



TECHNICAL ASSISTANCE REPORT

NAURU

2023-27 PFM Roadmap

APRIL 2023

PREPARED BY

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Contents

GLOSSARY	4
PREFACE	5
EXECUTIVE SUMMARY	6
Summary of Recommendations	6
I. INTRODUCTION	9
A. Strengths And Weakness Identified in the 2022 PEFA Assessment	9
II. ONGOING REFORMS	12
III. OUTLOOK AND CHALLENGES	13
IV, THE WAY FORWARD, 2023-27	14
A. Overall Directions And Objectives	14
B. Implementation Roadmap, Action Plans,And Priorities	15
ANNEX A- ACTION PLANS FOR PHASE 1	19
ANNEX B – ACTION PLAN, PHASE 2	26

Glossary

Acronym	Full Title
DOF	Department of Finance
EC	Enduring Capability
FMIS	Financial Management Information System
GoN	Government of Nauru
IPSAS-Cash	International Public Sector Accounting Standards (cash basis accounting)
NIISP	National Integrated Infrastructure Strategic Plan
NSDS	National Sustainable Development Strategy
PEFA	Public Expenditure and Financial Accountability
PFTAC	Pacific Financial Technical Assistance Center
PFM	Public Financial Management
PFMR	Public Financial Management Roadmap
PEMU	Public Enterprises Monitoring Unit
RPC	Refugee Processing Center
SOEs	State-Owned Enterprises
TA	Technical Assistance

At the request of the Department of Finance (DoF) of the Government of Nauru, the Pacific Financial Technical Assistance Center (PFTAC) undertook a remote mission between February 20-April 30, 2023, aimed at developing a PFM Roadmap for the period 2023-27. The mission was undertaken by Iulai Lavea, PFM Adviser, and Chita Marzan, short-term expert.

The mission reviewed the key findings in the 2022 PEFA assessment, the most recent fiscal strategy, budget document and other financial reports, related plans such as the National Sustainable Development Strategy (NSDS), as well as recent legislations such as the Public Enterprise Act. The DOF provided the mission with inputs on the ongoing reforms and key challenges.

The Mission wishes to thank the Department of Finance and in particular Novena Itsimaera, for the support and assistance provided throughout the mission.

EXECUTIVE SUMMARY

The Government of Nauru, led by the Department of Finance (DOF) and with the technical and financial support from development partners, has progressively implemented PFM reforms. Examples are the formulation of a fiscal strategy; formulation of the necessary legal and regulatory frameworks for the financial operations of ministries/agencies; installation of a Financial Management Information System (FMIS); and oversight of state-owned enterprises (SOEs). The government was able to achieve its fiscal targets, and has even generated and earmarked earnings for its intergenerational trust fund. It has improved transparency in terms of budget documentation.

However, remaining gaps and weaknesses have been noted in the 2022 PEFA assessment. Examples are on fiscal forecasting, revenue administration, cash management, procurement, payroll control, public investment management, reporting, and audit. There is a need to maximize the use of the FMIS to improve commitment control, and transparency of accounting, and reporting.

The fiscal risks are high due to the uncertainty in its core revenue sources such as from the fishing license and the Refugee Processing Center. Climate change is also a perennial risk. This is not to mention the low capacity and operational risks emanating from SOEs.

Summary of Recommendations

The proposed direction for future PFM reforms shall be to sustain the ongoing reforms, and nurture the good PFM practices across national government agencies and SOEs, while strengthening internal controls. The focus shall be to achieve the national development priorities and medium-term fiscal targets, and managing the fiscal risks.

The strategies and tasks are proposed to be implemented in two phases as follows:

Phase 1 – 2023-2025	Phase 2- 2025-27
1. Formulate and implement a reliable, policy-based, and sustainable macrofiscal and national budget framework	
1.1 Sustain and improve on the annual macroeconomic and fiscal planning process	1.1 Develop a multi-year fiscal framework
1.2 Implement a debt management strategy consistent with the fiscal framework	1.2 Periodically review the debt sustainability
1.3 Sustain a policy-based planning and budgeting process aligned to the National Sustainable Development Strategy (NSDS) and fiscal strategy	1.3 Strengthen Public Investment Management
2.0 Strengthen internal control, risk management, and audit	
2.1 Improve cash management, ensuring the two months cash buffers at any time	2.1 Develop a monthly cash forecast of receipts and payments

Phase 1 – 2023-2025	Phase 2- 2025-27
2.2 Develop all the necessary procurement regulations, processes, and documentation, including the complaints mechanism, monitoring, and reporting;	2.2 Strengthen controls on procurement systems and processes
2.3 Control payroll and non-payroll expenditure commitments and payments via the FMIS	2.3 Develop monitoring of payables
2.4 Focus external audit on high risks areas, and gradually reduce time lag on annual audit	2.4 Focus monitoring and audit on high-risk areas
3.0 Promote good governance in all SOEs, and strengthen SOEs Financial Position	
3.1 Strengthen Capacity on Oversight of SOEs	3.1 Develop a consolidated reporting and risk assessment framework on SOEs
3.2 Strengthen SOEs corporate governance skills	3.2 Sustain good performance of SOEs
4.0 Enhance revenue administration towards maximizing revenue collections	
4.1 Continue with the ongoing improvements in the tax and customs revenue management systems	4.1 Sustain improvement in revenue administration
4.2 Plan, develop project proposals for external funding, and submit to development partners	4.2 Strengthen revenue collection
	4.3 Formulate new revenue measures and medium-term revenue strategy
5.0 Improve the timeliness and transparency of performance, financial and audit reports	
5.1 Sustain the frequent monitoring and in-year reporting to be generated from the FMIS.	5.1 Improve performance reporting
5.2 Develop and sustain timely annual reporting of fiscal and budget outcomes	5.2 Sustain improvements in financial reporting and auditing
5.3 Improve timeliness and transparency of the annual financial statements	
5.4 Implement audit catch up strategy	

Capacity-building

Aside from filling up the vacant positions, technical assistance and training are needed throughout Phase 1 and 2 especially in support of the following planned milestones:

- analysis of fiscal implications; macroeconomic modeling, and fiscal forecasting;
- strengthening of revenue administration, such as on risk assessment tax audit;
- procurement planning, competitive bidding, and contract management;
- project appraisal, selection, monitoring, and reporting of public investments;
- corporate governance and oversight of SOEs.

Monitoring and Evaluation

The required tasks and activities shall be mainstreamed into the routine planning and monitoring processes of the DOF organizational units and other concerned institutions. DOF management is expected to monitor at least every quarter the progress of the specific strategies and tasks. In 2025, it is proposed that a self-assessment of the key outcomes achieved during Phase 1 and remaining challenges shall be done. At the end of 2027, a PEFA assessment by independent assessors is encouraged.

I. INTRODUCTION

1. In 2011, the Government implemented a PFM Action Plan in response to the 2010 PEFA assessment. A repeat PEFA assessment was conducted in 2016 with technical assistance from the IMF Pacific Financial Technical Assistance Center (PFTAC). With assistance from the Asian Development Bank, a fiscal sustainability reform program was implemented from 2016.

2. The GoN has been making progress. First, the Nauru National Sustainable Development Strategy 2019-2030 (NSDS) and National Integrated Infrastructure Strategic Plan (NIISP) were formulated. Nauru was investing significantly in infrastructure and port development projects. In support of these national plans, GoN introduced a medium-term fiscal strategy. Fiscal outturn over the years continued to improve achieving surplus over the past three years. Other elements of the fiscal strategy include improving debt sustainability, prioritized infrastructure investment in line with the NIISP, improved SOE performance, and sustainable government operations.

3. The basic legal and regulatory frameworks have been passed and implemented. Under the Government Loans Act, there is a solid legal foundation for approval of loans and guarantees. A new *Financial Instruction 6 – Liabilities* has been prepared, Formal reporting through an annual debt report has commenced. The *Financial Instructions for Payments* have been developed, endorsed and are currently adopted. The 2019 Public Enterprise Act was passed, providing the corporate governance requirements and establishing a Public Enterprise Monitoring Unit (PEMU) at DOF.

4. All revenues from all the four major sources are deposited directly upon receipt to the Operations Bank Account held by the Department of Finance. As government has been able to secure additional cash funds, this has allowed it to build up a cash buffer.

5. A key reform underpinning the overall PFM system is the implementation and rollout of the FMIS, using the TechOne package solution. Six of the eight financial modules have been implemented automating, the procure-to-pay process; accounts payable (including implementation of electronic payments); revenue receipting; accounts receivable management; general ledger and accounting; and budget preparation. This has facilitated Integration of end-to-end processes for revenue collections and payments, strengthening overall financial and internal controls.

6. The 2021 Debt Report includes reconciled information on current and projected external debt including stock, operations and servicing. Pursuant to an infrastructure asset management policy in 2017, the government established a central asset register which has been operational since June 2019, covering initially government assets with a replacement cost of \$25,000 or more¹. Currently the Department of Finance is working for updating the asset database by linking it up directly with the purchasing module in the FMIS.

A. Strengths And Weakness Identified in the 2022 PEFA Assessment

7. Overall, the current strengths and weaknesses of the GoN PFM System Performance (rated A and B) as identified in the 2022 PEFA assessment (report with PEFA check dated August 2022) are on the following areas:

STRENGTHS (Rated A and B)	WEAKNESSES (Rated C and D)
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¹ ADB. Report and Recommendation of the President to the Board of Directors. Proposed Policy-Based Grant Nauru: Improving Public Investment Management Program. May 2020.

1. Budget Formulation/Documentation	
<ul style="list-style-type: none"> • Clear and timely guidelines for agencies in budget preparation • Budget documentation satisfies basic requirements, including documentation of fiscal outcomes • Supplementary budgets are fully published 	<ul style="list-style-type: none"> • Lack of a medium-term fiscal strategy/forecast and budgeting; lack of costing or fiscal implications of new policy proposals/strategic plans • limited information published in the annual macrofiscal forecasts • Budget classification not in accordance with international standards • Limited scope of legislative review on the budget
2. Budget Execution/Cash Management and Procurement	
<ul style="list-style-type: none"> • Daily consolidation of cash balances • Clear commitment ceilings and expenditures are fully controlled against budget release; most expenditures are paid in accordance with rules and regulations • Less than 2% expenditure arrears • Bank reconciliation done at least monthly; no suspense or advance accounts 	<ul style="list-style-type: none"> • No annual cash plans and procurement plans • Lack of transparent procurement criteria, processes, and complaints mechanism • Payroll controls against personnel records are not put in place; manual procedures still exist • Segregation of duties principle in procurement processes not followed
3. Debt Management	
<ul style="list-style-type: none"> • Transparent rules and approval of guarantees 	<ul style="list-style-type: none"> • Lack of information on internal debt, and lack of arrears monitoring system • Lack of medium-term debt management strategy
4. Revenue Administration	
<ul style="list-style-type: none"> • Transparent rules on rights and obligations of taxpayers • Established system of revenue risks and arrears monitoring • Revenue collections are remitted directly upon receipt 	<ul style="list-style-type: none"> • Lack of regular revenue audits

5. Public Investments Management	
<ul style="list-style-type: none"> The Nauru Integrated Infrastructure Strategic Plan was formulated 	<ul style="list-style-type: none"> Lack of transparent criteria for selection; lack of full costing, and monitoring/reporting of Public Investments
6. Accounting and financial reporting	
<ul style="list-style-type: none"> FMIS data integrity is protected by clear access protocols and audit trail In-year budget execution reporting is well established, accurate, and timely Adopted international standards, although in transition yet 	<ul style="list-style-type: none"> Lack of consolidated monthly reporting of revenues Non-disclosure of the transfers to extra-budgetary units/enterprises; non-inclusion of non-commercial SOEs in consolidated central government reports Non-recording and reporting of government equities in SOEs Incomplete recording and reporting of non-financial assets stock and disposal Delay in the publication of the annual budget execution report
8. Audits and Legislative Scrutiny	
<ul style="list-style-type: none"> On-time legislative approval of the budget 	<ul style="list-style-type: none"> Lack of internal audit function/structure Delay in financial statements audit Lack of Legislative review on the audit reports
9. Fiscal Oversight of Public Enterprises	
<ul style="list-style-type: none"> Public Enterprise Act passed in 2019, PEMU was established 	<ul style="list-style-type: none"> Lack of current audited financial statements of SOEs except <i>Nauru Utilities Corporation and the Nauru Intergenerational Trust Fund</i> Lack of consolidated SOEs performance/risks monitoring report Non-monitoring and reporting of contingent liabilities arising from SOEs
10. Service Delivery Performance Monitoring	

<ul style="list-style-type: none"> Annual Operational Plans (AOPs) are now provided to DoF by ministries in the context of the Budget process. 	<ul style="list-style-type: none"> Lack of published information on performance delivery of/resources received by service units apart from donor-funded projects in health and education
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11. Clearly, the strengths pertain to the reforms that progressed in the last five years following the fiscal sustainability reform program. The weaknesses are those that depend on the stability of the annual fiscal planning and budgeting processes, such as on the lack of medium-term perspective and full transparency in fiscal management. The lack of a clear medium-term fiscal forecast adds up to the overall exposure to risks and poses a constraint to the assessment of sustainability of policy decisions.

12. On the other hand, inadequate recording and reporting and lack of or delayed information dissemination undermines accountability of public entities and officials despite the policies and regulations on internal control.

II. ONGOING REFORMS

13. The Treasury is developing the macro-economic medium to long-term planning function which is expected to provide clearer direction for PFM reforms. In the meantime, expenditure policies remain, such as expenditure restraint as well as improved efficiency and effectiveness of expenditure, and productivity of social and economic infrastructure.

14. There is no new revenue measure, but the Nauru Revenue Office is working on two reforms: first, continuously improving the integrity of the revenue management system relative to TIN registration, filing, payment, audit, debtors and reporting. Second is strengthening the compliance and audit program. On the other hand, the Nauru Customs Service is also currently in the process of implementing the Asycuda system for processing and managing cargo manifests and the operations which underpin customs related revenue charging and collections.

15. The 2023-28 Debt Management Strategy and a Debt Management manual have been developed and published as part of the 2022-23 Budget Paper. With the settlement of a significant debt in the past, and some repayment of domestic debt related to the liquidation of the Bank of Nauru, the public debt situation has been assessed as sustainable.

16. A planned review of the procurement system (with upcoming assistance from ADB TA) is expected to improve the procurement processes according to the law, and make use of the FMIS as a tool for internal control, as well as for transparency and accountability. A procurement manual is planned to document the improved processes.

17. The DOF aims to adopt the IPSAS Cash standards for financial statements reporting. However, there have been delays. Draft financial statements for 2020-21 have not yet been prepared.

18. The Audit Office is working to update the audit backlog of financial statements of government starting with the 2019/2020 financial year. With technical assistance from the Pacific Association of Supreme Audit Institutions (PASAI), the Audit Office is expected to clear and avoid future backlog and to enhance its institutional, organizational and staff capabilities. Further, a proposal for legislative reform to review the Nauru Audit Act had been sent to the Ministry of Justice and is under consultation before it is submitted to parliament.

19. After the initial engagement of a firm to perform internal audit where an audit plan was produced, the function has not been established yet. It is part of the agency's future plans.

III. OUTLOOK AND CHALLENGES

20. Outside of the control of the government, are risk factors such as the uncertainty of the decision on the country arrangements regarding the Regional Processing Center. The RPC generates significant amount of revenues for the government that funded the supplemental budgets. If the revenue is discontinued, some programs of the government would be affected, especially the employed sector, as a sizeable number of the employed population are working at the RPC. As of this mission, the RPC arrangement has been extended up to June 2023, after which the Enduring Capability (EC) term may start.

21. On the Covid 19 pandemic, the country remains vigilant, by continuing to provide quarantine facilities and compensation for frontline workers as part of the government's "Capture and Contain" strategy to prevent break out of the virus.

22. Climate change is a perennial risk to the country. It could also affect one of the important sources of revenues- the fisheries revenues, which could lead to damages to infrastructure, and deterioration of the debt position of the government.

23. Revenues are highly dependent on volatile fishing revenues, which are also vulnerable to climate change effects on tuna stock.

24. Based on an assessment of the International Monetary Fund in its 2021 Article IV report, economic growth is expected to slow down despite ongoing fiscal support, the high COVID-19 vaccination rate, and the resumption of construction activity. Other risks would be the projected rise in the price of commodities due to global risks.

25. A key challenge to the PFM System is how to contribute to the achievement of the priorities and planned outcomes as spelled out in the National Sustainable Development Strategy. The NSDS specifically aimed to maintain a fiscally responsible government. Among the key **fiscal targets** being monitored are:

- Budget balance must be positive as a share of GDP – that is, the budget must be in surplus
- Personnel as a proportion of current expenditure must be below 30 per cent
- Liquidity cash buffer of two months non-RPC expenditure

26. The government's fiscal strategy for 2022-23 has focused on the following areas:

- Macro-economic stability
- Progress against NSDS goals
- Prioritized investment in infrastructure, aligned to the NIIP
- Improved efficiency and effectiveness in SOE operations.

27. Institutional Challenges- The limited capacity of the DOF with some of its key officer positions now vacant, as well as in line ministries, is a continuing constraint to PFM reforms. This is further exacerbated by the weak performance of the SOE's. Nonetheless, a more manageable implementation strategy and roadmap could help so that progress no matter how small can be sustained.

IV, THE WAY FORWARD, 2023-27

A. Overall Directions And Objectives

28. Overall, the focus of the PFM improvements/reforms shall be to support the achievement of the country's national development goals, and the implementation of a sustainable medium-term fiscal strategy. With these premises, the suggested areas and focus of the PFM Roadmap are the following:

Strategy 1- Formulate and implement a realistic, policy-based, and sustainable macrofiscal strategy and national budget framework

29. The fiscal strategy shall be a key output as it shall provide the directions for the future by defining the top priority development outcomes while at the same time setting the limits of fiscal deficit and debt that can be sustained by the government, considering a realistic revenue forecast.

30. A major part of the expenditure framework is the National Integrated Infrastructure Strategic Plan . A medium-term revenue strategy on the other hand, is a prerequisite to achieve the revenue target that is necessary in sustaining the expenditure targets and financial obligations. Likewise, to make the economic and fiscal forecasts credible, it is important to improve on the forecasting model and skills. Despite all these plans, the fiscal framework has to assume an adequate buffer to cover contingencies.

31. To ensure that the budget must be allocated consistently with the NSDS priorities, the budget framework is equally important. Ministries/agencies must ensure an outcome-based budget while continuously observing efficiency in planning of activities and expenditures. The consolidated Budget document shall be prepared with the required basic elements and supplemental information to make it more relevant and transparent.

Strategy 2- Strengthen internal control, risk management, and audit;

32. Fiscal discipline is a basic principle in public financial management. It should be observed in all aspects/processes of PFM, whether on the revenue or expenditure, and asset or debt management side. A strong internal control that enables fiscal discipline and minimizes/prevents risks should be put in place and institutionalized in all government agencies including SOEs.

33. Overall, the controls should aim to comply with the mandated fiscal limits (budget balance, personnel ratio, and cash buffer). For example, control of expenditure commitments should start from the preparation of procurement/recruitment plans to the execution/consummation stage. Commitment control should however be supported by clear and transparent regulatory frameworks and processes in procurement, a reliable cash management, accounting, reconciliation, and monitoring. The control mechanism could become stronger and credible with the maximum use of an automated system, such as the Financial Management Information System (FMIS).

34. An independent and credible audit would provide assurance to the management on the quality of the internal controls. It should therefore aim to submit reports in a timely manner to be more effective and relevant.

Strategy 3- Promote good governance in all SOEs, and strengthen SOEs Financial Position

35. SOEs are critical part of the public sector, as they contribute significantly to the country's economy and social conditions. However, they are exposed to different types of risks, which could result to low performance and financial issues.

36. The direction in the near future is to develop the capacity of these SOEs especially in implementing good governance practices in policy-making, planning, monitoring, risk management, and reporting. On the other hand, a strong oversight of these SOEs needs to be established as part of the risk management strategy of the national government. The oversight function would involve the development of capacity of the oversight unit. Fiscal oversight would entail the formulation of guidelines to implement the Public Enterprise Act, the monitoring and assessment of SOEs performance and potential risks.

Strategy 4 – Enhance revenue administration towards maximizing revenue collections

37. A clear and measurable revenue management strategy aims to translate into action the medium-term revenue target. The revenue strategies shall include improvements in revenue administration policies, systems, and processes, towards increasing compliance to revenue regulations and collections in a timely manner. Possible tax and non-tax revenue measures shall be studied and considered in the future.

38. Although the direction is to strengthen the capacity to mobilize domestic resources, the continuing support of development partners cannot be overemphasized, especially in public investments on infrastructure projects. Grant-based schemes of assistance shall be preferred. Proponent institutions shall therefore strengthen their readiness to manage and implement development projects with external funding, as well as to absorb the transfer of skills and technology.

Strategy 5- Improve the timeliness and transparency of financial and audit reports

39. Reporting enhances transparency and accountability. Reports are also useful to inform management in decision-making. Thus, reports must be relevant, reliable, comprehensive, and timely. Foremost of these reports are economic and fiscal outcomes, budget execution reports, performance reports, financial statements, status and movements of assets and liabilities, including contingent liabilities and other fiscal risks. Performance reports of agencies shall focus on the NSDS and include gender-based indicators. In-year reports should be made available before the end of the next round of reporting. Annual financial statements shall be submitted to audit within 6-9 months.

B. Implementation Roadmap, Action Plans, And Priorities

Phase 1

40. For the first three years (2023-25), the primary objective is to complete the ongoing reforms and establish a more solid foundation of the Public Financial Management systems before embarking on advanced reforms. The focus in Phase 1 shall be on implementing a transition plan for the EC term through institutional capacity-development; and sustaining the investments made in improving basic PFM processes.

Key outcomes:

- A fiscal strategy formulated for the Enduring Capability (EC) Term and enhanced annual forecasting model ;
- Annual budget prepared according to the NSDS priorities and approved fiscal strategy, documented and submitted on time following good practices;
- Procurement plan consistent with the budget formulated every six months;
- Budget execution controls fully enabled by the FMIS
 - fully automated commitment and payment control system for all expenditures;
 - allotment, commitment, and actual cash flows monitored, and reconciled, using the FMIS;
 - fiscal ratios maintained at any given year;
 - monthly monitoring of debt amortizations as scheduled;
- basic procurement processes progressively developed and implemented according to the regulations;
- SOEs progressively practicing good corporate governance, starting with submission of corporate plans and reports as prescribed in the Public Enterprise Act;
- completed first phase of the enhancements in the revenue management information system;
- Annual and monthly financial reports containing the basic elements required by national standards, and submitted within prescribed period.

Annex A shows the details of action plans for Phase 1

Phase 2

41. Progress from Phase 1 shall be sustained till the end of the planning period. Then for the remaining two years, the focus shall be to continue with the reforms supporting the EC fiscal strategy; capacity-development, and formulating supplemental regulatory frameworks.

Key outcomes:

- sustained progress from Phase 1;
- multi-year models for macroeconomic and fiscal planning studied and explored;
- cash forecast and payment plan, updated at least monthly;
- medium-term revenue strategy formulated;
- national guidelines on project appraisal, selection, monitoring, and reporting of public investments;
- first consolidated report of all SOEs submitted;
- framework for risk assessment of SOEs developed;
- annual financial statements submitted within 9 months gradually aligning to IPSAS-cash; including disclosure of information on transfers or guarantees made to SOEs;
- annual delivery performance integrating basic gender-based indicators of key agencies, reported;
- audit catch-up strategy has progressed, focusing on high-risk areas.

Annex B shows the details of action plans for Phase 2.

Capacity-building

Aside from filling up the vacant positions, technical assistance and training are needed throughout Phase 1 and 2 especially in support of the following planned milestones:

- analysis of fiscal implications; macroeconomic modeling, and fiscal forecasting;
- strengthening of revenue administration, such as on risk assessment tax audit;

- procurement planning, competitive bidding, and contract management;
- project appraisal, selection, monitoring, and reporting of public investments;
- corporate governance and oversight of SOEs.

Monitoring and Evaluation

The required tasks and activities shall be mainstreamed into the normal planning and monitoring processes of the DOF organizational units and other concerned institutions. DOF management is expected to monitor at least every quarter the progress of the specific strategies and tasks, and the outcomes at least every six months. On mid-term, a self-assessment of what key outcomes have been achieved and remaining challenges shall be done. At the end of 2027, a PEFA assessment by independent assessors is encouraged.

ANNEX A- ACTION PLANS for PHASE 1

Part II. Proposed Action Plan and Priorities- Phase 1								
Strategy/Tasks	Expected Output/outcomes	Assigned To (Resp. Center/s) ; Indicate if TA is needed	Priorit y Level	2023	2024	2025	2026	2027
1. Formulate and implement a reliable, policy-based, and sustainable macrofiscal and national budget framework								

1.1 Sustain and improve on the annual macroeconomic and fiscal planning process

1.1.1

Staff trained on macroeconomic and revenue and fiscal forecasting, planning, and how to review fiscal implication of policy measures

Treasury
with TA

High

x

x

1.1.2

A fiscal strategy formulated for the Enduring Capability (EC) Term; Annual forecasting models enhanced

Treasury
with TA

High

x

x

x

1.1.3 Fiscal outcomes monitored and reported every six months

Treasury
with TA

High

x

x

x

x

x

1.1.4 New policy measures with fiscal implications reviewed by the Cabinet in line with the fiscal framework

Treasury

Medium

x

x

x

x

x

1.2 Implement a debt management strategy consistent with the fiscal framework

1.2.1 Annual Debt forecasts and limits to be integrated in the fiscal framework

Treasury

High

x

x

x

x

x

1.2.2 Debt risks monitored and reported

Treasury with TA

Medium

x

x

x

x

x

1.2.3 All new borrowings reviewed and approved according to existing fiscal and legal framework

Treasury

High

x

x

x

x

x

1.3 Sustain a policy-based planning and budgeting process aligned to the NSDS and fiscal strategy

1.3.1 Annual budget prepared according to the NSDS priorities and approved fiscal strategy, documented and submitted on time following good practices;

Treasury; Planning

High

x

x

x

x

x

1.3.2 Planning and Budget preparation guidelines and calendar synchronized

Treasury; Planning

High

x

x

x

x

x

1.3.3 Agencies trained in preparing infrastructure project plans

Planning with TA

Medium

z

Strategy/Tasks	Expected Output/Outcomes	Assigned To (Resp. Center/s); Indicate if TA is needed	Priority Level	2023	2024	2025	2026	2027
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2.0 Strengthen internal control, risk management, and audit

2.1 Improve cash management, ensuring the two months cash buffers at any time

2.1.1 Annual cash forecast to be updated monthly	Treasury	High	x	x	x	x	x
2.1.2 Quarterly allotment and monthly cash payment limit issued	Treasury	High	x	x	x	x	x
2.1.3 Allotment status monitored monthly	Treasury	High	x	x	x	x	x
All actual cash flows, balances, and buffers monitored at least weekly	Treasury	High	x	x	x	x	x
2.1.4 DOF and agencies staff trained on cash payment planning and forecasting	Treasury	High	x				

2.2 Develop all the necessary procurement regulations, criteria, processes, documentation, including the complaints mechanism, monitoring, and reporting;

2.2.1 Basic procurement regulations developed starting with procurement planning, competitive bidding, and contract management	Treasury with TA	High	x	x	x		
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2.2.2 Agencies trained on developing procurement plan as part of the agency operating plan

Treasury with TA

High

x

2.2.3 Annual procurement plan consistent with the budget updated every 6 months

Agencies

High

x

x

x

x

x

2.3 Control all expenditure commitments and payments via the FMIS

2.3.1 Fully automated commitment and payment control system for all expenditures

Treasury

High

x

x

x

x

x

Status of all commitments monitored monthly

Treasury

High

x

x

x

x

x

2.3.2 Debt amortization schedule; payment plan; and status updated monthly

Treasury

High

x

x

x

x

x

2.3.3 Payroll fully reconciled with budget and HR records

Treasury, HR

High

x

x

x

x

x

2.4 Focus external audit on high risks areas, and gradually reduce time lag on annual audit

2.4.1 Audit strategic plan formulated and implemented

Audit Office

Medium

x

x

x

x

x

2.4.2 Audit reports completed earlier than previous period

Audit Office

High

x

x

x

x

Strategy/Tasks	Expected Output	Assigned To (Resp. Center/s); Indicate if TA is needed	Priority Level	2023	2024	2025	2026	2027
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3.0 Promote good governance in all SOEs, and strengthen SOEs Financial Position

3.1 Strengthen Oversight of SOEs

3.1.1 PEMU staff trained on SOEs fiscal oversight; what to look for in Corp Plans and Reports

PEMU with TA

High

x

3.2 Strengthen SOEs corporate governance skills

3.2.1 Seminars on Corporate Governance for SOEs

PEMU, SOEs with TA

High

x

3.2.2 Annual Corporate Plan submitted by all SOEs

SOEs

High

x

x

x

x

3.2.3 Annual reports of all SOEs progressively submitted to DOF

SOEs

High

x

x

x

x

x

Strategy/Tasks	Expected Output	Assigned To (Resp. Center/s); Indicate if TA is needed	Priority Level	2023	2024	2025	2026	2027
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4.0 Enhance revenue administration towards maximizing revenue collections

4.1 Continue with the ongoing improvements in the tax and customs revenue management systems	4.1.1 First phase of the enhancements in the revenue management information system completed	Revenue Office with TA	High	x	x	x		
4.2 Plan, develop project proposals for external funding, and submit to development partners	4.2.1 ODA proposals submitted	Planning; Agencies with TA	High		x	x		

Strategy/Tasks	Expected Output	Assigned To (Resp. Center/s); Indicate if TA is needed	Priority Level	2023	2024	2025	2026	2027
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5.0 Improve the timeliness and transparency of financial and audit reports

5.1 Sustain the frequent monitoring and in-year reporting to be generated from the FMIS.	5.1.1 Monthly reports of mandatory fiscal ratios, including all receipts and payments; budget execution, and outstanding commitments	Treasury	High	x	x	x	x	x
5.2 Develop and sustain annual reporting of fiscal and budget outcomes	5.2.1 annual fiscal and budget outcomes reported within three months	Treasury	High	x	x	x	x	x
5.3 Improve timeliness and transparency of the annual financial statements	5.3.1 Financial statements gaps vis-à-vis IPSAS-Cash, and reporting bottlenecks identified, and strategy formulated	Treasury	High		x			
	5.3.2 Annual financial statements released earlier than previous year	Treasury	High		x	x	x	x
5.4 Implement audit catch up strategy	Audit catch up strategy updated	Audit Office	High		x			
	Audit report of annual financial statements released earlier than previous year	Audit Office	High		x	x	x	x

ANNEX B – ACTION PLAN, PHASE 2

Part II. Proposed Action Plan and Priorities- Phase 2								
Strategy/Tasks	Expected Output/Outcomes	Assigned To (Resp. Center/s); Indicate if TA is needed	Priority Level	2023	2024	2025	2026	2027

1. Formulate and implement a reliable, policy-based, and sustainable macrofiscal and national budget framework

1.1 Develop a multi-year fiscal framework

1.1.1 Fiscal Strategy Reviewed and Updated	Treasury with TA	High					x	x
1.1.2 Model for multi-year macroeconomic and fiscal forecasting developed	Treasury with TA	Medium					x	x
1.1.3 Staff and agencies trained on how to evaluate the fiscal implications of new and supplemental policy measures	Treasury with TA	High					x	
1.1.4 Fiscal implications of new policy measures evaluated and disclosed in budget document	Treasury with TA	High						x

1.2 Implement a debt management strategy consistent with the fiscal framework

1.2.1 Staff trained on debt sustainability analysis	Treasury with TA	Medium				x		
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Part II. Proposed Action Plan and Priorities- Phase 2								
Strategy/Tasks	Expected Output/Outcomes	Assigned To (Resp. Center/s); Indicate if TA is needed	Priority Level	2023	2024	2025	2026	2027
1. Formulate and implement a reliable, policy-based, and sustainable macrofiscal and national budget framework								

1.2.2 Debt sustainability analysis conducted at least every 3 years	Treasury with TA	Medium			x			x
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1.3 Strengthen Public Investment Management

National guidelines and criteria on project appraisal, prioritization, and selection to be approved and issued by the Cabinet	Planning with TA	High			x			
Guidelines for full cost estimation of public investment projects developed	Planning with TA	Medium					x	
					x			
Agencies trained on project appraisal, costing, management, and monitoring	Planning with TA	High						
Guidelines for project monitoring and reporting developed	Planning with TA	High						x

Part II. Proposed Action Plan and Priorities- Phase 2								
Strategy/Tasks	Expected Output/Outcomes	Assigned To (Resp. Center/s); Indicate if TA is needed	Priority Level	2023	2024	2025	2026	2027
1. Formulate and implement a reliable, policy-based, and sustainable macrofiscal and national budget framework								

3.1.2 Consolidated Manual on Oversight of SOEs

Implementing the Public Enterprise Act

PEMU with TA

Medium

x

Strategy/Tasks	Expected Output/Outcomes	Assigned To (Resp. Center/s); Indicate if TA is needed	Priority Level	2023	2024	2025	2026	2027
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2.0 Strengthen internal control, risk management, and audit

2.1 Develop a monthly cash forecast of receipts and payments

2.1.1 Monthly cash payment plans developed

Treasury

High

X

X

X

2.1.2 Monthly cash receipts forecast developed

Treasury

High

X

X

x

2.2 Strengthen internal control on procurement systems and processes

2.2.1 Internal control on procurement improved based on audit

Treasury with TA

High

x

x

2.2.2 Regulations on procurement complaints and appeals developed

Treasury with TA

Medium

x

2.3 Develop monitoring of payables

2.3.1 Procedure using the FMIS developed for monitoring and reporting of accounts payable including arrears

Treasury with TA

High

x

2.4 Focus monitoring and audit on high-risk areas

2.4.1 High risk areas monitored, and supplemental review procedures developed

Treasury with TA

High

x

x

2.4.2 Procurement audit in high-risk areas

Audit Office

High

x

x

Strategy/Tasks	Expected Output/Outcomes	Assigned To (Resp. Center/s); Indicate if TA is needed	Priority Level	2023	2024	2025	2026	2027
3.0 Promote good governance in all SOEs, and strengthen SOEs Financial Position								

3.1 Develop risk assessment framework

3.1.1 SOEs monitoring framework and risk analysis developed	PEMU with TA	High					x	
3.1.2 Staff trained on SOEs performance and risks analysis	PEMU with TA	High						x
3.1.3 First SOEs consolidated report submitted	SOEs	High					x	x

3.2 Sustain good performance of SOEs

3.2.1 Performance of SOEs progressively improved	SOEs	High			X	X		x
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Strategy/Tasks	Expected Output/Outcomes	Assigned To (Resp. Center/s); Indicate if TA is needed	Priority Level	2023	2024	2025	2026	2027
4.0 Enhance revenue administration towards maximizing revenue collections								

4.1 Improve revenue administration

4.1.1 Second phase of the revenue system enhancements completed	Revenue Office with TA	Medium					X	x
4.1.2 Staff trained on the use of the system enhancements	Revenue Office with TA	High				x	x	

4.2 Strengthen revenue collection

4.2.1 Revenue collection increased	Treasury	High				x	x	x
4.2.2 Annual report of receivables collected	Agencies	Medium						x

4.3 Formulate new revenue measures and medium-term revenue strategy

4.3.1 Review tax or non-tax revenues and identify amendments as appropriate	Revenue Office with TA	Medium					X	x
4.3.2 Medium-term revenue strategy developed	Revenue Office with TA	High					x	x

Strategy/Tasks	Expected Output/Outcomes	Assigned To (Resp. Center/s); Indicate if TA is needed	Priority Level	2023	2024	2025	2026	2027
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5.0 Improve the timeliness and transparency of financial and audit reports

5.1 Improve performance reporting

5.1.1 Policy guidelines on reporting of delivery performance	Planning Division with TA	High					x	
5.1.2 annual performance integrating basic gender-based indicators of key agencies, reported	Planning; agencies	High						x

5.2 Sustain improvements in financial reporting and auditing

5.2.1 Annual financial statements aligned to IPSAS-Cash and released within 9 months	Treasury	High					x	x
5.2.2 Policy on reporting of liabilities	Treasury with TA	High						x
5.2.3 Policy on the Use of Asset Register and Reporting of Asset Movements	Treasury with TA	Medium						x
5.2.4 Sustained improvement in the timeliness of audit reporting	Audit Office	High				X	x	x