

Public Financial Management—Phase V program and RBM Logical Framework

Public Financial Management

Objective: Strengthened public financial management systems to improve fiscal sustainability

1.0 Improving legal frameworks and PFM institutions					
Outcomes (expected results)	Verifiable indicators	Member Countries¹¹	Main Partners in CD	Synergies with other PFTAC CD Areas	Comments Including Risk Factors Promoting/Delaying Progress
1.1 The capacity of ministries of finance to meet the PFM responsibilities are strengthened	Performance against full PEFA Indicator set, FTE or other diagnostic tools has improved	All	All donors active in PICs	With macroeconomic and revenue administration	These include LTX participation in regional training workshops on PFM-wide topics and forum to strengthen coordination and partnership on PFM with countries and development partners. This relies significantly on support from heads of MOFs, and development partners. Lack of full commitment by the government may cause delay in updating the reforms.
1.2. More comprehensive legal frameworks covering all stages of the PFM cycle are enacted	Legal frameworks reflect the international good practices	Fiji, PNG, Solomon Islands, Tonga,	IMF Legal Department	With revenue administration	These include drafting of financial instructions based on recently amended PFM Act. Low priority given to this activity by Cabinet or Parliament could delay approval.

¹¹ Note: not all countries are expected to receive direct TA. Those countries who do not receive direct TA will receive indirect TA through regional initiatives, training workshops and direct contact with the resident advisor.

2.0 Strengthen budget preparation towards more comprehensive, credible and policy oriented budget					
Outcomes (expected results)	Verifiable indicators	Member Countries	Main Partners in CD	Synergies with other PFTAC CD Areas	Comments Including Risk Factors Promoting/Delaying Progress
2.1. A more credible medium-term macro-fiscal framework is included in the budget documents	PEFA indicators: PI-1; PI-2; PI-3; PI-9 and PI-15	Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Palau, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu	ADB, Aus-DFAT Advisors in Kiribati, Tuvalu, and Solomon Islands	With macroeconomic and revenue administration	Priorities are those countries with planned activities in their PFM Reform Roadmap, those that have initiated in the previous period, or those with weak PEFA rating. Change in management and staff-turnover could adversely affect the sustainability of this reform.
2.2. A more comprehensive and unified annual budget is published	PEFA indicators: PI-5; PI-6; PI-9; and PI-17	Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Palau, Solomon Islands, Tonga, Vanuatu	ADB, Aus-DFAT Advisors in Kiribati, Nauru, and Solomon Islands		Priorities are those countries with planned activities in their PFM Reform Roadmap, those that have initiated in the previous period, or those with weak PEFA rating. Change in management and staff-turnover could adversely affect the sustainability of this reform.
2.3. A more credible medium-term budget framework is integrated with the annual budget	PEFA indicators: PI-14; PI-15; and PI-16	Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Palau, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu	ADB, Aus-DFAT Advisors in Kiribati, Nauru, Tuvalu and Solomon Islands	With macroeconomic and revenue administration	Priorities are those countries with planned activities in their PFM Reform Roadmap, those that have initiated in the previous period, or those with weak PEFA rating. Change in management and staff-turnover could adversely affect the sustainability of this reform.

3.0 Improve budget execution and control, coverage and quality of fiscal reporting, and integration of asset and liability management framework					
Outcomes (expected results)	Verifiable indicators	Member Countries	Main Partners in CD	Synergies with other PFTAC CD Areas	Comments Including Risk Factors Promoting/Delaying Progress
3.1 Controls over expenditure commitments and payments are strengthened	PEFA indicators: PI-23; PI-24; and PI-25	Regional, Marshall Islands, Micronesia, Vanuatu	PASAI	To be linked to CD on risk management	Priority will be for those that have included these reforms in their PFM Roadmap. Common risks in this area are non-compliance or circumvention of financial regulations.
3.2. Cash flow forecasts for all of central government are more accurate and timely	PEFA indicators: PI-20; and PI-21	Regional, PNG, Samoa			Priority will be for countries that have initiated in FY16. Change in priority by management as well as lack of cooperation or modern banking technology from government banks pose risks in this area.
3.3. Risk-based internal audit functions are established in central government agencies	PEFA indicator: PI-26	Fiji, Samoa, Vanuatu,			Priority will be countries that have sent earlier requests but were postponed due to PFTAC budget constraints. Focus on ad-hoc investigations could reduce the time for more systemic issues, and staff turnover would delay progress.
3.4. Comprehensiveness and quality of fiscal reports is enhanced	PEFA indicators: PI-27; PI-28; and PI-29	Regional, Fiji, PNG, Samoa, Tonga, Solomon Is.	PASAI, USP	To be linked to TA on forecasting, and risk management	Priority will be for countries that have included this reform in their Roadmap. Lack of clear mandate and lack of cooperation from line ministries are some of the Implementation risks.
3.5. Cash and debt management are better integrated	PEFA indicator: PI-13	Regional, Vanuatu	World Bank, APD	With macroeconomics on forecasting	Priorities are countries that have indicated interest.

3.6. Planning, appraisal, selection, and implementation of public investments is improved					
PEFA indicator:	Regional, Fiji and Tonga	World Bank, PRIF	To be linked to TA on medium-term budgeting	Priority will be given to the countries that have parallel reforms on medium-term budgeting and integration between planning and budgeting.	
4.0 Strengthen identification, monitoring and management of fiscal risks					
Outcomes (expected results)	Verifiable indicators	Member Countries	Main Partners in CD	Synergies with other PFTAC CD Areas	Comments Including Risk Factors Promoting/Delaying Progress
4.1. Central fiscal oversight and analysis of public corporations is strengthened	PEFA indicator: PI-10	Regional, Micronesia, Kiribati, Samoa, Tuvalu	ADB	With Financial supervision regarding monitoring of public financial institutions as SOEs	Priority will be follow-up support to efforts initiated in FY16, and those that have indicated the need for reform in this area. Lack of cooperation from SOEs would affect the success of this reform.
4.2. Disclosure and management of contingent liabilities and other specific fiscal risks is more comprehensive	PEFA indicator: PI-10	Marshall Islands, Micronesia		IMF Expenditure Policy Division	This is a follow-up to a training/workshop in FY16. Lack of sustained interest from countries will delay achievement of results.