inputs) with skills and expertise in accounting, internal auditing, financial reporting, aid coordination and debt management, and capacity development. It is desirable that consultants have demonstrated previous successful experience working in the Pacific islands. Appendix 3 details deliverables and reporting requirements, but these may change during implementation to provide the flexibility to meet changing needs and respond to the guidance of PIFMA and PFTAC.

19. All consultants will be engaged as individuals in accordance with ADB’s *Guidelines on the Use of Consultants* (2007, as amended from time to time). Outline terms of reference for consulting services are in Appendix 3. Disbursements under the TA will be in accordance with ADB’s *Technical Assistance Disbursement Handbook* (2008, as amended from time to time). TA activities will be implemented over a 36-month period starting in January 2009, with a December 2011 completion date. The TA is intended to pilot innovative PFM approaches in the Pacific region and, subject to performance of the pilot approaches, consideration may be given to further expanding the activities to additional countries and sectors.

IV. **THE PRESIDENT’S DECISION**

20. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of $1,500,000 on a grant basis for Strengthening Public Financial Management in Pacific Developing Member Countries, and hereby reports this action to the Board.
## DESIGN AND MONITORING FRAMEWORK

<table>
<thead>
<tr>
<th>Design Summary</th>
<th>Performance Targets and/or Indicators</th>
<th>Data Sources and/or Reporting Mechanisms</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Impact</strong></td>
<td>Better governance through improved transparency, accountability, and efficiency in managing and using public resources in the Pacific</td>
<td>Demonstrated public financial management (PFM) improvements, taking into account regional and national circumstances. Improvement (averaging one-step) by the end of 2012 of relevant public expenditure and financial accountability (PEFA) performance indicators</td>
<td>ADB’s country performance assessments, Country PEFA PFM assessments, PFTAC reports and stocktakes</td>
</tr>
<tr>
<td><strong>Outcome</strong></td>
<td>Strengthened capacity of selected Pacific island governments to manage public resources</td>
<td>Improvement in participating countries by the end of 2012 of the PEFA PI-26 indicator to an average B rating. Reduction in participating countries of repetitive external audit recommendations regarding weak record-keeping and internal controls</td>
<td>PEFA PFM assessments, PFTAC reports and stocktakes, External auditors' reports</td>
</tr>
<tr>
<td><strong>Outputs</strong></td>
<td>1. Strengthened internal auditing and financial reporting</td>
<td>Improvement by the end of 2012 of the PEFA PI-21, PI-22, PI-23 and PI-24 indicators to an average C rating. Strengthened records-management, internal controls, and internal audit. Revised cash-based accounting framework for three pilot countries. Cooperative subregional approach designed for addressing internal auditing, accounting and financial reporting arrangements for four pilot countries.</td>
<td>PEFA PFM assessments, TA reports</td>
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<td></td>
<td>2. Structured PFM capacity-development program endorsed by PIFMA</td>
<td>Generic competencies identified and core PFM competency framework and model agreed by February 2010. PIFMA endorses structured capacity development program by June 2010.</td>
<td>TA reports, Minutes of PIFMA meetings</td>
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</table>
### Design Summary

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<thead>
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<th>Assumptions and Risks</th>
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</thead>
<tbody>
<tr>
<td>3. Strengthened aid coordination and debt management.</td>
<td>Improvement in pilot countries by the end of 2012 of the PEFA PI-17 indicator to an average C rating</td>
<td>PEFA PFM assessments</td>
</tr>
<tr>
<td>4. Sound PFM advocated</td>
<td>Increased awareness of the importance of good PFM and sound financial disclosure, through the publication of 12 media and journal articles, and the initial establishment of the Pacific region financial reporting awards</td>
<td>TA status reports, Media articles</td>
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### Activities with Milestones

#### 1. Internal Auditing and Financial Reporting

1.1. Prepare generic records management, internal control, and internal auditing manuals (May 2009)

1.2. Prepare tailored manuals for five pilot countries (Dec 2009)

1.3. Prepare training on strengthened records management, internal control, and internal auditing manuals for five pilot countries (Dec 2009)

1.4. Implement strengthened records management and internal controls, and prepare internal auditing manuals in five pilot countries (Oct 2010)

1.5. Provide analysis and advice on financial reporting frameworks, using cash basis IPSAS, for three pilot countries (Jun 2009)

1.6. Analyze and design cooperative model for addressing internal audit, accounting, and financial reporting needs (Feb 2010)

#### 2. PFM Capacity Development Program

2.1. Identify generic PFM competencies (Jun 2009)

2.2. Develop and reach agreement on PFM competency framework and model (Feb 2010)

2.3. Design capacity development program (Jun 2010)

#### 3. Debt Management and Aid Coordination

3.1. Review and recommend strengthened debt management and aid coordination frameworks and practices for four pilot countries (Dec 2009)

3.2. Support implementation of recommendations in pilot countries and provide advice on improvements elsewhere (Dec 2010)

#### 4. PFM Advocacy

4.1. Prepare communications plan (Apr 2009)

4.2. Publish 12 journal and media articles (Dec 2010)

4.3. Design Pacific financial reporting awards (Jun 2009)

4.4. Arrange first Pacific financial reporting awards (Dec 2010)

### Inputs

- ADB (Technical Assistance Special Fund): $1,500,000
- 37 person-months of international consulting services and 18 person-months of national consulting services.
- Participating governments: $200,000 (in-kind contributions).

ADB = Asian Development Bank, IPSAS = International Public Sector Accounting Standard, PDMC = Pacific developing member country, PRAI = Pacific Regional Audit Initiative, PASAI = Pacific Association of Supreme Audit Institutions, PEFA = Public Expenditure and Financial Accountability, PFM = public financial management, SAS = subregional audit support.
### COST ESTIMATES AND FINANCING PLAN
($'000)

<table>
<thead>
<tr>
<th>Item</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Asian Development Bank Financing</strong>^a</td>
<td></td>
</tr>
<tr>
<td>1. Consultants</td>
<td></td>
</tr>
<tr>
<td>a. Remuneration and Per Diem</td>
<td></td>
</tr>
<tr>
<td>i. International Consultants</td>
<td>795.5</td>
</tr>
<tr>
<td>ii. National Consultants</td>
<td>172.8</td>
</tr>
<tr>
<td>b. International and Local Travel</td>
<td>130.0</td>
</tr>
<tr>
<td>c. Reports and Communications</td>
<td>23.2</td>
</tr>
<tr>
<td>2. Training, Seminars, and Conferences</td>
<td></td>
</tr>
<tr>
<td>a. Internal Auditing Implementation and Subregional Scoping Study^b</td>
<td>108.8</td>
</tr>
<tr>
<td>b. Capacity Development Working Group^c</td>
<td>58.2</td>
</tr>
<tr>
<td>c. Pacific Regional Financial Reporting Awards^d</td>
<td>50.7</td>
</tr>
<tr>
<td>3. Miscellaneous Administration and Support Costs</td>
<td>54.0</td>
</tr>
<tr>
<td>4. Representative for Contract Negotiations</td>
<td>0.0</td>
</tr>
<tr>
<td>5. Contingencies</td>
<td>106.8</td>
</tr>
<tr>
<td><strong>Subtotal (A)</strong></td>
<td>1,500.0</td>
</tr>
<tr>
<td><strong>B. Government Financing</strong>^e</td>
<td></td>
</tr>
<tr>
<td>1. Office Accommodation and Transport</td>
<td>50.0</td>
</tr>
<tr>
<td>2. Remuneration and Per Diem of Counterpart Staff</td>
<td>150.0</td>
</tr>
<tr>
<td><strong>Subtotal (B)</strong></td>
<td>200.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,700.0</td>
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^a Financed by the Asian Development Bank’s technical assistance funding program.

^b Two workshops to review and provide guidance on the subregional scoping study, and two workshops to support and review the implementation of strengthened internal auditing.

^c Three meetings of the Capacity Development Working Group of the Pacific Islands Financial Managers’ Association to provide guidance on the development of the capacity development program.

^d Three stakeholder meetings, including determination of awards.

^e In-kind contributions from participating governments (e.g., provision of office facilities for visiting consultants).

Source: Asian Development Bank estimates.
OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. Coordinator/Public Financial Management Expert (international, 12 person-months)

1. The coordinator/public financial management (PFM) expert will have significant PFM knowledge, at least 15 years of relevant experience, and will hold a post-graduate qualification and/or a professional certification. Professional experience in the Pacific region is highly desirable as is practical PFM experience, particularly in public sector accounting and financial reporting, ideally in a cash-based environment.

2. The expert, with guidance from and in close coordination with Pacific Financial Technical Assistance Centre/Pacific Islands Financial Managers' Association (PFTAC/PIFMA), will undertake the following tasks (i) supervise the internal auditing expert in the (a) preparation of generic records management, and internal control and internal audit manuals; (b) tailoring of those manuals for pilot countries; (c) training on strengthened records management, and internal control and internal audit for pilot countries; and (d) initial implementation of strengthened records management, and internal control and internal audit arrangements in pilot countries; (ii) assist three pilot countries (Kiribati, Nauru, and Tuvalu) to develop financial reporting frameworks in line with the cash basis international public sector accounting standard; (iii) provide advice to pilot countries on PFM issues as requested; (iv) prepare a scoping and design study of options for using a cooperative approach, modeled on the Pacific Regional Audit Initiative (PRAI) subregional audit support (SAS) program, to support internal auditing, accounting and financial reporting arrangements (including providing support to reduce financial reporting backlogs and address infrastructure financial management issues); (v) oversee the design and establishment of the inaugural Pacific financial reporting awards; (vi) prepare a communications plan for PFM advocacy; (vii) prepare four journal and/or media articles; and (viii) coordinate and oversee the activities of the internal auditing expert, accounting and financial reporting expert, capacity development expert, aid coordination and debt management expert, and other experts, including collaboration with agencies such as PFTAC, PIFMA, and Australian Agency for International Development (AusAID).

3. Reporting requirements include (i) an inception report; (ii) monthly status reports to the Asian Development Bank (ADB) and PFTAC; (iii) the generic and tailored records management, and internal control and internal audit manuals for pilot countries; (iv) financial reporting frameworks, including implementation strategies and plans; (v) a scoping and design study of the cooperative PFM approach; (vi) a communications plan for PFM advocacy; and (vii) four journal and/or media articles on topical PFM issues of relevance to the Pacific.

B. Internal Auditing Expert (international, 6 person-months)

4. The internal auditing expert will have sound knowledge of internal auditing practices, and recent, practical internal auditing experience. The expert will hold a recognized and relevant professional qualification. Experience in the Pacific region is highly desirable.

5. The expert will work under the supervision of the technical assistance (TA) coordinator, and with guidance from and in close coordination with PFTAC/PIFMA, to undertake the following tasks (i) prepare generic records management, and internal control and internal audit manuals; (ii) tailor the manuals for the pilot countries; (iii) provide training on strengthened records management, and internal control and internal audit manuals to the pilot countries, which will involve organizing in-country workshops and two subregional workshops to determine the implementation approach for the manuals, and to review implementation experience; (iv) support initial implementation of strengthened records management, and internal control and internal audit arrangements in pilot countries; (v) oversee the design and establishment of the inaugural Pacific financial reporting awards; (vi) prepare a communications plan for PFM advocacy; (vii) prepare four journal and/or media articles; and (viii) coordinate and oversee the activities of the internal auditing expert, accounting and financial reporting expert, capacity development expert, aid coordination and debt management expert, and other experts, including collaboration with agencies such as PFTAC, PIFMA, and Australian Agency for International Development (AusAID).
countries; (v) prepare two journal and or media articles; and (vi) assist in the preparation of the scoping and design study for the cooperative subregional approach to supporting internal auditing, accounting, and financial reporting activities.

6. Reporting requirements include (i) an inception report; (ii) monthly status reports to ADB and PFTAC; (iii) the generic and tailored records management, and internal control and internal audit manuals for pilot countries; (iv) a scoping and design study of the cooperative PFM approach; (v) a communications plan for PFM advocacy; and (vi) two journal and or media articles on internal auditing issues of relevance to the Pacific.

C. Accounting and Financial Reporting Expert (international, 11 person-months)

7. The accounting and financial reporting expert will have a sound, practical knowledge of accounting processes and financial reporting practices, ideally in a developing country environment. The expert will hold a recognized and relevant professional qualification. Experience in the Pacific region is highly desirable as is experience working in a cash-based public sector accounting environment. Knowledge and experience of financial reporting awards’ arrangements are particularly desirable.

8. The expert will work under the supervision of the TA coordinator, with guidance from and in close coordination with PFTAC/PIFMA, to undertake the following tasks (i) assist three pilot countries (Kiribati, Nauru and Tuvalu) to develop financial reporting frameworks in line with the cash-basis international public sector accounting standard; (ii) provide advice to pilot countries on accounting issues as requested; (iii) assist in the preparation of a scoping and design study of options for using a cooperative approach, modeled on the PRAI SAS program, to support internal auditing, accounting and financial reporting arrangements, including providing support to reduce financial reporting backlogs and address infrastructure financial management issues; (iv) prepare four financial reporting-related articles; (v) lead the design and establishment of the inaugural Pacific financial reporting awards in conjunction with PFTAC/PIFMA and regional academic and professional institutions, with an initial focus on state-owned enterprise reports from pilot countries; and (vi) identify requirements for expansion and sustainability of the Pacific financial reporting awards.

9. Reporting requirements include (i) an inception report; (ii) monthly status reports to ADB and PFTAC; (iii) financial reporting framework designs, including implementation strategies and plans; (iv) a scoping and design study of the cooperative PFM approach; (v) a strategy and plan for Pacific financial reporting awards; and (vi) four journal and/or media articles on topical financial reporting issues of relevance to the Pacific.

D. Capacity Development Expert (international, 5 person-months)

10. The capacity development expert will have experience in PFM capacity building in developing countries. Experience in the Pacific islands is highly desirable. The expert will work under the supervision of the TA coordinator, with guidance from and in close coordination with PFTAC/PIFMA, to undertake the following tasks (i) review the status of Pacific PFM capacity status, challenges and development initiatives; (ii) identify and review relevant competency-based frameworks and models, including the PASAI competency framework; (iii) develop generic competencies; (iv) prepare a 3-year capacity development program proposing the activities to be supported, including costing, sequencing, prioritization and consideration of cost-recovery options; (v) prepare two articles on capacity development issues; and (vi) in conjunction with ADB and PFTAC, organize three meetings of the PIFMA PFM capacity development working group to review
and consider draft proposals. Analyses of strengths, weaknesses, opportunities and threats will be undertaken in preparing the competency model and designing the capacity development program.

11. Reporting requirements include (i) an inception report, (ii) monthly status reports to ADB and PFTAC, (iii) a midterm report, (iv) a draft final report, (v) a final report, and (vi) two journal and or media articles on PFM capacity development issues of relevance to the Pacific.

E. Aid Coordination and Debt Management Expert (international, 3 person-months)

12. The aid coordination and debt management expert will have experience in aid coordination and debt management arrangements. Experience in the Pacific islands is highly desirable. The expert will work under the supervision of the TA coordinator to (i) review aid coordination and debt management arrangements in pilot countries and identify practical recommendations for improvements, and (ii) provide peripatetic advice to pilot countries on implementing recommendations. Reporting outputs will include (i) an inception report, (ii) monthly status reports to ADB, and (iii) a diagnostic report of aid coordination and debt management arrangements.

F. Other Experts (national or regional, 18 person-months)

13. The TA will provide approximately 18 person-months of intermittent regional and national consulting services with a focus on accounting, internal auditing, financial reporting, aid coordination and debt management, and capacity development. Specific consulting requirements will be refined further based on workplans prepared by the coordinator and consultations with PFTAC/PIFMA. The consultants will provide support and assistance for the following activities: (i) the design and implementation of internal auditing support; (ii) the design of the cooperative approach to internal auditing, accounting, and financial reporting support; (iii) the development of the structured capacity development program; (iv) the assessment and strengthening of aid coordination and debt management arrangements; and (v) the design and establishment of the Pacific financial reporting awards.