

KIRIBATI – Australia Partnership for Development Schedule		Priority Outcome No. 3 Improved Growth & Economic Management	Date of this review / update:	July 2012
			Supersedes schedule of:	June 2009
			Anticipated date of next review:	June 2015
Agreed target(s) for this outcome area			Historical outcomes	Key targets / milestones
What does success look like at <i>outcome</i> level?	1. Strengthened expenditure control to reflect better planning and financial discipline	\$15m commercial overdraft (2011)	Clearing of short term public debt (not including concessional loans)	
		Public sector wage bill is 70% of (above the line) expenditure (2011)	Public sector wage bill does not increase as a proportion of Ministry budgets	
		Budget deficit is 19.2% of GDP (2011)	Maintain budget deficit at 5% of GDP	
		Tax revenue 15% of GDP (2011)	Domestic tax and customs revenue increase by more than GDP growth. 5,400 days of revenue collected from the Vessel Day Scheme	
		SOE debt is 10% of GDP	SOE Act in place and SOE Monitoring & Advisory Unit adequately resourced SOEs debts as a proportion of GDP is reduced from 10% Financial assistance to SOEs	
	2. Increased revenue through improved and expanded tax/revenue base and compliance measures as well as mechanisms for collecting fishing license fees			
	3. Improved SOE oversight, management and service delivery			
	4. Reduced cost of public enterprises			



	<p>5. Ensuring aid effectiveness & alignment: improving the reporting of project flows and execution for a more complete development of budget including the increased use of government systems to ensure alignment with national plan over time.</p>	<p>provided only if a viable business improvement plan identifies viable cost recovery</p> <p>SOEs pay corporate tax</p> <p>Joint economic policy matrix is supported by GoK and DPs and provides basis for consistent and predictable DP financing</p> <p>Accurate reporting mechanisms for projected and actual expenditure for at least 75 % of aid flows</p>
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Beneficiaries and stakeholders

Identify and quantify the beneficiaries and the benefits they will see	Who and where are the beneficiaries, and how many will there be?	What benefits will they see?
	<ul style="list-style-type: none"> I-Kiribati population (100,000) MFED and line ministry management (around 2,000 people) I-Kiribati consumers 	<ul style="list-style-type: none"> Increased GoK revenue, as well as reduced expenditure on non-priority areas (ie. subsidies) can be directed to higher priority services such as health, education and infrastructure Better coastal fisheries management will improve food security for I-Kiribati people Improved accounting processes, including in-year data, will improve expenditure control and save time allowing staff to spend time on policy development and program implementation. In time, it will allow for an increasing share of donor funds to be channelled through the GoK systems which will improve value-for money and development outcomes. Improved clarity and transparency around GoK requirements for SOEs (including Community Service Obligations) should improve financial management and service delivery performance. Increased private sector involvement and increased competition for SOEs may lead to reduced costs and better quality services for consumers
List the key stakeholders and	Who holds an important stake in ensuring the program's success?	What are their roles and responsibilities?

<p>detail their roles and responsibilities</p>	<ul style="list-style-type: none"> • MFED (including the Tax Division) • MFMRD • Asian Development Bank • World Bank • IMF/PFTAC 	<ul style="list-style-type: none"> • MFED: Lead the GoK's economic reform agenda, ensuring key policy reforms are advocated and supported through Parliament. • MFMRD: Lead the development and implementation of a National Fisheries Policy and Institutional Strengthening Strategy, coordinating as necessary with donors to support its implementation. • Asian Development Bank: Effective implementation of PFM and SOE programs. Engagement in Core Economic Working Group. • World Bank: Lead donor on the Core Economic Working Group. Provide advice to the GoK on budgeting and revenue management. • PFTAC/IMF: Provide bi-annual macroeconomic surveillance and advice on macroeconomic framework to GoK (IMF). PFTAC to continue providing technical advice in areas of tax and customs reform, and PFM reform. Participation in Core Economic Working Group.
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The logic of how the partnership will bring about change

<p>The principal outputs / deliverables for this Priority Outcome area</p> <p><i>If</i></p>		<p>Assumptions about necessary actions, events and context <i>external</i> to the program</p> <p><i>And</i></p>		<p>The change we expect to see that will meaningfully contribute to the outcome being achieved</p> <p><i>Then</i></p>	<p>Key milestones / dates / source of Verification</p>
<p>1. Strengthened expenditure control to reflect better planning and financial discipline</p> <ul style="list-style-type: none"> • Improved reporting formats implemented • Multi-year fiscal policy framework implemented • Integrated planning and budgeting • Attache upgrade completed (in line with updated Chart of Accounts) and capacity in the Accounting Division strengthened • Decentralised payment system implemented 		<p>Sufficient support for PFM reform agenda within GoK</p> <p>Gok accounting standards approved by Minister MFED</p> <p>Trained accounting staff are retained by MFED</p> <p>A reporting mechanism between MFED and line Ministries is established</p> <p>Integrated reporting and budgeting methodology endorsed by Cabinet and piloted in one line Ministry</p> <p>Timely and accurate development budget reporting by DPs</p> <p>Financial regulations updated and implemented</p>		<p>Enhanced budget management and monitoring by MFED</p> <p>Improved commitment and expenditure control</p> <p>Accurate annual financial statements</p>	<p>2013 PEFA</p> <p>Auditor-General's report</p>

2. Increased revenue through improved and expanded tax/revenue base and compliance measures as well as mechanisms for collecting fishing license fees

- New computerised tax system leads to increased proportion of KTD resources dedicated to compliance activity
- Customs administration reviewed and an action plan implemented
- Fisheries institutional strengthening strategy finalised
- Party to the Nauru Agreement (PNA) & Vessel Day Scheme (VDS) implemented consistently
- Improvements in RERF asset allocation, management, and governance

3. Improved SOE oversight, management and service delivery

- SOE Act is implemented, including the SOE Monitoring & Advisory Unit
- SOEs improve record keeping, accounting practices and financial management

4. Reduced cost of public enterprises

- Subsidies to SOEs are appropriated through the budget and reflect community service obligations.
- Appropriate SOEs are sold or reformed
- SOEs pay PAYE and company tax

Sufficient support for reform agenda within GoK

Broader tax policy reforms, including introduction of a VAT

DP support to RERF, Customs and Fisheries

National Fisheries Policy and Institutional Strengthening Strategy agreed by Cabinet

Other PNA countries maintain VDS limits

TA assistance to RERF

Parliament passes both SOE and ICT legislation

GoK resources the SOE Monitoring & Advisory Unit

SOEs remaining under state ownership improve commercial management

GoK divests commercial SOEs imposing greatest fiscal drain

Debts of SOEs can be clearly identified and refinanced

Improved allocation of public expenditure within sustainable fiscal limits

MFED-administered tax revenues increase as a share of GDP

Customs-administered tax revenues increase as a share of GDP

Kiribati generates revenue from 5,400 VDS days per year

RERF performance aligned with strategic policy objectives

Improved governance, accountability and service delivery of SOEs

The overall fiscal cost of direct and indirect SOE subsidies (excluding explicit community service obligations) declines.

GoK budget documents

GoK budget documents

PNA reporting

GoK budget documents

<ul style="list-style-type: none"> • Telecoms sector is liberalised 	<p>Private sector is able/willing to replace services currently performed by SOEs</p> <p>GoK reduces bailout financing</p>		
<p>5. Improved donor coordination and effectiveness to the economic governance sector</p> <ul style="list-style-type: none"> • DPs provide clear indications of likely scale, timing and sectoral focus of aid (including budget support) • Economic Reform Plan is finalised and endorsed by GoK and DPs 	<p>WB maintains high level of support to MFED in leading donor coordination process</p> <p>GoK (with DP support) implements a number of priority economic reforms (as endorsed under the Economic Reform Plan) in a timely and effective way</p>	<p>More accurate reporting on aid commitments and disbursements</p> <p>Improved predictability of aid flows</p> <p>Increased use of GoK sectors</p> <p>Reduced capacity strain on MFED</p>	

Key features of how the program and its funding will be organised, channelled and managed


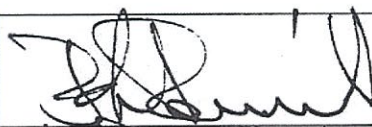
(Including the extent of the use of government systems and exclusivity in the control of funds, harmonisation with other donor and whole-of-government partners, management arrangements, etc.),

- AusAID is the lead donor in the basic education and TVET sectors. We do not have the capacity or the expertise to directly implement programs in this sector. However, we are committed to support the government in this priority area of the KDP and our principle strategy to do this is to fund the ADB and the World Bank to implement programs. AusAID will maintain oversight over these programs and will expect the Government and the IFIs to inform us of any implementation issues.
- AusAID will actively participate in the economic policy dialogues around the Economic Reform Plan, and will consider establishing a performance linked aid program in cooperation with the WB.
- AusAID will continue supporting regional fisheries organisations, which assist Kiribati in negotiating licencing agreements and EEZ surveillance and management.

Indicative Commitments: Kiribati			Indicative Commitments: Australia		
Kiribati F/Y	Financial / AUD	Non-Financial	Kiribati F/Y	Financial / AUD	Non-Financial
2012			2011/12		Ongoing participation in GoK-WB led Economic Partners Dialogue
2013			2012/13	2.5 million	Procurement review
2014			2013/14	2 million	Partnering with ADB on next phase of SOE reform
2015			2014/15	2 million	

Notes

- Private sector development has not been considered in this schedule. Private sector development will require improved infrastructure (subject to a separate schedule) and reform of SOE sector (considered under this schedule).
- This Schedule will be reviewed and updated annually with progress discussed at the Annual Partnership for Development Talks.

Signed for the Government of Kiribati				Signed for the Government of Australia			
Name:	A. BEIATAN	Date:	26/09/12	Name:	Doug Davidson	Date:	26.9.2012
Position:	SECRETARY FOR FINANCE			Position:	Minister Counsellor Australia Kiribati		