

Incentivising Public Financial Management Reform in Samoa

Independent Assessment of Progress

December 2012

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Abbreviations

ADB – Asian Development Bank

ANS – Assessment of National Systems

AUD – Australian dollars

CPI – Consumer Price Index

EU – European Union

FY – Financial Year

GDP – Gross Domestic Profit

GoS – Government of Samoa

IA – Internal Audit

IMF – International Monetary Fund

IPFMRS – Incentivising PFM Reform in Samoa

LM – Line ministry

MoF – Ministry of Finance

NZAP – New Zealand Aid Program

NZD – New Zealand dollars

PFM – Public Financial Management

PFMRP – Public Financial Management Reform Program

PLA – Performance Linked Aid

SBS – Samoa Bureau of Statistics

SDS – Strategy for the Development of Samoa

SESP – Samoa Energy Sector Plan

SOE – Stated Owned Enterprise

SOEMD – State Owned Enterprise Monitoring Division (of MoF)

TIs – Treasury Instructions

Executive Summary

The Incentivising PFM Reform in Samoa Program was developed to help improve poverty alleviation by increasing the efficiency of Government of Samoa's PFM systems and improving the linkages between policy making and government spending. The program aims to improve economic stability through the reform of SOEs and by providing budget support to Samoa during a period of fiscal consolidation, following the expansion of budget deficits from 2009 to 2012 as Samoa recovered from major external shocks. This program is also intended to help prepare GoS systems for expanded use by donors by addressing known risk factors in the GoS PFM systems.

The program has a total value of AUD\$10 million and NZD\$2 million over 2011-12 and 2012-13. The supporting agreements between GoS and AusAID, and GoS and NZAP provide for incentive payments to be made to GoS based on their achievement of a set of agreed milestones, incorporated into the relevant Accountable Cash Grant agreements. The program ensured that balance was achieved between the two goals of predictability of funding and incentivising reform by splitting the disbursements into fixed (60%) and variable (40%) tranches. These were in turn based on two matrices of fixed tranche indicators and variable tranche reform indicators linked to progress on implementing PFM reforms.

Under the program, GoS progress against the fixed tranche indicators, and GoS progress in the implementation of PFM reforms under the variable tranche indicators, is assessed annually via an Independent Assessment of Progress. In the first year of the program, the first Independent Assessment of Progress was in respect of progress to 30 March 2012. That assessment was carried out in April 2012. A second Independent Assessment of Progress was required to be carried out in respect of progress to 31 October 2012. This report documents the findings of the second Independent Assessment of Progress, and makes recommendations to AusAID and NZAP as to the disbursements that should be made in respect of the progress achieved.

Progress against the fixed and variable tranche indicators is assessed and reported in sections 5 and 6 of this Assessment Report. The recommendation as to the amounts to be disbursed by AusAID and NZAP are contained in section 7.

The terms of reference for this Independent Assessment also required a review of the proposed Government of Samoa Policy Action Matrix (PAM) for 2013-2016. It is possible that other development partners in addition to AusAID and NZAP may also make use of this new PAM to release incentive payments in the form of budget support to GoS. Section 8 of this Assessment report discusses the proposed new PAM, and makes suggestions for changes or additions to the PAM.

Special thanks should be given to the PFM Coordinator in MoF for the extensive work he carried out prior to fielding of the assessment mission, including a matrix of succinct comments against each 31 October target, and supporting documentation and evidence for each target or milestone, as well as arranging all meetings and appointments. Thanks should also be given to CEO of MoF for making his time available at the beginning and end of the assessment, and to the Honourable Minister of Finance for meeting with the assessment team at the conclusion of the mission to discuss the findings.

1 Purpose of this Report

To report to AusAID and NZAP on the independent assessment of progress made under the Incentivising Public Financial Management Reform in Samoa program for the period ending 31 October 2012, and to review proposed Government of Samoa Policy Action Matrix for 2013-2016.

2 Background

The Incentivising Public Financial Management Reform in Samoa (IPFMRS) program was designed in October 2011¹. This assessment of progress report should be read in conjunction with the relevant Design Note.

The Samoa-Australia Partnership for Development identifies governance and economic stability as a Partnership priority outcome. The IPFMRS was developed to help improve poverty alleviation by increasing the efficiency of Government of Samoa's PFM systems and improving the linkages between policy making and government spending. The program aims to improve economic stability through the reform of SOEs and by providing budget support to Samoa during a period of fiscal consolidation, following the expansion of budget deficits from 2009 to 2012 as Samoa recovered from major external shocks². This program will also help prepare GoS systems for expanded use by donors by addressing known risk factors in the GoS PFM systems.

GoS has a well-established PFM Reform Program (PFMRP), which is now in its second Phase. The PFMRP Phase 2 (2010-2013) has a comprehensive agenda for PFM reform and capacity building, is supported by strong institutional arrangements, has an established monitoring and evaluation framework, an annual review process that is inclusive of a broad range of stakeholders, and a communications strategy. The specific areas of the PFMRP which are being targeted by the incentive program are:

- *strengthened planning systems* including finalisation of the new SDS, development of sector plans and sector investment plans, and inclusion of the needs of vulnerable groups into national planning.
- *enhanced economic contribution of SOEs* including increased compliance with the Public Bodies (Performance and Accountability) Act, implementation of a SOE performance framework, privatisation of SOEs
- *improved PFM systems* including establishment of a procurement unit and procurement templates, internal audit, monitoring of areas and development of a Finance Sector Plan
- *maintenance of overall fiscal discipline* including establishment of a Macro-Economic Committee and reduced levels of debt
- *consultation and engagement of stakeholders* including development and implementation of a communications and engagement strategy

In 2013 MoF are planning to lead a new Public Expenditure Financial Accountability (PEFA) assessment of their financial systems, which will inform the preparation of a PFMRP Phase 3 (2013-2016). This also provides an opportunity to develop a new Policy

¹ Design Note, 'Incentivising Public Financial Management Reform in Samoa', AusAID, October 2011

² There were the economic impacts from the Global Financial Crisis and the Tsunami that struck Samoa in September 2009

Action Matrix 2013-2016 that may form the basis for a new Incentivising PFM Reform program agreement between Samoa and its development partners, including AusAID and NZAP.

3 Principles of the Program

The current program has a total value of AUD\$10 million and NZD\$2 million over 2011-12 and 2012-13. At the core of the proposed program's design is the 2012-2013 Joint Policy Action Matrix (Annex 1) which outlines the priority areas of the PFM Reform Plan Phase II. Through discussions with AusAID, NZAP and internal consultations in 2011, MoF also developed a list of subsidiary milestones to be achieved over 2011-12 and 2012-13 which are required to achieve the broader goals outlined in the Matrix in Annex 1. It is these milestones which AusAID and NZAP are particularly using to 'buy change' as they represent the individual activities which are necessary to achieve the broader goals of PFM reform, macroeconomic stability and improvements to GoS systems for use by development partners.

These milestones also formed the basis of the Variable Milestone Tables for March 2012, and October 2012, that were ultimately incorporated into an Accountable Cash Grant Agreement between AusAID and GoS, and subsequently another agreement between NZAP and GoS. These are attached below as Annex 2.

The Agreement with AusAID provided for two incentive payments, each of AUD\$5 million, and each of which is split into a fixed and variable tranche. A 60% fixed and 40% variable tranche ratio was agreed with GoS to provide a balance between predictability of funding for GoS and incentives for various stakeholders in GoS to achieve the various PFM reforms. The Agreement between GoS and NZAP provided for two incentive payments, each of NZD\$1 million, each of which was also split into a similar fixed and variable tranche.

The Agreements provide that 60% of funds would be released as a fixed tranche based on Samoa achieving:

- a) satisfactory progress in maintaining a policy of macroeconomic stability as evidenced by either the IMF Article IV Consultation Report, or the IMF Staff Mission Report³,
- b) satisfactory progress on the implementation of the Public Financial Management Reform Program as indicated by the report of the joint annual government and AusAID review of the Program scheduled in November of each year,
- c) continued engagement with major donors in preparing for increased use of GoS systems and budget support by donors, as indicated by progress reported and dialogue at quarterly development partner meetings.

The above indicators for the fixed tranche are, by design, broad and flexible and do not necessarily provide a black and white view of progress. However the use of broad targets allows AusAID and NZAP to participate in policy dialogue about a range of institutional issues within GoS that may be impacting any of the three targets.

The remaining 40% of the planned disbursements in a given year are variable and adjusted based on the extent to which GoS achieves the subsidiary milestones. The review of achievement of these milestones is carried out jointly by GoS and AusAID/NZAP in November of each year as part of the same joint review that assesses whether satisfactory

³ IMF Staff Missions are carried out in the off year to the bi annual IMF Article IV Missions. These missions are usually carried out in February/March of each year

progress has been made against the requirements for the fixed tranche. The amount of the variable tranche is calculated based on the formula as follows:

$(\text{Actual Total Score} / \text{Max Possible Score}) \times (\text{Maximum amount available}) = \text{Variable Amount}$

4 Terms of Reference for this Independent Assessment

The terms of reference for this Assessment are set out in a Tasking Note attached at Annex 3. In broad terms they were to assess the progress made under the Incentivising Public Financial Management Reform in Samoa Program 2012-2013, and to review the proposed Government of Samoa Policy Action Matrix (PAM) for 2013-2016.

The first part of the terms of reference required an assessment of progress against the fixed and variable targets discussed above that were required for completion by 31 October 2012. Based on that assessment, the Mission was required to:

- a. Make recommendations on amount of payment to be made by AusAID with particular justification and discussion regarding targets that have not been completed or are only partially complete
- b. Make recommendations on amount of payment to be made by New Zealand MFAT against the Results Based Budget Support arrangement
- c. Engage with European Union PFM Assessment to gain a coordinated view of Samoa's PFM progress

The second part of the terms of reference require Review the proposed Government of Samoa Policy Action Matrix for 2013-2016, and

- a) Provide recommendations on PFM related indicators
- b) Assess compatibility of new matrix with the findings of the 2011 Assessment of National Systems.
- c) Discuss suitable, if any, variable PFM indicators to be included in any future Matrix-based agreement between Australia and Samoa with Government of Samoa and AusAID officials.

The team members on the Mission were:

- Tony Higgins – PFM Consultant: Team leader and report author
- Lae Siliva – Ministry of Finance PFM Reform Coordinator: GoS participant
- James Lamont – Ministry of Finance PFM Adviser: GoS participant
- Frances Sutherland – Second Secretary, Development Cooperation: AusAID participant

In addition, to provide expert input and advice regarding the first fixed tranche indicator, “Satisfactory progress in maintaining a policy of macroeconomic stability” the AusAID Senior Economist, Pacific Division, Matthew Harding, reviewed the final IMF Article IV report (June 2012), Samoa Bureau of Statistics releases, ADB and other reports and provided written comments to the Team Leader.

5 Assessment of Progress for the Fixed Tranche

The three indicators used to assess progress for the purposes of the fixed tranche were listed above in section 3. Table 1 below lists these three indicators, together with the means of

verification that were agreed with GoS, and adds a third column summarising the assessment of progress.

5.1 First Fixed Tranche Indicator

On the first indicator, the final IMF Article IV report suggests that GoS has maintained a policy of macroeconomic stability. The Fund forecasts a modest increase in growth in 2012/13 to 1.9 per cent and for growth to increase over time to 2.5 per cent. The IMF identifies several downside risks to future growth:

- ongoing weakness in the global/regional economy impacting on export sectors (tourism, fish, other agricultural commodities) and remittances;
- increases in food and fuel prices driven by increased geopolitical uncertainty;
- ongoing exchange rate appreciation impacting on competitiveness (tourism and other export sectors).

These first two risks are largely unavoidable and are a function of Samoa's vulnerability to external shocks and developments. The ADB is more optimistic on growth, forecasting 2.5 per cent growth in 2012/13.

The IMF estimates that Samoa's currency is overvalued by between 11 and 25 per cent. The Fund advocates a steady 'realignment' as opposed to a rapid devaluation. However, it was clear from the exit meetings for this Assessment, with the Minister of Finance and the MoF CEO, that MoF do not agree with the IMF on the need for a realignment of the currency. They point to the adverse inflationary impacts that may arise, and the fact that the majority of tourists are Samoan's visiting family and relatives and who are therefore not as sensitive to the exchange rate.

Inflation/monetary policy: Although inflation spiked during 2011/12 (to around 6 per cent) due to adverse weather conditions, the Fund assesses that underlying inflation pressures are limited. The IMF's overall assessment is that the current monetary policy is appropriate to support the recovery. However it emphasises that the central bank should be ready to tighten monetary policy (increase interest rates) if inflation shows signs of increasing.

Public spending, budget deficits and debt: The joint IMF-World Bank debt sustainability analysis (DSA) included in the Article IV report suggests Samoa's debt distress risk has increased from low to moderate. External debt is estimated at 53.2 per cent of GDP in 2011/12, increasing to a forecast 57.1 per cent in 2012/13. This is well above the 40 per cent target considered prudent by the IMF. The seriousness of this increase, and its potential negative impacts on longer term growth, has been raised by development partners with the Government of Samoa. Policy recommendations focus on reprioritising development spending and restraining recurrent expenditure – particularly wages – to reduce the deficit to 4.5 per cent in 2012/13, 3.5 per cent in 2013/14 and 1.5 per cent over the long term. Based on the DSA, this would reduce public debt to 40 per cent by 2025/26.

Revenue/taxation: The IMF notes good progress on revenue collection and suggests that progress should continue in areas such as tax administration under relevant PFM programs. The SBS government finance assessment notes that revenue collection for 2011/12 was lower than budgeted, due to shortfalls in import duty and VAT collection.

The conclusion of this Assessment is that satisfactory progress has been made in maintaining a policy of macro economic stability.

5.2 Second Fixed Tranche Indicator

The second indicator required an assessment of whether there has been satisfactory progress on the implementation of the PFM Reform Program, and the means of verification required a copy of the Annual Progress Report, and a joint AusAID/NZAP annual assessment.

GoS provided copies of the Minutes of the Annual Review meeting for PFMRP, and a copy of the November 2012 Progress Report. This Independent Assessment was also able to assess progress against many of the PFMRP milestones, see section 6 below. Based on the information provided by GoS, this Independent Assessment is able to conclude that there has been satisfactory progress on the implementation of the PFM Reform Program.

5.3 Third Fixed Tranche Indicator

The third indicator required an assessment of increased readiness of GoS systems for increased use or the provision of budget support by major development partners, as evidenced by progress reported at quarterly development partner meetings and verification in AusAID/NZAP assessments. There has been one quarterly donor assessment meeting in April 2012. GoS also consulted with donors in October 2012 on the new Joint Policy Action Matrix. In addition GoS has consulted with development partners regarding Education sector financing arrangements, and on Health sector financing arrangements, and on the Law and Justice Sector financing arrangements. Finally, GoS consulted with AusAID during the annual Partnership for Development discussions.

This assessment was also able to confirm increased readiness of GoS systems through the progress made in implementation of PFM reforms (see section 6 below). This Independent Assessment can confirm that there has been an increase in readiness of GoS systems for use by development partners.

Table 1 Assessment of Progress Against Fixed Tranche Indicators

Indicator	Verification	Comments on assessment
a) Satisfactory progress in maintaining a policy of macroeconomic stability	IMF Article IV Consultation Report, or the IMF Staff Mission Report	Based on final IMF Article IV mission report and updated macro and fiscal data published in June 2012 SBS Statistical Bulletin, AusAID economist has reconfirmed <u>satisfactory progress in maintaining a policy of macro-economic stability</u>
b) Satisfactory progress on the implementation of the Public Financial Management Reform Program	Annual Progress Report of PFM Reform Plan implementation and joint AusAID/ NZAP annual assessments	<ul style="list-style-type: none">• Annual PFM Reform Plan Phase II progress report to Nov 2012 provided• Minutes of 2011 Annual Review Mtg provided• March 2012 progress report provided• Agenda for Annual Review meeting on 29 Nov 2012 provided <u>Satisfactory progress</u>
c) Increased readiness of GoS systems for increased use or the provision of budget support by major development partners	Progress reported at quarterly development partner meetings and verification in AusAID/ NZAP assessments	<ul style="list-style-type: none">• Quarterly Development Partner Meetings – last one April 2012• Other meetings: Oct 2012 with donors on JPAM; on Health sector financing; on Education sector financing arrangements; on Law & Justice sector financing arrangements; annual Partnership discussions• Progress on PFM reforms reported as per above <u>Readiness of GoS systems has increased</u>

6 Assessment of Progress for Variable Tranche

This assessment of progress addressed the achievements against the 31 October 2012 milestone matrix which is attached as Annex 2, part 2, (part 1 of Annex 2 is the milestone matrix used to monitor progress for the 31 March 2012 milestones or targets, but is otherwise not relevant to this current assessment of progress).

6.1 Progress Against 31 October 2012 Milestones

Progress against the 31 October 2012 milestones is summarised in Annex 4. The matrix in Annex 4 contains the same indicators and means of verification information as is contained in the matrix in Annex 2 (from the Agreement), with an additional column added to record progress assessed.

Consistent with the previous assessment of progress against 31 March 2012 targets, in most cases, the targets for 31 October 2012 have been achieved. Again, this reflects the level of GoS ownership, particularly from within Ministry of Finance. GoS has its own PFMRP with effective monitoring and evaluation mechanisms, capably supported by a PFM Coordinator in the Aid Coordination division in MoF. This institutional framework has allowed MoF to monitor progress against the PLA milestones and take early corrective action where necessary.

This section of the report does not address each milestone individually, apart from what has already been summarised in Annex 4. The comments below address those milestones where the targets have not been achieved or have been partially achieved, or where other issues have arisen as a result of the assessment and consultations carried out during the assessment.

6.1.1 Number of Sector Plans

Preparation of sector plans and sector MTEFs are a major part of Samoa's PFM reform strategy. MoF are leading this reform, working with various sectors to strengthen existing plans or to develop new sector plans. The target incorporated into the 31 October 2012 matrix was to have at least one new sector plan completed and approved by Cabinet or the Cabinet Development Committee.

MoF submitted two draft sector plans for Independent Assessment, the Samoa Energy Sector Plan, and the Finance Sector Plan. For the purposes of this Independent Assessment, both draft sector plans were assessed, and the one producing the higher score has been used to calculate variable tranche release in sections 6.2 and 7 below.

The 31 October 2012 matrix incorporates a weighting mechanism to recognise that some milestones have a greater degree of difficulty or complexity than others, with a weighting of 1 for less complex to 5 for the most complex. In recognition of the extensive consultations and negotiations that are required to develop a true sector plan, this indicator was given a weighting of 5.

In 2011 MoF provided guidelines to lead ministries in each sector on the minimum requirements for sector plans. This was in addition to the more comprehensive guidelines provided in the Sector Planning Manual (2009). Some of these minimum requirements were incorporated into the indicator contained in the 31 October 2012 matrix. These are:

- at least 3 key performance indicators,
- institutional arrangements including non-government entities, and
- an annual review mechanism

Assessment of the Samoa Energy Sector Plan

The assessment of the SESP identified the following gaps:

The M&E framework is incomplete in that:

- Relevant performance indicators are shown, but no baseline data is shown, suggesting that data collection systems may not be in place
- The Absence of baseline data means the target reductions etc. are questionable
- Reporting is proposed quarterly, but of what and to whom are not documented

Governance arrangements are not addressed:

- NECC membership not explained
- External stakeholder representation not set out
- Reporting arrangements for NECC are not documented in terms of what reports the NECC should receive, and how and to whom the NECC reports
- A governance diagram is not provided
- Mode of external stakeholder participation in implementation not documented.
- An annual review process is not documented or even mentioned – role of external stakeholders in annual review not documented

Costing is incomplete – no reconciliation of funding requirements and funding sources with a funding gap as per the requirements of the Sector Planning Manual.

Subsequent to the presentation of the findings of the Assessment Mission to MoF at the debrief on 23 November 2012, MoF provided further information from the consultant who assisted MoF with the preparation of the sector plan. However, this information did not address any of the gaps listed above. Feedback has been provided separately to MoF on that further information.

On the basis of the Energy Sector Plan as submitted for assessment, the recommendation is that it be scored at 3 out the possible maximum 5.

Assessment of the Finance Sector Plan

The Finance Sector Plan is in its third draft, and has obviously benefited from extensive consultations within the finance sector, MoF's familiarity with the sector and with the performance of the sector, and the fact that MoF already has a strong level of ownership of the PFM Reform Plan Phase 2.

The Finance Sector Plan has identified numerous relevant sector and sub sector performance indicators. As with the Energy Sector Plan there are concerns regarding the quality of data. However, the Finance Sector Plan discusses this as an issue in several locations. The FSP does not provide specific plans or strategies to address the issue or improve the quality of the data, but makes it clear in which areas data quality needs to be addressed.

Governance and institutional arrangements surrounding the FSP and its implementation have been covered in sufficient depth. Similarly, the annual review process is described in sufficient detail, and addresses the need for civil society involvement.

Target has been met.

6.1.2 Procurement Review Response Plan

This target required the development of a credible action plan in response to the findings of a proposed procurement review. The need to carry out a review or assessment of the GoS procurement systems arose in part from the AusAID funded Assessment of National Systems

(ANS) carried out mid-2011. GoS also recognised the need to reform its procurement systems and had already incorporated this into its PFMRP. Their original intention was to carry out a review of their systems, and then implement reforms to address any weaknesses identified. MoF originally scheduled this procurement review for early 2012.

In the event, MoF established a new Procurement Unit in 2011, and through PFMRP, retained technical assistance from January 2012 to implement some of the more urgent and important reforms⁴. MoF therefore decided to defer the procurement review until July 2012. However, when the procurement review Mission arrived in Apia in July, MoF and the Mission consultant decided that because the new guidelines and standard bidding documents were still in draft form, and therefore the old regulatory framework was still in place, it would be better to defer the procurement review until January 2013.

The target to develop a credible response plan to the procurement review could not be met by 31 October 2012.

GoS would prefer to have an assessment of its procurement systems in their revised or reformed status, and then use that to identify any further changes or improvements needed. The assessment of procurement systems serves a different need for AusAID. AusAID guidelines on working in partner government systems require that risk assessments be carried out on partner government PFM and procurement systems. These provide a baseline assessment on the existing regulatory framework, institutional arrangements, market competitiveness, government procurement capacity/competency, internal controls and levels of compliance. They help AusAID, NZAP and other development partners to assess the risks of using partner government systems, and to work with the partner government to develop risk mitigation or capacity building measures.

As mentioned above, the ANS was carried out in mid-2011, but was unable to address procurement risks, as no recent assessment had been carried. In the knowledge that GoS were pursuing a procurement assessment, AusAID and NZAP have continued working with GoS and other DPs in several sectors with a view to increased use of GoS systems. The absence of any recent assessment of risks in procurement systems creates residual risk for AusAID and NZAP.

Target not achieved.

6.1.3 Accounting Function Training in Line Ministries

The MoF Systems Support Unit developed and delivered a training programme to support the accounting function in line ministries, with a particular focus on making better use of the control and reporting functions of Finance One. MoF provided a written summary of the training program. MoF established a Finance One training environment on Level 2 of the CBS building, and delivered training to line ministry officials in June and July 2012. The Systems Support Unit prioritised this training to those ministries which have a high percentage of payments being queried or suspended. For some of these ministries, the query/suspension rate for transactions on the accounts payable system is between 20% to 40%. This raises other issues that the Systems Support Unit and the Accounts Division of MoF plan to pursue with line ministries.

There is a need for line ministries to use a checklist before entering a payment voucher into the Accounts Payable module and then delivering batch documents to MoF, i.e. unless all supporting documentation is attached to the batch supporting the payment voucher, it should

⁴ The technical assistance was scheduled for completion in June 2012 but appears to have been extended, and as at December 2012 is still in place.

not be processed. By entering these transactions into Finance One and then having them suspended, it increases the level of arrears on the system. Pressure should be put on line ministries and suppliers to comply with certifications and supporting documents so that a clear audit trail is maintained.

Secondly, where payments are suspended on Finance One because supporting documentation is not provided, Accounts Division should monitor and pursue these on an aged basis. A summary report on size and age of suspended payments could be used to identify which ministries are in need of further training, and a copy provided to the CEOs of MoF and other ministries to highlight which ministries are the worst offenders.

Target achieved.

6.1.4 Finalise and Approve Revised Treasury Instructions

A new B4 Schedule on financial delegation thresholds was approved by Cabinet on 5 October 2012, meaning that the draft revised Treasury Instructions are finalised in almost all respects, except for Schedule K, which deals with Procurement. The reasons for the delay in finalisation of schedule K have been discussed at 6.1.2 above. Treasury Instructions can be approved by the CEO of MoF, but because there has been a complete rewrite of the Treasury Instructions, they will be submitted to Cabinet for approval once Schedule K has been completed.

Target not achieved.

6.1.5 Monitoring Arrears

MoF Accounts Division carried out a stocktake of arrears and produced a comprehensive set of material documenting the amounts and different categories of arrears. However, the value of the stocktake and supporting material was reduced by the absence of a summary level report suitable for submission to the CEO and the MoF management team, and for use as a baseline against which further stocktakes could be compared to gauge which categories of arrears are increasing and which are decreasing.

The level of suspended payments (see discussion at 6.1.3 above) is also inflating the level of arrears on Finance One. If not addressed this can cause problems at year end. Normally, in cash based systems, unfilled purchase orders at year end must be re issued in the new financial year, and are immediately recorded as commitments against warrant or budget funds available in the new year. Suspended payments are already recorded on the accounts payable system, and must also be carried over into the new financial year. These also become a claim on the budget funds available in the new year, even though the goods and services were delivered in the previous financial year. If not addressed and allowed to grow, this can adversely impact on operating costs and service delivery in the ensuing years.

This was discussed with the Accounts Division, and it was agreed that:

- There is a need for regular one page summary report to the CEO by main categories of arrears, e.g. utilities, debt servicing, third party payroll deductions, PAYE, NPF, other goods and services,
- One of these categories should be suspended/queried payments

Finally, it was also noted during the Assessment that Finance One is configured so that commitment control only issues a warning where funds are not available for a particular account. MoF should review whether this creates risk of overspending, and whether Finance One should be reconfigured to reject requisitions, purchase orders and payment vouchers

where there is insufficient budget, and ministries required to process virements before proceeding with the transaction.

Target achieved.

6.1.6 Mid Term Budget Review

This target, to publish the mid-term budget review findings, followed on from a related target in the March 2012 performance matrix. The March 2012 target required the completion of the mid-term budget review, which is carried out by the Budget Division in January and February of each financial year. The March 2012 target was met. The Budget Division and MoF submitted a report on the mid-term budget review findings to Cabinet. The mid-term budget review for 2011/12 Estimates differed from mid-term reviews in earlier years in that, for the first time, it included a review of each ministry's performance based on their service delivery targets in the new Performance Framework, included in the Estimates from 2011/12. The ACEO of Budget Division advised however, that during the mid-term review it became apparent that many line ministries did not have adequate data collection systems to monitor their own performance against the performance framework. Concerns about data quality led to a decision not to publish the mid-term budget review report to Cabinet. Despite these data concerns, publication of the review would have been useful to generate discussion about the tracking of performance data by ministries.

Target not achieved.

6.2 Summary of Progress for Variable Tranche

Referring to the scoring matrix in Annex 2, and recognising those indicators above where targets were not met, the total score for the purposes of calculating the variable tranche is 88 out of a possible maximum of 97, (i.e. 90.1%).

7 Calculation of the Incentive Payment to Government of Samoa

As discussed earlier, the Incentive Payment comprises two tranches one fixed and one variable. The total funding available to be paid in 2012/13 from AusAID and from NZAP in respect of 31 October 2012 milestones is AUD\$5 million and NZD\$1 million respectively, each using a 60% fixed tranche and 40% variable tranche formula.

Section 5 above recorded that the indicators in respect of the fixed tranche had all been achieved.

Section 6.2 above recorded that a score of 86 out of a possible maximum of 97 was achieved in respect of the variable tranche.

On this basis, the calculation of the incentive payment to GoS by AusAID and NZAP in respect of the 31 October 2012 can be made as follows:

Table 2 Calculation of Recommended Incentive Payment

	AusAID Maximum AUD	NZAP Maximum NZD	Rating Achieved	Percentage Applied	AusAID Recommended AUD	NZAP Recommended NZD
Fixed	3,000,000	600,000	Satisfactory	100.00%	3,000,000	600,000
Variable	2,000,000	400,000	88/97	90.10%	1,802,000	360,400
Total	5,000,000	1,000,000			4,802,000	960,400

It is recommended that AusAID disburse the amount of AUD\$4,802,000 and that NZAP disburse the amount of NZD\$960,400 to GoS in accordance with the assessment and calculations above.

8 Review the Proposed Government of Samoa Policy Action Matrix for 2013-2016

8.1 Content of the Proposed Policy Action Matrix

The terms of reference also required a review of the proposed Government of Samoa Policy Action Matrix for 2013-2016, and to provide recommendations on PFM related indicators.

The following comments and suggestions are made with regard to the draft Joint Policy Action Matrix as provided at the beginning of the Mission.

- (a) The proposed new matrix covers the 2012/13 and 2013/14 financial years. This will straddle completion of PFM Reform Plan Phase 2, 2010-2013, and commencement of PFM Reform Plan Phase 3, as informed by the proposed PEFA assessment in 2013. It would be prudent to maintain some flexibility in respect of the 2013/14 targets to be able to accommodate some of the MoF reform responses to ratings and assessments of the PEFA
- (b) Similarly, the proposed MAPS assessment of GoS procurement systems is to be carried out in January 2013, with a report possibly by March 2013. Other new indicators may become necessary either for 2012/13, or more likely for 2013/14
- (c) The proposed matrix includes an indicator to increase the percentage of SOEs that are compliant with the Public Bodies Act requirement on Board memberships. Given that contracts for Board members have been entered into in 2012, and the duration of SOE Board Director contracts, how likely is it that there will be any increase to this percentage within one year?
- (d) There is an indicator for '*Policy established to ensure timely payments to suppliers and system for monitoring arrears in place*'. However, there is a payments policy and an arrears policy already in place. A more appropriate indicator might be quarterly or six monthly reporting on arrears to CEO and MoF Management from the ACEO Accounts Division, as this would also help meet the requirements of the PEFA indicator on arrears.
- (e) The Internal Audit indicator for 2012/13 is '*Strategic Plan for internal audit approved and under implementation*'. However, the Internal Audit Strategic Plan is already in place and is being implemented. The Annual Audit Plan for 2013/14 will or should be in place by June 2013, so this indicator could be brought forward to 2012/13, with a report on actual internal audits against the plan used as the indicator for 2013/14
- (f) Consultations with private sector and CSOs on the SDS 2012-2016 seems out of date given that the SDS 2012-2016 is already in place. Are there any plans to monitor progress against the SDS 2012-2016 in the financial year 2013/14?
- (g) There is an indicator 5.4: 'Key PFM documents are made available in timely fashion on MOF web site', followed by a list of 4 documents. This is a useful

indicator as it is consistent with PEFA indicators PI-6(i) and PI-10(i). The 4 documents shown are a sub set of the documents listed in the PEFA scoring guidelines. This list of documents in the proposed matrix should be reviewed to ensure consistency with the PEFA list of documents

- (h) Quality of performance data and data collection systems is a common challenge across sectors. The Mid-Year Review of the Budget was not published because of concerns about the quality of performance data. Similarly, both the Trade Sector Plan and the Energy Sector Plan did not address monitoring and evaluation adequately, including performance indicators and data quality. Those sectors or ministries that are not benefitting from sector support programs may require assistance to establish and maintain performance data collection systems consistent with needs of SDS and Sector Plans.
- (i) The GoS and MoF requirements for Sector Plans are set out in Sector Planning Manual 2009, and in the February 2011 presentation by MoF to the Sector Coordinators group “Reviewing and Updating a Sector Plan”, and are based on GoS’ own approach to sector wide planning and MTEF. However, these requirements are not being followed by some external consultants who are being contracted to facilitate development of sector plans. There is a case for revising the Sector Planning Manual 2009 to ensure it is more explicit and clearer in terms of what are the minimum requirements for a sector plan in GoS. Updating of the manual could be a useful indicator.

8.2 Scoring Methodology

At the de-brief for this Assessment Mission, the CEO of MoF asked that consideration be given to a review of the scoring methodology used for the Incentivising Public Financial Management Reform in Samoa program. In particular, the current scoring methodology adopts an all or nothing approach towards achievement, without being able to recognise substantial progress or partial achievement. The current scoring methodology does include an allowance for weighting or degree of difficulty, but this is to ensure that more funding is attached to achievement of the more difficult targets.

It would be possible to address both degree of difficulty and degree of achievement in the scoring methodology⁵. Degree of difficulty, as with the current approach, would be agreed with GoS ex ante. The degree of achievement could be on a scale of 1 to 5 or 1 to 10, but would require a level of judgement to be exercised during the ex post assessments.

⁵ In fact, a variation of this was discussed with GoS at the time of the design of the Incentivising Public Financial Management Reform in Samoa program in 2011.

Annex 1 2011-2013 Policy Action Matrix

(as per Design Note, October 2011)

Theme	Progress to be achieved By end June 2012	Progress to be achieved By end June 2013
Strengthened planning systems	<ol style="list-style-type: none"> 1. New Strategy for Development of Samoa (2012-16) with higher level strategies, challenges and priorities linked to sector level plans developed through participatory process. 2. At least 9 out of 14 sector plans approved with 2 or 3 high level outcome performance indicators identified for each sector. 3. Concept paper on the needs of the vulnerable (low income/disadvantaged) prepared. 4. Key interventions to address the issues raised in the concept paper incorporated in the SDS and sector planning/programming process. 	<ol style="list-style-type: none"> 1. At least 13 out of 14 sector plans current and approved. 2. Costed and realistic sector investment plans for at least 7 sectors developed and brought together into a single 5 year Public Sector Investment Programme, to be updated on an annual basis. 3. Sector plans being monitored with annual review meetings with all stakeholders to present/discuss progress/ constraints and performance indicators for at least 5 sectors. 4. Public progress reports issued for at least 5 sectors.
Enhanced economic contribution of SOEs	<ol style="list-style-type: none"> 5. 50% of SOEs compliant with the Public Bodies (Performance and Accountability) Act on the appointment of board members. 6. SOE objectives reviewed and aligned with sector goals. 7. Performance framework agreed for at least 20% of SOEs with key performance indicators, future targets and annual reporting mechanism established. 8. One additional SOE to be prepared for privatisation 	<ol style="list-style-type: none"> 5. 75% of SOEs compliant with the Public Bodies (Performance and Accountability) Act on the appointment of board members. 6. Performance framework agreed for at least 50% of SOEs with key performance indicators, future targets and annual reporting mechanism established. 7. Privatisation completed for one SOE and a further SOE prepared for privatisation.
Improved Public Finance Management systems	<ol style="list-style-type: none"> 9. Substantial progress achieved on the implementation of Phase 2 of the PFM Reform Plan as demonstrated through an annual report and annual review meeting in November. 10. Procurement Unit established in MoF with standard templates developed. 11. Information being made available to the public on all public sector contract awards 500,000SAT. 12. Strategic Plan developed for internal audit across Government. 13. Finance Sector Plan under preparation and holding quarterly meetings with PFM as core component. 	<ol style="list-style-type: none"> 8. PEFA undertaken and made public showing progress (improved scores) in strengthening PFM systems. 9. Successful implementation and achievement of at least 70% of indicators under Phase 2 of the PFM Reform Plan as reported at November 2013 annual review meeting with written progress report. 10. Finance Sector Plan approved and under implementation. 11. Procurement templates (bidding documents and contracts) disseminated with training for Line Ministries. 12. Policy established for late payment to suppliers and system for monitoring arrears in place.

Theme	Progress to be achieved By end June 2012	Progress to be achieved By end June 2013
		13. Strategic plan for internal audit approved and under implementation.
Maintenance of Overall Fiscal Discipline	<p>14. Macro-economic Committee (CBS, MoF, SBS) established under the Finance Sector to monitor and forecast, fiscal stability and debt sustainability.</p> <p>15. IMF Article IV consultations confirm continued stability.</p>	<p>14. IMF or joint donor external review confirms continued macro-economic stability.</p> <p>15. Reduced level of deficit and debt with progress towards Government target levels. (3.5% of GDP and 40% of GDP respectively)</p>
Consultation and engagement of stakeholders	16. Public release of a communications and engagement strategy that explains and provides for effective feedback from the private sector and civil society on key policy actions, SDS and sector planning and monitoring, and the annual budget.	16. Communications and engagement strategy being implemented to explain and provide for effective feedback from the private sector and civil society on key policy actions, SDS & sector planning and monitoring, and the annual budget.

Annex 2 Variable Milestones to be Achieved by March 2012 and by October 2012

1. Variable Milestone Table to be achieved by 30 March 2012

Indicator Title	Policy Actions	Target No. of deliverables	Means of verification	Responsible	Weight (max 5)	Score (Target x Weight.)
Sector Planning	Number of additional Sector Plans approved and made public and under implementation with content including: at least 3 key performance indicators, institutional arrangements including non-government entities, and an annual review mechanism. Four sectors currently meet the basic criteria: water, health, education and law and justice. Target of 5 sectors (1 additional).	1	Approval of Sector plans by CDC or Cabinet; publically available documents. Reports and Minutes from Annual Review Meetings	EPPD and line-Ministries	5	5
Procurement review	External review of Government procurement systems undertaken	1	Procurement Review Report	MoF	5	5
Monitoring arrears	Policy and action plan developed for late payment to suppliers and monitoring the extent of arrears by line-Ministries	1	Draft policy / action plan approved by PFM Task Force	Accounts, MoF	5	5
Finance Sector Coordination	Improved coordination across the Finance Sector as evidenced by the number of Finance Sector Advisory Committee meetings held in	2	Minutes of meetings	CEO, MoF	1	2

Indicator Title	Policy Actions	Target No. of deliverables	Means of verification	Responsible	Weight (max 5)	Score (Target x Weight.)
	FY 2011/12					
Budget Planning Committee	Budget Cycle adhered to and links with planning strengthened as evidenced by Budget Planning Committee meetings taking place at least quarterly in FY 2011/12. (Number of meetings)	2	Minutes of meetings	EPPD, Budget & Aid - MoF	1	2
Public accounts	Public accounts for 2010/11 submitted to Audit Office by end October 2011	1	Letter to Audit Office	Accounts, MoF	5	5
Budget monitoring	Mid Term Review of the 2011-12 Budget and the related performance framework completed	1	Copy of Mid-term Review	Budget, MoF	2	2
Inland Revenue staff training and motivation	Training needs analysis and staff engagement survey completed for Inland Revenue Services	2	Copy of TNA and executive summary of Staff Engagement approved by CEO, MFR	MfR	2	4
Inland Revenue Information systems	Development of a strategic IT Plan for Inland Revenue Services, and approval of the Plan	1	Copy of IT Plan approved by CEO, MFR	MFR	1	1
Inland Revenue Debt Collection strategy	Drafting of a Debt Collection Strategy for Inland Revenue Services	1	Copy of Debt Strategy approved by CEO, MFR	MFR	2	2
Max. Possible Score						33

2. Variable Milestone Table to be achieved by 31 October 2012

Indicator Title	Policy Actions	Target No. of deliverables	Means of verification	Responsible	Weight (max 5)	Score (Target. x Weight)
Update of SDS	New SDS (2012-16) with higher level strategies, challenges and priorities linked to sector level plans developed through participatory process, approved by Cabinet and made publicly available	1	Approval of SDS by CDC or Cabinet; publically available SDS documents	EPPD, MoF	4	4
Targeting the vulnerable	Concept paper with analysis on vulnerable groups, their needs and mechanisms for targeting support	1	Concept Paper submitted to CDC (Agenda)	EPPD, MoF	3	3
Sector Planning	Number of additional Sector Plans approved and publically released and under implementation with content including: at least 3 key performance indicators, institutional arrangements including non-government entities, and an annual review mechanism. Total target of 6 sectors	1	Approval of Sector plans by CDC or Cabinet; publically available documents	EPPD and line-Ministries	5	5
SOE privatisation	One additional SOE to be prepared for privatisation	1	Cabinet approval of proposed privatization	SOEMD	5	5
SOE Governance	% of SOE Boards with no Government Ministers or officials – Target of 70%	1	List of Board appointments	SOEMD, MoF	4	4
SOE Governance	Induction training module for SOE Board	1	Copy of training programme	SOEMD,	4	4

	Directors developed and training programme commenced			MoF		
SOE Performance	Key performance indicators (KPIs) agreed and approved by Boards and responsible Minister for at least 5 SOEs. Target number of 5 SOEs	5	Copy of approved KPIs; evidence of approval by Minister	SOEMD, MoF	5	25
Training for line-Ministries	Training programme to support the accounting function in line-Ministries commenced	1	Training programme and copies of training reports	Systems Support Unit, MoF	2	2
Treasury Instructions	Finalise and approve revised Treasury Instructions	1	Confirmation of Cabinet approval	MoF	3	3
Monitoring arrears	Information report on the extent of arrears, including arrears in relation to orders not supported by a purchase order, available by 30 th June 2012 and target set for reduction by June 2013.	1	Report from Accounting Division	Accounts, MoF	5	5
Finance Sector Coordination	Improved coordination across the Finance Sector as evidenced by the number of Finance Sector Advisory Committee meetings held in FY 2011/12 (since last assessment)	1	Minutes of meetings	CEO, MoF	2	2
Procurement Reform	Develop a credible action plan in response to procurement review findings	1	Action plan, minutes of discussion in PFM Task Force or Finance Sector Coordination meeting	MoF	3	3
Procurement systems	Publication of information on tenders awards over 500,000SAT and standard templates for service tenders on MoF web site	1	Web site print out	Procurement MoF	3	3

Debt Management Unit	Debt Management Unit established and MTDMS reviewed with new targets agreed for 2012/13	1	Contracts for staff. Fiscal strategy with inputs on debt strategy/ performance	Aid, MoF	3	3
Strategic Plan for Internal Audit	Strategic Plan for Internal audit across Government completed and submitted for consideration	1	Documentary evidence of submission to cabinet	Internal Audit, MoF	3	3
Budget Planning Committee	Budget Cycle adhered to and links with planning strengthened as evidenced by Budget Planning Committee meetings taking place at least quarterly in FY 2011/12. (Number of meetings) (since last assessment)	1	Minutes of meetings	EPPD, Budget & Aid - MoF	1	1
Budget review	Mid term review of 2011-12 budget and performance framework publically released	1	Publically available review report	EPPD, Budget	3	3
Budget cycle	Adherence to budget cycle for the budget preparation process in preparing 2012/12 budget	1	Copies of budget circulars	Budget, MoF	3	3
Communication strategy	Communication/ engagement strategy for private sector and civil society prepared	1	Evidence of submission of strategy to Cabinet	MoF	4	4
Inland Revenue Customer Survey	Customer satisfaction survey completed by MfR	1	Customer Survey Report	MfR	2	2
Inland Revenue Tax Arrears	A tax arrears report will be prepared	1	Exec summary of tax arrears report submitted to Revenue Board	MfR	3	3
Inland Revenue	The RMS Inland Revenue Database upgrade	1	Completion Report on	MfR	3	3

Database	completed		database Upgrade			
Tax legislation	The legislative framework (Income Tax Act 1974 & Income Tax Administration Act 1974) for Inland Revenue Service will be reviewed to modernize language and style and introduce self assessment for Income Tax	1	Report on review with proposed amendments	MfR	4	4
Max. Possible Score						97

Annex 3 Terms of Reference

TASKING NOTE 1

This Tasking Note is issued by AusAID in accordance with clause headed **Nature of Engagement of Contract 64234 (“Contract”)** between AusAID and PFM Metrics Ltd (“Contractor”).

INTERPRETATION

All terms used in this Tasking Note have the same meaning as is given to them in the Contract, unless specifically stated otherwise or the context otherwise requires.

COMMENCEMENT AND COMPLETION OF SERVICES

The Contractor shall commence the services on 12 November 2012, which date is known as the Project Start Date. The Contractor shall complete the services no later than 31 December 2012.

THE SERVICES

The Contractor shall provide the following Services:

- (j) Assess Government of Samoa progress against the fixed and variable targets of the Incentivising Public Financial Management Reform in Samoa program due for completion by 31 October 2012:
 - (i) Make recommendations on amount of payment to be made by AusAID with particular justification and discussion regarding targets that have not been completed or are only partially complete
 - (ii) Make recommendations on amount of payment to be made by New Zealand MFAT against the Results Based Budget Support arrangement
 - (iii) Engage with European Union PFM Assessment to gain a coordinated view of Samoa’s PFM progress
- (k) Review the proposed Government of Samoa Policy Action Matrix for 2013-2016
 - (i) Provide recommendations on PFM related indicators
 - (ii) Assess compatibility of new matrix with the findings of the 2011 Assessment of National Systems.
 - (iii) Discuss suitable, if any, variable PFM indicators to be included in any future Matrix-based agreement between Australia and Samoa with Government of Samoa and AusAID officials.

REPORTING REQUIREMENTS

The Contractor must provide the following reports by the date, in the format and the number of copies indicated, in accordance with the clause headed **Reporting Requirements** in the Contract:

	Description of Report	Format	Qty	Due Date
(a)	End of Mission report	Electronic, Microsoft Word	1	23 November
(b)	Final assessment report and recommendations	Electronic, Microsoft Word	1	14 December

Annex 4 Summary of Progress Against the 31 October 2012 Milestones

	Status Column Color Code
Achieved	
Partially achieved	
Awaiting further information from MoF	
Achieved – with issues to note or follow up	
Not achieved	

Indicator Title	Policy Actions	Means of verification	Responsible	Progress to 31 October 2012	Status
Update of SDS	New SDS (2012-16) with higher level strategies, challenges and priorities linked to sector level plans developed through participatory process, approved by Cabinet and made publicly available	Approval of SDS by CDC or Cabinet; publically available SDS documents	EPPD, MoF	Approved by Cabinet and launched on 31 July 2012	Achieved
Targeting the vulnerable	Concept paper with analysis on vulnerable groups, their needs and mechanisms for targeting support	Concept Paper submitted to CDC (Agenda)	EPPD, MoF	Completed, and endorsed by Cabinet Development Committee on 5 October 2012	Achieved
Sector Planning	Number of additional Sector Plans approved and publically released and under implementation with content including: at least 3 key performance indicators, institutional arrangements including non-government entities, and an annual review mechanism. Total target of 6 sectors (one additional)	Approval of Sector plans by CDC or Cabinet; publically available documents	EPPD and line-Ministries	Energy Sector Plan – partially complete <ul style="list-style-type: none"> • M&E framework incomplete <ul style="list-style-type: none"> ○ Baseline data not available, suggesting that ○ Data collection systems may not be in place ○ No annual review process documented ○ Reporting is proposed quarterly, but of what and to whom not 	Partially achieved

				<p>documented</p> <ul style="list-style-type: none"> • Governance arrangements incomplete <ul style="list-style-type: none"> ○ NECC membership not explained ○ External stakeholder representation not set out ○ Reporting arrangements for NECC not documented. NECC reports to? ○ Governance diagram would help • Mode of external stakeholder participation in implementation not documented. • Annual review process not documented – role of external stakeholders in annual review not documented • Costing is incomplete – no reconciliation of funding requirements and funding sources with a funding gap as per Planning Manual 	
SOE privatisation	One additional SOE to be prepared for privatisation	Cabinet approval of proposed privatization	SOEMD	<p>The privatisation program (Agriculture Store, Samoa Shipping Services and Polynesian Airlines Limited) was approved by Cabinet in January 2012 (F.K.(12) Faapitoa 01).</p> <p>Agriculture Store Corporation scoping study completed in August 2012. Now awaiting Cabinet's approval on the sale option for ASC. The Asset Appraiser for both ASC and PAL commenced his</p>	Achieved

				<p>assignment in 2nd week of October for a full valuation of assets.</p> <p>Work on the scoping study for PAL is ongoing. Awaiting the Valuation Report from Asset Appraiser before the Scoping Study is finalised.</p>	
SOE Governance	% of SOE Boards with no Government Ministers or officials – Target of 70%	List of Board appointments	SOEMD, MoF	<p>18 out of 27 SOE Boards have no Ministers or officials, i.e. 68%. 4 officials sit on the other 9 Boards. Public Bodies Act 2001 provides for this if Cabinet certified national interest or special qualifications or skills required such an appointment – but without remuneration. SOEMD confirmed that recommendations were made to Cabinet to retain these 4 officials on these 9 Boards (without remuneration) on the basis of national interest or special skill considerations.</p>	Achieved
SOE Governance	Induction training module for SOE Board Directors developed and training programme commenced	Copy of training programme	SOEMD, MoF	Induction Training / Module for Board of Directors conducted in collaboration with the SIOD on 8 May 2012.	Achieved
SOE Performance	Key performance indicators (KPIs) agreed and approved by Boards and responsible Minister for at least 5 SOEs. Target number of 5 SOEs	Copy of approved KPIs; evidence of approval by Minister	SOEMD, MoF	<p>Framework for KPIs for SOEs in place- will be based around Statement of Corporate Objectives (SCOs)</p> <ul style="list-style-type: none"> • 6 corporate plans approved by MOF and wait Ministerial approval and cabinet tabling; • A further 16 draft corporate plans prepared and await approval of MOF and thereafter Ministers • A quarterly monitoring framework is now in place with all 27 	Achieved

				reporting quarterly on an agreed schedule of KPIs The SCOs for the Corporate Plans 2013-2015 reflected KPIs for Boards' accountability and compliance	
Training for line-Ministries	Training programme to support the accounting function in line-Ministries commenced	Training programme and copies of training reports	Systems Support Unit, MoF	Finance One training environment established on level 2 (MOF) of CBS Building with formal accounting / Finance 1 training of Ministry staff delivered in June and July Report on training outcomes provided. Change management issues arising: <ul style="list-style-type: none"> • High % of queried payments and suspended payments for some ministries – 20% to 40% • Need for checklists in ministries • Need for better follow up of suspended payments 	Achieved
Treasury Instructions	Finalise and approve revised Treasury Instructions	Confirmation of Cabinet approval	MoF	Revised instructions not submitted to Cabinet for approval as still waiting for completion of schedule K on procurement	Not achieved
Monitoring arrears	Information report on the extent of arrears, including arrears in relation to orders not supported by a purchase order, available by 30 th June 2012 and target set for reduction by June 2013.	Report from Accounting Division	Accounts, MoF	Report on arrears provided for evaluation. Comprehensive, but not consolidated into meaning summary to allow comparison with future level of arrears. Achieved, but issues arising include: <ul style="list-style-type: none"> • Need for regular one page summary report to CEO by main categories • One of these categories should be 	Achieved

				<p>suspended/queried payments</p> <ul style="list-style-type: none"> • Commitment control is not a hard budget control, but a soft warning • Not just unfilled purchase orders, but suspended payments are being carried over into the new financial year 	
Finance Sector Coordination	Improved coordination across the Finance Sector as evidenced by the number of Finance Sector Advisory Committee meetings held in FY 2011/12 (since last assessment)	Minutes of meetings	CEO, MoF	Second and third meetings for FY 2012 held on 20 Oct 2011 and 12 April 2012. Next meeting scheduled in November 2012 for endorsement of the FSP	Achieved
Procurement Reform	Develop a credible action plan in response to procurement review findings	Action plan, minutes of discussion in PFM Task Force or Finance Sector Coordination meeting	MoF Procurement	<p>An interim reform strategy has been developed and reforms are being implemented against this. The interim strategy is based on a variation of the MAPS methodology. But there is still no comprehensive baseline study of the GoS procurement system using the MAPS methodology, involving other stakeholders trained in the MAPS methodology, who participate in developing the reform response plan. In addition to baseline indicators on procurement systems, MAPS also provides compliance performance indicators (CPIs) that are particularly useful to donors contemplating budget support programs</p> <p>The assessment needs to be validated, including by external stakeholders</p> <p>If the assessment is done by the</p>	Not achieved

				government as a self assessment exercise, a verification process that involves the government and active donors interested in the procurement system in the country will be needed to contribute to the transparency and credibility of the process	
Procurement systems	Publication of information on tenders awards over 500,000SAT and standard templates for service tenders on MoF web site	Web site print out	Procurement MoF	Website publication sample has been endorsed by the PFM Taskforce (24 Aug 2012) and has since been established and loaded with all new invitations / awards since. All existing/ongoing contracts will also be loaded and the web site will be further upgraded under the proposed Procurement Reform Strategy.	Achieved
Debt Management Unit	Debt Management Unit established and MTDMS reviewed with new targets agreed for 2012/13	Contracts for staff. Fiscal strategy with inputs on debt strategy/ performance	Aid, MoF	Unit established in September 2011 with an establishment of 2. Debt target reviewed to 50% of GDP in December 2011 (target reflected in the new SDS 2012 – 2016) and underscored in the Fiscal Strategy 2012/13. First Debt Management Bulletin prepared and disseminated; Information paper on organization and structure of the debt management Unit (October 2012) for scrutiny of WB mission (which is working with MOF on a debt management reform plan); Implementation of Debt Management Strategies discussed at donors round table (October 2012)	Achieved
Strategic Plan for Internal Audit	Strategic Plan for Internal audit across Government completed and	Documentary evidence of submission to cabinet	Internal Audit,	The Cabinet endorsed the Strategic Plan and was officially launched on 01	Achieved

	submitted for consideration		MoF	November 2012. Implementation has already commenced with the establishment of the Internal Audit Forum, which has been meeting fortnightly. Fielding of the longer term Phase 2 TA is now being pursued	
Budget Planning Committee	Budget Cycle adhered to and links with planning strengthened as evidenced by Budget Planning Committee meetings taking place at least quarterly in FY 2011/12. (Number of meetings) (since last assessment)	Minutes of meetings	EPPD, Budget & Aid - MoF	Has been meeting and has been addressing fiscal forecasts including revenue, as well as sectoral issues Meetings held: 20 Oct 2011, 08 March 2012, and 31 Oct 2012	Achieved
Budget review	Mid term review of 2011-12 budget and performance framework publically released	Publically available review report	EPPD, Budget	Mid term review was carried out, and addressed revenue, expenditure and performance issues. Report provided to Cabinet on these areas. However, the report was not released publically as there are concerns about the quality of the performance information. Possible implications for next JPAM in terms of need to strengthen M&E capacity in sector ministries and data collection and maintenance systems	Not achieved
Budget cycle	Adherence to budget cycle for the budget preparation process in preparing 2012/13 budget	Copies of budget circulars	Budget, MoF	Completed. Budget circulars were in line with the current approved budget cycle. Actual dates were closely aligned with those in the Budget Circular	Achieved
Communication strategy	Communication/ engagement strategy for private sector and civil society prepared	Evidence of submission of strategy to Cabinet	MoF Deputy CEO	Completed. Endorsed in the CDC meeting of 27 July 2012.	Achieved
Inland Revenue	Customer satisfaction survey	Customer Survey Report	MfR	Most recent customer survey (at end	Achieved

Customer Survey	completed by MfR			September 2012) has resulted in increase of customer satisfaction to 87%. The survey is conducted every quarter and the next survey is scheduled for end December 2012 with results being available in January 2013	
Inland Revenue Tax Arrears	A tax arrears report will be prepared	Exec summary of tax arrears report submitted to Revenue Board	MfR	Report submitted to CEO on 30 August 2012. Some data issues regarding offsetting credits, but these will be progressively eliminated. Report could be enhanced by including PEFA indicators on debt outstanding as a % of tax assessed, and % of arrears outstanding on 1 July collected during the year	Achieved
Inland Revenue Database	The RMS Inland Revenue Database upgrade completed	Completion Report on database Upgrade	MfR	Phase 1 upgrade completed from RMS 1 to RMS 7. Other modules being implemented under proposed Phase 2 of ISP	Achieved
Tax legislation	The legislative framework (Income Tax Act 1974 & Income Tax Administration Act 1974) for Inland Revenue Service will be reviewed to modernize language and style and introduce self assessment for Income Tax	Report on review with proposed amendments	MfR	Review work completed and new Income Tax Act and Income Tax Administration Act have been passed by Parliament in July 2012 and will be implemented from 1 January 2013, and incorporates principles of self assessment	Achieved