

**EOI 13/13 Review and assessment of national and sector policies in relation to budget support modalities in the Pacific Smaller Island States:**

**Sub-component to review and assess preconditions for projects through the Global Climate Change Alliance in the Pacific and SIDS regions using budget support modalities**

**Secretariat of the Pacific Community  
98848 Noumea Cedex, New Caledonia**

Project countries that are most likely to qualify for accessing climate change funding through budget support modalities

George Plant  
Budget Support Specialist  
"Ranui"  
New Farm Road  
Norfolk Island, Australia, 2899  
Ph: +6723 22134  
Email: georgeplant@ninet.nf

## 1 BACKGROUND

This report follows from the earlier report undertaken by the consultant into the eligibility and preconditions for Climate Change financing through Budget Support. Based on the earlier work and on the assessment of the extent to which climate change is mainstreamed in national and sector policies of the Cook Islands; Federated States of Micronesia (FSM); Kiribati; Marshall Islands (RMI); Nauru; Niue; Palau; Tonga and Tuvalu. This assessment is based upon a desktop analysis of available information provided through independent research and that collected by the national and sector policies review team<sup>1</sup>.

The requirement was for a short report which identified and justified the two countries likely to qualify for accessing climate change funding through budget support.

The assessment is based on a review of all the readily available published information relating to the eligibility requirement areas for EU budget support<sup>2</sup> for each of the nine countries. The information was consolidated into a matrix which examined qualitatively seventeen criteria across the four thematic areas of the Government of each PSIS (Macroeconomic stability; Policies and Reforms; Public Financial Management (PFM) and Budget Transparency and Oversight). This matrix and the source information in which the assessment is based upon is attached as Annex 1. In some cases information was not available and certain criteria could not be assessed. Additionally the work undertaken in respect to the extent that countries had mainstreamed climate change into national policies was incorporated into the assessment as this is a particular criteria specifically relating to climate change financing under the Global Climate Change Alliance (GCCA).

As identified in the earlier report having previously been the recipient of direct budget support from the EU is strongly correlated to whether a country receives climate change related budget support through the GCCA. It also appears to have qualified recipient countries in the assessment of the eligibility criteria stipulated under the guidelines<sup>3</sup>. This aspect has also been considered in this review as a positive factor in assessing the countries likelihood of qualifying for climate change related budget support.

## 2 COUNTRY ASSESSMENTS

### 2.1 COOK ISLANDS

The Cook Islands is assessed as having a transparent fiscal policy and is pursuing sustainable debt management. It was not possible to assess the extent to which the government is pursuing local revenue mobilisation or improving resilience to macroeconomic shocks. Likewise specific policy directed toward wealth and job creation and investment in natural capital or general access to services was not able to be determined.

In respect to the PFM criteria, Cook Islands has a good legislative framework and is working through a PFM reform program that is well advanced and regularly reported upon. The budget indicators are good, no information was found on the relative strength of the PFM institutions. The meeting of audit requirements or strong progress towards doing this would be a key PFM reform requirement for direct budget support.

---

<sup>1</sup> P4SD, Matt Mcintyre; Christopher Cheatham and Francis Toomey

<sup>2</sup> As identified in the earlier report GCCA financing of climate change uses the same eligibility criteria for assessing funding.

<sup>3</sup> It is worth noting that information of the assessment undertaken by the EU of countries eligibility is not published therefore it was not possible to determine when and how the actual assessment was undertaken that qualified recipient countries for direct budget support.

Project countries that are most likely to qualify for accessing climate change funding through budget support

Climate change policy is included in the national plans but has not been costed and consolidated into the budget. There would need to be a strong emphasis from the Government to cost national plans for climate change and bring these into alignment with sector business and operational plans in order to meet this requirement for GCCA funding.

More detailed information is required on the Government's policies with regard to the outstanding Macroeconomic and policy and reform criteria. In the areas in which information was not available to make an assessment, providing government policy was not contrary to EU principles it would also receive a favourable assessment. The priority should be in bring the plans related to climate change into costed activities that are consistent with sector business /operational plans that are included in the budget

With continuing progress to improving budget transparency and reporting it is likely that an eligibility assessment would see the Cook Islands PFM and Budget requirements favourably.

The Cook Islands in the past has received direct budget support from New Zealand for recurrent costs<sup>4</sup> however it is understood that New Zealand has moved away from this modality towards project based infrastructure. If this is based on fiduciary concerns it would be seen negatively by other potential donors such as the EU.

The assessment based on the currently available information to the consultant of whether the Cook Island's likelihood to qualify for direct budget support for climate change activities is **medium -low**.

## 2.2 FEDERATED STATES OF MICRONESIA

To provide a stable Macroeconomic environment FSM will need to adopt a credible fiscal policy to address falling grant revenues under the Compact. Implementing comprehensive tax reform has been identified as essential. In the medium term it has a relatively low and manageable level of public debt however it does need to build its resilience to non-natural disasters.

There is a high degree of consistency in climate change issues across sectors but there are not explicit linkages. Mainstreaming climate change into national planning and economic development remains a goal of the national plan and therefore it can be assumed that whilst identified as an objective it is a work-in-progress. Costed operational plans have not been prepared and are not part of the MTBF, indicating that further work is required in this area.

It is not possible to determine from published information the extent to which the Government's policies address wealth and job creation or skills investment. Similarly the access to services by the community was not assessable.

FSM does produce a recommended budget<sup>5</sup> but it is unclear to the extent of its distribution. The budget document is detailed and is program and activity based with defined performance measures. Aggregate fiscal performance since 2009 has improved with surplus outcomes occurring from the period to 2011. It was not possible to assess the extent of budget reporting or the audit coverage of public finances.

The policy requirements for a stable macroeconomic environment have been identified for FSM. Any eligibility assessment would look closely at the Government's adopted policy in respect to macroeconomic, wealth creation and natural skills investment. It was not possible to assess the PFM and budget requirements adequately but based on the information available this could be an area of considerable weakness. Similarly whilst intent is present in

---

<sup>4</sup> Reported by the review team

<sup>5</sup> Based on the FY 2013 Recommended Budget which was dated 1 April 2012

Project countries that are most likely to qualify for accessing climate change funding through budget support

mainstreaming climate change into national plans and budgets this has considerable work required as activities have not been costed.

The assessment, based on the currently available information to the consultant, whether the FSM is likely to be a candidate for direct budget support for climate change activities is **low**.

## 2.3 KIRIBATI

A range of reforms was identified as being required to be undertaken by the Government this included promptly addressing taxation and public financial management reforms. The PFM reforms include procurement processes, national accounting standards and the production of medium term fiscal forecasts that include linkages between capital and recurrent costs.

Government policy is positive with respect to providing facilitating infrastructure for wealth and job creation and there is a focus on skills development in Government policy. General access to services was not assessable. Climate Change is a consistent element of policy expressed in the national development plans however the weakness is in not having clearly stated outcomes, linkages to particular sectors or being identified in ministerial operational plans or budgets. It is understood that further work is currently underway in this area.

The Institutions involved in PFM in the country require strengthening as does the legal framework associated with PFM, particularly in respect to audit and financial regulations. The reform requirements have been taken up in a PFM reform program which is proposed to be undertaken through to December 2014. Progress reporting on the reforms to date were not available.

In respect to budget transparency and oversight, the budget is a reasonable indicator of Government expenditure, but potentially compromised by reliability of the data underlying it. This similarly applied to the in-year monthly reports on budget implementation. Improved access to the financial information available, particularly at the community level would assist in improved financial management and efficient service delivery, particularly in more remote areas.

The Government policy requirements to provide for a stable macroeconomic environment have been identified along with the requirements for PFM reform. The extent to which it has adopted the policy and begun implementing the reform will be a key consideration in respect of eligibility for direct budget support. Providing substantial and consistent progress (particularly in the weak budget areas) could be identified this area would be favourably assessed.

Similarly the Government's policy positions on wealth and job creation, skills development would be favourably assessed. The major area of weakness in meeting criteria would be the transposition of climate change from national policy into clearly defined sector policy supported by outcomes and costed activities. If the work currently underway produces this information it would also be favourably assessed.

The assessment, based on the currently available information to the consultant, whether Kiribati is likely to be a candidate for direct budget support for climate change activities is **medium-low**.

## 2.4 MARSHALL ISLANDS

In respect to the Macroeconomic sustainability criterion, the Marshall Islands are fiscally unsustainable unless tangible progress is made in addressing fiscal and structural reforms to the economy. In particular this required comprehensive taxation reform to commence,

similarly amendment of the legislative framework governing PFM was required, particularly with respect to procurement.

It was not possible to ascertain the extent of the reforms that has been undertaken or the degree in which Government policy is focussed on wealth and job creation. It appears that investment in natural capital is prioritized due to Education and Health being linked to the provision of Compact funds.

There is a high degree of consistency between national and sector plans and policies with respect to climate change; however these are not well linked to the budget. It was not possible to undertake further assessment of the budget in respect to enactment and reporting however it is assumed that this information is available in the PEFA assessment. The master plans and Ministry level plans envisaged in Vision 2018 as the means by which the vision would be turned into action and budgets has not happened.

The budget was regarded as having poor transparency and it suggests standardizing reporting to development partners to make it part of routine reporting by Ministries and agencies within the Government's national budget processes. Also required is strengthening of the centralized monitoring/evaluation and external audit capabilities.

Given the considerable gaps in the information available for the assessment, particularly on the progress towards macroeconomic reforms and improvements in PFM this has been a difficult assessment to make. The strength of the extent in which climate change has been integrated into national and sector policies needs to be extended into costing and budgeting.

Based on the currently available information to the consultant the likelihood that Marshall Islands would qualify for direct budget support for climate change is **low**.

## 2.5 NAURU

Nauru has adopted the pursuit of a stable Macroeconomic environment as a policy goal; however the existing policy of utilising finite resources for the short term makes longer term sustainability uncertain. As part of improving the macroeconomic environment it is to adopt a sustainable debt management policy and to address concerns associated with revenue and taxation policy.

It was not possible to assess the extent to which existing Government policy is directed to wealth and job creation. Government action was required to address equitable education requirements and access to social services. Policy with respect to climate change is not identified consistently in national and sector plans and there are no specific climate change related objectives. It is identified as a development issue and is only specifically addresses in Water Sanitation and Hygiene policy. Where there are sector implementation plans (energy and water) the activities are not costed.

In respect to PFM and Budget transparency the finding that there was significant lack of institutional capacity in the agencies responsible for the potential management of climate change finances is a substantial weakness. This is being addressed through the PFM reform program which needs to also improve the audit reporting and availability of monitoring information however it is unlikely to qualify in these two essential areas unless findings that this capability has substantially improved.

It is reported that Nauru does already receive direct budget support from Australia, Japan and Taiwan, this is normally a good indicator for other donors in considering budget support. However the nature of the support provided by Australia appears to be specific for TA, capital works and equipment. Further investigation is required to see if this assistance has

Project countries that are most likely to qualify for accessing climate change funding through budget support

resulted from a full fiduciary risk assessment of using the Nauruan partner government systems. Similarly the assistance from Japan appears to be specific.

Based on the currently available information to the consultant the likelihood that Nauru would qualify for direct budget support for climate change is **Medium-low**.

## 2.6 NIUE

It was difficult to determine the Macroeconomic environment in Niue, financial stability is a National Development goal and there is a requirement for domestic revenue mobilization – that has not occurred. Government policy is directed towards the provision of infrastructure to support private sector development and better access to services such as health and education. Significantly there is poor alignment of national plans with climate change and these are significantly lacking in many respects.

PFM improvement has been identified as necessary legislative framework is adequate but a significant constraint is the lack of institutional capacity within agencies responsible for financial management. A PEFA assessment has been undertaken but was not available and it is reported that a PFM reform program based on the assessment is underway. The extent of the reforms undertaken to date is not reported.

Niue receives budget support from New Zealand under an administrative arrangement that is enduring but also appears to be problematic with respect to timeliness and outcomes. Other donors (such as the EU) whilst present are currently not providing support through this mechanism, there was no indication that it was being considered.

The assessment indicates that Niue requires significant policy implementation to improve macroeconomic sustainability. Similarly considerable work is also required to develop climate change goals and mainstream these into plans with activities and measurable outcomes. PFM is not strong and has institutional capacity constraints that need to be overcome for improvement. The extent of the reform program and any improvements is unknown.

Therefore based on the currently available information to the consultant the likelihood that Niue would qualify for direct budget support for climate change is **low**.

## 2.7 PALAU

Fiscal sustainability requires substantial fiscal and revenue reforms the Government's current fiscal policy is not consistent with recommendations. It appears that a PFM Reform program will be required to enable improvements that may facilitate consideration of direct budget support.

Government policy has been to improve private sector development and it has made improvements to facilitate foreign direct investment through legislative and administrative changes. Climate change is not comprehensively addressed in national/sector plans or the budget however this may improve under a specific climate change policy. It was not possible to assess from published information the extent to which Government policy addresses investment in natural capital or the access to services in the country

In terms of public financial management, efforts are under way to implement a medium-term budget framework in FY 2013. There is also considerable scope to further strengthen budget execution and cash management. A PEFA assessment is to be supported by PFTAC in 2013 and a Peer review was started in May 2013. The result of these assessments was not available to the consultants, however based on the 2013 budget it appeared that considerable work is required to improve budget transparency. The IMF has reported that poor budgeting, in the past, has reduced the credibility of the enacted budget and has

Project countries that are most likely to qualify for accessing climate change funding through budget support

required frequent supplementary budgets. It was not possible to determine the level of auditing or oversight of budget implementation.

The areas in which Palau requires strengthening are in adopting policy consistent with macroeconomic stability and an encompassing policy with respect to climate change. These along with required improvements in PFM and budget transparency and oversight are significant weaknesses. Based on the information available to the consultant the likelihood that Palau would qualify for direct budget support for climate change activities is **low**.

## 2.8 TONGA

Tonga has adopted policies which are consistent with providing macroeconomic sustainability and has undertaken some of the recommended reforms associated with taxation and improving prospects for private sector growth. The policies for investment in natural capital, and access to services are also included in national plans.

In respect to climate change there is broad consistency across national and sector plans but require clear outcomes and targets the main sector plan for climate change activities (JNAP) includes costings for each goal but requires implementation plans. Climate change and environmental sustainability is one of the criteria used in prioritizing infrastructure investments.

Tonga also rates strongly in PFM with strong institutions a solid legislative framework a reform program based on successive PEFA assessments that have found improvement. Similarly the budget transparency and oversight criteria have been assessed highly. Improvements in reporting and audit are still however required.

Crucially Tonga has had an Assessment of National Systems (ANS) undertaken by AusAID, which is a precursor for Australian direct budget support funding. The positive finding of this assessment will be highly regarded by other donors, such as the EU in considering providing climate change support through this modality.

The assessment based on the currently available information to the consultant of whether Tonga's likelihood to qualify for direct budget support for climate change activities is **high**.

## 2.9 TUVALU

Fiscal policy is the principal tool available to the Tuvaluan Government to provide macroeconomic stability. The reduction of fiscal deficits is required to restore stability. The Government has adopted a policy of taxation reform to increase revenue and is required to adhere to the expenditure budget in order to build fiscal buffers against shocks to the economy. The stock of debt is high but specific management issues associated with it have not been identified.

Government policy specifically identifies investment in education and human resources to provide skills from which economic expansion can occur. It was not possible to determine from the published information the extent to which policy was directed towards wealth and job creation or the current access to services in the country.

Climate change with respect to adaptation is clearly articulated in national plans and strategies and these are starting to be included in sector master plans as they are developed. It is possible to track climate change expenditure through the budget but the linkage back to plans, strategies and master plans requires improvement. There are clear goals, objectives and outcomes in the national platforms. The low population and capacity has been identified as a constraint to the existing project-based forms of climate change assistance and the Government has already canvassed direct budget support as a modality to reduce transaction costs.

Project countries that are most likely to qualify for accessing climate change funding through budget support

PFM requires improvement with key institutions requiring strengthening along with legislation covering procurement. There is assistance being provided to strengthen the Ministry of Finance and Economic Development. The PFM reform program is also underway based upon the 2011 PEFA assessment.

Budget Transparency and oversight requires improvement in execution (maintaining fiscal discipline) and reporting. Auditing of the reports, when available, was not seen as an issue.

Of importance in respect to Tuvalu is the history it has in receiving donor support directly into its budget through a trust fund directly into budget by ADB and in 2010 the provision of EU General Budget Support by V-flex. This support indicates that Tuvalu had a PFM framework that was credible and effective as defined in the EU guidelines.

The assessment based on the currently available information to the consultant of whether Tuvalu's likelihood to qualify for direct budget support for climate change activities is **medium**.

### 3 ASSESSMENT

#### 3.1 SUMMARY

Below is a summary table of the country assessments along with the justification for each country's assessment.

Country	Assessment	Justification
Cook Islands	Medium-low	Gaps in Government policy and reform. Qualification likelihood reduced by traditional donor (NZ) moving away from DBS.
FSM	Low	Gaps in Government policy on Macro issues and reform; considerable work required on CC mainstreaming
Kiribati	Medium-low	Adoption of reform requirements and progress; weak PFM institutions and considerable work on CC mainstreaming.
Marshall Islands	Low	Enduring issues in Macro stability, Budget transparency, no progress information on reforms.
Nauru	Medium-Low	Gaps in Government policy positions and reforms. Institutional weaknesses. Inconsistencies in CC mainstreaming
Niue	Low	Macro stability problems and lack of evidence that being addressed, systemic capacity constraints. Poor CC mainstreaming alignment.



Country	Assessment	Justification
Palau	Low	Govt policy inconsistent with Macro stability, PFM reform program required but not in place. CC mainstreaming not currently comprehensively addressed
Tonga	High	Govt has adopted and implemented reform policy. Good consistency with CC policy and plans. Positive PFM assessment by AusAID for DBS
Tuvalu	Medium	Govt has adopted reform policies for Macro stability. CC policy articulated well in national plans and moving into sector plans. PFM institutional improvement in progress. Previous history of DBS including EU V-flex funding.

Based on this assessment the two countries which are thought most likely to qualify for direct budget support of climate change activities are Tonga and Tuvalu. Tonga is regarded as a stronger likelihood as it meets many of the identified criteria or is showing a trend of constant improvement in areas requiring improvement. Assessing the next most likely country was difficult as three others (Cook Islands; Kiribati and Nauru) were closely ranked at Medium-low. It was particularly difficult to separate Nauru and Tuvalu as both are recipients of DBS. Tuvalu however was eventually ranked higher as it has already been a recipient of EU DBS through the V-flex mechanism.

### 3.2 LIMITATIONS AND QUALIFICATIONS

The limitations of this assessment are that it has been undertaken as a desktop study based on published information and assessments made by the Planning 4 Sustainable Development in the countries that they were able to visit. Any assessment by the EU (or the GCCA) of requests for actual DBS for climate change would involve specific country visits, interviews with key personnel and on-ground assessments of policy, PFM systems and actual capabilities. Since DBS has a high degree of partnering and trust between the donor and the partner recipient country enduring personal relationships with key officials play a large part in providing the level of confidence that donors require for this form of modality. The conclusions of these assessments are therefore likely to be significantly different from the findings made here.

Further to this, as acknowledged in this report and the country profiles the team is aware that further information is available for some of the countries in respect to the reform criteria. However this was not available to the team and therefore has also not been considered in the assessment. It is likely that with the provision of this material the findings would have also been different.

Annex 1 Assessment Matrix

Country	Stable Macroeconomic Environment				Policies and Reforms				PFM			Budget Transparency and Oversight					IMF Art IV	PEFA	ANS	Other	PFM Plan	PFM Roadmap	Other rel info
	1. Transparent fiscal policy	2. Sustainable Debt Mgmt	3. Domestic Rev/Tax Policy	4. Macro resilience Efforts	5. Wealth & Job creation	6. Natural Capital Investment	7. Climate Change Resilience	8. Access to Services	9. Institutions	10. Legislative & Legal f/work	11. Reform Program	12. Executive Proposal <sup>6</sup>	13. Enacted Budget	14. In-year report	15. Mid-year report	16. Year end report <sup>1</sup>							
Cook Islands	Included in budget documentation	Included in budget & managed at prudent levels <sup>7</sup>	Not assessable from published information	Not assessable from published information	Not assessable from published information	Not assessable from published information	Included in several plans (NSDP) (NESAF) etc. but not comprehensively costed and consolidated	Not assessable from published information	Not assessable from published information	MFEM Act & CIGFPPM regarded as good <sup>8</sup>	Working through PFM reform prgm based on PEFA. Third review Dec 2012	Not published before budget <sup>2</sup> but good public information	Aggregate out-turn Ok <sup>2</sup> Achieved 7 of 9 benchmarks in 2012 <sup>9</sup>	Not reported	HYEFU provided in Dec <sup>2</sup>	Published but not meeting requirement <sup>2</sup>	2009/10 <sup>2</sup> not up to date & reliant on other work <sup>3</sup>	Aug 2010		PFM Roadmap and Rpts 2 (Oct)	Yes	ADB Budget Eval rpt 2013	
FSM	Requirement to adopt credible fiscal policy to address falling grants <sup>10</sup>	Relatively low level of public debt but underfunding of assets and social security <sup>5</sup>	Need to adopt comprehensive tax reform <sup>5</sup>	Need to improve resilience to non-natural disaster shocks <sup>5</sup>	Not assessable from published information	Not assessable from published information	Included in plans but not financially resourced	Not assessable from published information	Not assessable from published information	Not assessable from published information	Proposed following PEFA assessment	Recommended budget prepared in April <sup>11</sup>	Fiscal surplus from 2009 <sup>12</sup>	Not assessable from published information	Not assessable from published information	Not assessable from published information	Not assessable from published information	Dec 2012	Schd	Economic Review Report	PTAC schds	PTAC schd	Updated profile based on summary
Kiribati	Range of reforms being undertaken to reduce fiscal imbalances, currently unsustainable fiscal situation <sup>13</sup>	Retirement of non-concessional financing has improved debt sustainability <sup>8</sup>	Adopting tax reform and needs to be addressed promptly <sup>8</sup>	Requirement to implement fiscal and structural reforms to improve resilience <sup>8</sup>	Policy to provide facilitating infrastructure <sup>14</sup>	Skills investment through Development budget <sup>9</sup>	Key element of environmental priority in KDP	Not assessable from published information	Institutions involved in PFM require strengthening <sup>11</sup>	Framework in place but audit legislation and financial regulations need updating <sup>11</sup>	Reform program proposed to run to Dec 2014 <sup>15</sup>	Budgets approved prior start of fiscal year, not widely circulated <sup>11</sup>	Credible indicator of actual expenditure <sup>16</sup>	Prepared monthly but data concerns <sup>1</sup>	Not routinely provided to public <sup>11</sup>	Not routinely provided to public <sup>11</sup>	Internal audit capability weak. Major effort in external audit <sup>10</sup>	Jun 2013	Jan 2010	Budget 2012: TA rpt Dec 2011	Yes		
Marshall Islands	Fiscal sustainability requires tangible progress in fiscal and structural reforms <sup>17</sup>	External debt is high but expected to decline <sup>12</sup>	Requirement for comprehensive tax reform to commence in FY2012 <sup>12</sup>	Not assessable from published information	Not assessable from published information	Education and Health have medium term plans <sup>18</sup> linked to Compact funds	Consistency between national and sector plans and policies but not well linked to the budget.	Not assessable from published information	Not assessable from published information	Legislative framework is weak particularly in procurement and requires amendment <sup>12</sup>	PEFA assessment undertaken but not available Reform prgm being developed	Poor budget transparency <sup>13</sup>	Not assessable from published information	Not assessable from published information	Not assessable from published information	Not assessable from published information	Auditing ability requires expansion <sup>12</sup>	Dec 2011	Updated				
Nauru	Existing fiscal policy is reliant on short-term resources and long term sustainability is uncertain <sup>19</sup>	Required to adopt a debt management strategy <sup>20</sup>	Concerns associated with existing revenue and tax systems <sup>21</sup>	A stable Macroeconomic environment is a policy goal of the NSDS <sup>16</sup>	Not assessable from published information	Required to legislate for equitable education outcomes <sup>15</sup>	High degree of climate change policy directed toward improving resilience <sup>16</sup>	Legal and Policy framework required for more equitable Social Service delivery <sup>15</sup>	Institutional lack of capacity for financial management <sup>16</sup>	Not assessable from published information	Reform program being undertaken	Not assessable from published information	Enacted budget has been within aggregates <sup>5</sup>	Not assessable from published information	Not assessable from published information	Not assessable from published information	Not readily available <sup>5</sup>	Not Member	ADB ?	Budget 2011/12			

<sup>6</sup> Optional for SIDS

<sup>7</sup> Good Practice in Budget Management, Policy Lessons from the Cook Islands, Kiribati and Tonga, ADB, March 2013

<sup>8</sup> Cook Islands, Public Financial management Performance report C& Performance Indicators, Revised Draft Report, Aug 2011

<sup>9</sup> Cook Islands, Public Financial Management Roadmap Report –Review Three, 2012

<sup>10</sup> 2012 Article IV Consultation, Federated States of Micronesia, Dec 2012, No.13/16, IMF

<sup>11</sup> FY 2013 Recommended Budget, Government of the Federated States of Micronesia, April 1 2012

<sup>12</sup> Federated States of Micronesia, Fiscal Year 2011 Economic Review, Preliminary Report, Aug 2012, US Dept. of Interior.

<sup>13</sup> 2013 Article IV Consultation, Kiribati, June 2013, IMF No. 13/158

<sup>14</sup> Kiribati Government, 2013 Budget, 13/12/2012, NEPO, MFED

<sup>15</sup> Preliminary Draft Public Financial Management Plan, Version 3.0, 16 Feb 2011, Republic of Kiribati

<sup>16</sup> Kiribati, Public Financial Management-Performance Report, Final Report, Jan 2010

<sup>17</sup> 2011 Article IV Consultation, Republic of Marshall Islands, Nov 2011, IMF No.11/339

<sup>18</sup> Republic of Marshall Islands, Peer Review Report, June 2012, Cairns Compact, Pacific Island Forum Secretariat

<sup>19</sup> Asian Development Outlook 2013, Small Island Economies, p.282, ADB

<sup>20</sup> Grant Agreement (Special Operations) Public Finance Management Reform Project, 14 Sep 2012, ADB Grant No. 0300-NAU(SF)

<sup>21</sup> Pacific Climate Change Finance Assessment, Nauru Case Study, Final Report, May 2013, Pacific Islands Forum Secretariat

Country	Stable Macroeconomic Environment				Policies and Reforms				PFM			Budget Transparency and Oversight							IMF Art IV	PEFA	AMS	Other	PFM Plan	PFM Roadmap	Other rel info
	1. Transparent fiscal policy	2. Sustainable Debt Mgmt	3. Domestic Rev/Tax Policy	4. Macro resilience Efforts	5. Wealth & Job creation	6. Natural Capital Investment	7. Climate Change Resilience	8. Access to Services	9. Institutions	10. Legislative & Legal f/work	11. Reform Program	12. Executive Proposal <sup>6</sup>	13. Enacted Budget	14. In-year report	15. Mid-year report	16. Year end report <sup>1</sup>	17. Audit report <sup>1</sup>								
Niue	Financial stability is National Development Goal <sup>17</sup>	Has no debt history beyond New Zealand <sup>22</sup>	Undertook tax reform in 2009 and 2010, customs reforms have not occurred <sup>17</sup>	Not assessable from published information	Policy is directed toward private sector development and supporting infrastructure <sup>17</sup>	Not assessable from published information	Plans are not well aligned to national priorities or objectives	Access to education and healthy services is a national development goal <sup>17</sup>	Capacity constraints particularly in Aid Administration <sup>23</sup>	Regarded as comprehensive but need updating <sup>18</sup>	Proposed following PEFA <sup>17</sup>	Not assessable from published information	Credibility of budget is good <sup>17</sup>	Monthly reporting undertaken <sup>17</sup>	Not assessable from published information	Not assessable from published information	Audits are not up to date <sup>17</sup>	Not Member	Aug 2011 -NZ Aid		Joint Commitment 2011-14	Not seen	Not seen		
Palau	Current fiscal policy whilst transparent is not sustainable <sup>24</sup>	Sustainable if fiscal reforms adopted <sup>19</sup>	Comprehensive tax reform required <sup>19</sup>	Limited scope to increase resilience beyond fiscal buffers <sup>19</sup>	Improvements made to facilitate FDI and approval processes <sup>19</sup>	Not assessable from published information	Not comprehensively addressed in national and sector plans.	Not assessable from published information	Not assessable from published information	Not assessable from published information	A PEFA assessment was proposed but not available	Little detail in budget documentation, unclear level of distribution <sup>25</sup>	Poor budgeting has reduced transparency <sup>19</sup>	Not assessable from published information	Not assessable from published information	Not assessable from published information	Not assessable from published information	Mar 2012	IMF 2012 <sup>2</sup>						
Tonga	Current fiscal policy is appropriate for stability <sup>26</sup>	Fiscal consolidation needs to be sustained to enable debt repayment <sup>21</sup>	A presumptive tax regime for SMEs and natural resources is supported <sup>21</sup>	Policy coordination and judicious deregulation is proposed to increase investor confidence <sup>21</sup>	Identified in the TSDF <sup>27</sup>	Identified in TSDF <sup>22</sup>	Broad consistency across national and sector plans, most lack outcomes and measures	Identified in TSDF <sup>22</sup>	Regarded as strong	Regarded as solid <sup>28</sup>	Reform program based on PEFA <sup>29</sup>	Comprehensive and clear, more public release of information required <sup>23</sup>	Budget regarded as credible in aggregate however variances at agency level <sup>23</sup>	Quarterly operating statements <sup>23</sup>	Yes due to quarterly reporting frequency	Delays in production of reports <sup>23</sup>	Lack of information for scrutiny <sup>23</sup>	Jul 2013	2010		Tonga Strategic Dev Framework; PACTAM		Yes		
Tuvalu	Reducing the fiscal deficit is required to restore sustainability <sup>30</sup>	The stock of public debt is quite high but no noted management issues <sup>25</sup>	Policy in place to improve VAT returns and increase rate <sup>25</sup>	Efforts based on expanding economy and provision of fiscal buffers <sup>25</sup>	Not assessable from published information	Policy reform matrix focus on education and human resources	Included in development planning, budget inclusion subject to donor programs	Not assessable from published information	The MFED requires strengthening <sup>31</sup>	Procurement legislation is inadequate <sup>26</sup>	Underway based on PEFA	Documentation is good, not widely communicated <sup>32</sup>	Process is good, control on execution requires improvement. <sup>27</sup>	Not undertaken <sup>27</sup>	Not undertaken <sup>27</sup>	Prolonged delays in preparing <sup>27</sup>	When reports prepared <sup>27</sup>	Sep 2012	2011 ADB		Inst Streng MFED Jun 2012; EU BS				

<sup>22</sup> Niue Public Financial Management Report, Final Report, Aug 2011

<sup>23</sup> Niue Peer Review Report, July 2011, Pacific Islands Forum Secretariat

<sup>24</sup> 2012 Article IV Consultation, Republic of Palau, Feb 2012, IMF Country Report 12/54

<sup>25</sup> Budget Law 2013, Palau, April 2013

<sup>26</sup> 2013 Article IV Consultation, Tonga, July 2013, IMF Country Report 13/334

<sup>27</sup> Tonga Strategic Development Framework (TSDF) 2011-2014, 2011, Ministry of Finance and National Planning, Kingdom of Tonga

<sup>28</sup> Public Financial Management Performance Report, Kingdom of Tonga, Final Report, May 2010

<sup>29</sup> Public Financial Management and MoFNP Strengthening Roadmap, FY2012-2017, Draft 9<sup>th</sup> April 2012, MoFNP, Kingdom of Tonga

<sup>30</sup> 2012 Article IV Consultation, Tuvalu, Sep 2012 IMF Country Report 12/259

<sup>31</sup> Tuvalu Institutional Strengthening of the Ministry of Finance and Economic Development, Technical Assistance Report, June 2012, ADB Project No. 46108-01

<sup>32</sup> Public Finance and Accountability (PEFA), Public Financial Management Performance Report, Tuvalu, Final Report June 2011, ADB TA-6499 (REG)