

GOVERNMENT OF SAMOA

**PUBLIC FINANCE MANAGEMENT
REFORM PLAN**

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Samoa Public Finance Management Reform Strategy

EXECUTIVE SUMMARY

The Government of Samoa is committed to strengthening its public financial management systems in order to promote the efficient use of resources for the public good. This will include improved transparency in accounting for public funds and increased availability of information on Government's annual budgets and accountability statements.

The Strategy incorporates the four main aspects of PFM (1) the Legal & Regulatory, (2) Institutional Arrangements, (3) Management/Systems Framework and (4) Capacity Considerations. The priority areas for reform are primarily under Management/Systems Framework and are sequenced according to the Platform Approach, with the objective of establishing basic standards in all critical areas of financial management before prioritising higher-level reforms. The first stage of Reform Plan covering the period 2008-2010 will be focused on strengthening systems to achieve fiscal discipline leading to the following results:

- Timely preparation and submission of public accounts
- Regular reconciliation of bank accounts and improved cash flow management
- Effective internal audit controls with risk analysis and monitoring of current systems to identify areas for improvement
- Strengthening procurement procedures and controls through the introduction of the new guidelines and standard tendering formats
- The monitoring, management and timely payment of arrears (especially VAGST Refunds)
- Collection of income tax payments and follow up of income tax arrears

The second stage of the reform process from 2011-2013 will build on a platform of fiscal discipline and will include strengthening performance monitoring linked to the three-year rolling Medium Term Expenditure Framework which was introduced in 2008/09; developing sector wide strategies and investment plans for all major sectors to be used for setting output targets linked to budget allocations and monitoring sector performance; and, improved communication to tax payers to facilitate compliance with the objective of increasing revenue collection.

The PFM Reform Strategy will be reviewed and updated on a rolling basis at least every two years with annual reviews of progress involving development partners and stakeholders.

The coordination and monitoring of the Public Finance Management Reform Plan will be led by a PFM Reform Task Force under the Ministry of Finance. The Aid

Division will be responsible for coordinating capacity building support from Development Partners and the financing of external reviews.

1. INTRODUCTION

Public Finance Management concerns the effective management of the collection and expenditure of funds. As societal needs will inevitably be greater than the resources available to government, all public resources must be used as efficiently as possible with a minimum of government wastage. Efficient public finance management is central to creating a relationship of mutual trust and shared consensus between government and citizens.

The primary objective of the Public Finance Management Reform Strategy is to improve the quality of public finance management through a coherent, holistic approach agreed and developed by the main implementing partners and stakeholders.

The PFM reform plan aims to build on previous capacity building initiatives including the AusAID-financed Samoa Treasury Institutional Strengthening Project completed in 2001 and the Finance One Financial Management system support, which was introduced in 2005/2006. Based partly on the findings of the PEFA Assessment financed by the EU in October 2006 and partly on the Government's own assessment of the public finance management system, the reform plan has been developed with reference to the Commonwealth "Guidelines for Public Financial Management Reform" and the World Bank "Strengthened Approach to Public Financial Management Reform".

The Strategy addresses the following main elements of PFM:

1. Legal & Regulatory,
2. Institutional Arrangements,
3. Management/Systems Framework
4. Capacity Considerations
5. Monitoring & Evaluation Framework

The priority areas for reform are primarily under Management/Systems Framework and are sequenced according to the Platform Approach. The rolling nature of the reform is illustrated by the ongoing activities as part of this overall reform strategy and the improvements already achieved. In order to reflect the evolution of the situation this document will be updated on a regular basis, at a minimum every two years.

The Ministry of Finance will prepare annual reports on progress in implementing the Public Finance Management Reform programme. These will be discussed with stakeholders including development partners at annual review meetings. In addition Government will adopt the Public Expenditure and Financial Accountability (PEFA) Framework to monitor the Government's PFM reform programme.

2. BACKGROUND

2.1. LEGAL & REGULATORY FRAMEWORK

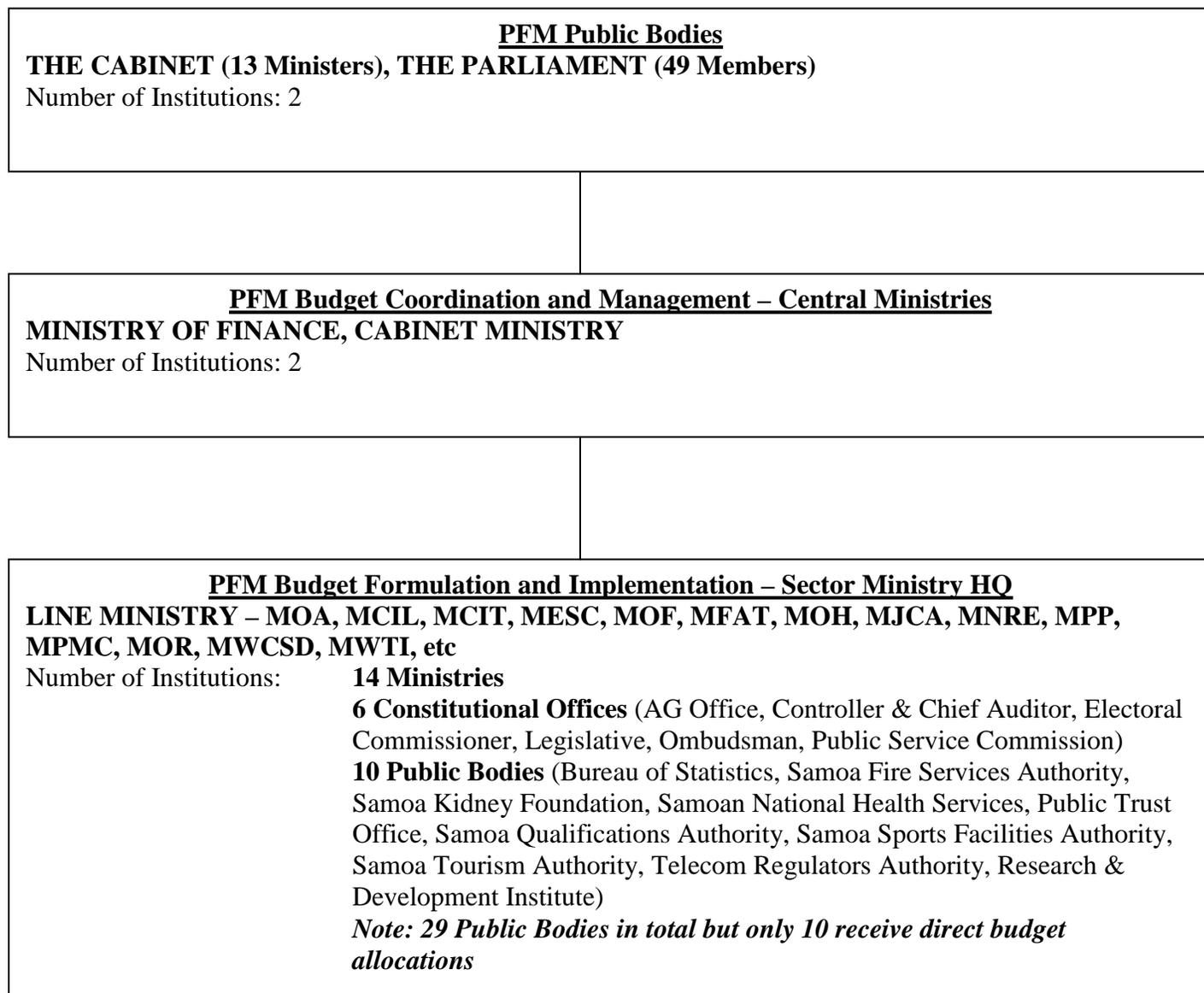
The legislative and regulatory framework has seen recent updates with regards to the Constitution and Laws governing PFM functions within Samoa.

Legal/Regulatory Instrument	Comments	Status
Constitution	<p>Anchors independence of the Auditor General</p> <p>Identifies the Principal Finance Officer as the Minister of Finance</p>	The requirements for effective management and parliamentary oversight are in place. No amendments foreseen.
Law/Acts	<p>PFM related laws: Appropriations Law, Public Finance Management Act, External Audit Law, Civil Service Law, Public Bodies Act, Loans & Guarantee Act, and Debt Management Law. These identify roles and responsibilities of officers, promote transparency & accountability, include sanctions, include operational and reporting calendars</p>	No amendments to the legal framework are foreseen at present. The Public Financial Management Act, which is the most important part of the framework was updated in 2001.
Regulations	<p>Regulations for PFMA are incorporated in the Act.</p> <p>Each law is operationalised by a set of Regulations</p>	No changes foreseen at present
Parliamentary Orders/Cabinet Papers	<p>PFM Reform Strategy, Budget Outlook Paper, Strategy for the Development of Samoa</p>	Several cabinet papers are issued each year. It may be considered to present the PFM Reform Plan to Cabinet to ensure political support.
Manuals	<p>Treasury Instructions 1977</p> <p>Accounting Manual, Procurement Manual, Internal Audit Manual, Public Services Manual, Budget Manual, External Audit Manual (to be updated)</p>	The Treasury instructions must be updated or replaced by revised manuals. This remains a work in progress, which should form part of the PFM Reform process
Standard Contracts/Bidding Documents etc	<p>Standard employment contracts, standard purchase contracts, standard disposal contracts, standard bidding documents</p>	A standard manual and standard contracts/bidding documents are being developed as part of the procurement reform programme

<p>Circulars and Administrative Guidelines</p>	<p>Budget Call Circular, Circular on Opening Bank Accounts, Circulars on reporting formats etc. Must be appropriately circulated and filed with a comprehensive sequenced, centralised repository</p>	<p>These are issued on an ongoing basis and should reflect the PFM Reform agenda.</p>
<p>Standard Forms and Documents</p>	<p>Initial Purchase Request, Purchase Order, Goods Received Notes, Stores Received Voucher, Payment Voucher etc</p>	<p>These may need to be reviewed to strengthen internal control mechanisms</p>

2.2. INSTITUTIONAL ARRANGEMENTS FRAMEWORK

An overview of Samoa's current institutional framework for PFM is illustrated below:



PFM activities should be supervised by the legislature. The “legislative cycle” includes two key stages (i) scrutinizing and approving the draft budget prepared by the executive; and (ii) scrutinizing the end-of-year reports and accounts. In addition, Parliament performs its oversight at different stages of the PFM cycle.

2.3. MANAGEMENT/SYSTEMS FRAMEWORK

To undertake successful reform, it is necessary to carry out a comprehensive review of the budget system in order to determine the main weaknesses and the changes necessary to deal with these problems. This usually consists of diagnosing the problems, reviewing the different supporting systems and identifying all the interconnections and institutional weaknesses.

PFM activities are represented by the financial management cycle which involves the following stages, which partly overlap:

- Policy formulation, planning and budget formulation
- Budget Execution: (1) administration of budget execution; (ii) control; (iii) internal audit
- Accounting and reporting
- External audit and evaluation, for accountability and feedback to policy and budget formulation

The starting point of the PFM reform is the assessment of the performance of PFM systems against their objectives. The three (3) basic objectives or level of outcomes in public expenditure management are:

- **Aggregate Fiscal Discipline:** for macro-economic stability an effective control of the budget totals and management of fiscal risks is required. These totals should be sustainable over the medium term and beyond
- **Resource Allocation in Conformity with Government Policy Objectives:** Expenditure programming is based on government priorities and on effectiveness of public programmes. The budget system should spur reallocation from lesser to higher priorities and from less to more effective programmes
- **Operational Performance (efficiency and effectiveness in public service delivery):** Agencies should produce services that both achieve efficiency gains and satisfy the objectives they were designed to meet.

The PEFA Assessment which was conducted in 2006 therefore highlighted the following areas to be addressed under our PFM Reform:

2.3.1 REVENUE COLLECTION

Improved tax administration with collection of adequate revenue is critical for effective public finance management. The realigned Ministry of Revenue was established in 2003 to ensure effective management and monitoring of tax and customs revenue combining divisions from different Ministries. The administration and monitoring of customs duties is using the ASYCUDA database software, which is updated on a regular basis and is currently operating

under the latest available version. Collection of import duties is thought to be reasonably effective and transparent, though there is a need for improved monitoring and follow up of arrears, which are not captured by ASYCUDA when duty payments are deferred. The recent PEFA assessment found short-comings in tax administration including inadequate monitoring systems, and limited follow-up on income tax arrears. In addition, taxpayers are not currently provided with adequate information to facilitate compliance. This has resulted in the growth of arrears and this is therefore a priority area for reform and capacity building. The targeted areas as follows will be addressed in a 2 phase institutional strengthening program for the ministry supported and funded by AusAID over a period of 6 years.

2.3.2 PLANNING AND PERFORMANCE MONITORING

Planning is the logical organisation of activities towards the achievement of national objectives. Effective planning requires consultations to build consensus and the development of layered plans from the national level down to the sector and sub-sector levels. Samoa has adjusted the process of the national planning framework from a three year to a four year period commencing in July 2008. Sector plans will need to be prioritised and to take into account realistic resource projections. At present medium-term sector planning is limited to a few sectors due to the absorptive capacities of sectors and the Economic Planning and Policy Division of the Ministry of Finance. The following table shows the division into sectors, which has been agreed and progress in developing sector plans:

Sectors		Government Ministries and Agencies Responsible	Sector Issues Paper Progress	Sector Progress to Date	Timeframe for Completion
SOCIAL SECTORS:					
1	Health	Ministry of Health (lead), National Health Services, National Kidney Foundation, etc.	None	Implementation of Sector Plan July 2008 - June 2018	completed
2	Education	Ministry of Education, Sports & Culture(lead), Samoa Qualifications Authority, National University of Samoa, etc.	None	Implementation of Sector Plan July 2006 - June 2015	completed
3	Public Administration	Public Service Commission (lead), Ministry of the Prime Minister and Cabinet, Ministry of Finance, Audit Office, Attorney General's Office, etc.	Completed	Implementation of Sector Plan 2007 - 2011	completed

4	Law and Justice	Office of the Attorney General (lead) Ministry of Justice and Courts Administration, Ministry of Police, Prisons, Samoa Fire Services, Ministry of Women Community and Social Development	None	Sector Plan almost completed	31-Dec-08
5	Community Development	Ministry of Women, Community and Social Development (lead), Public Service Commission, Ministry of Health, Ministry of Education, Sports and Culture, etc.	None	Draft Sector Plan	31-Dec-08
ECONOMIC SECTORS					
6	Tourism	Samoan Tourism Authority (lead), Samoa Statistics Bureau, etc.	Completed	To be formulated	30-Jun-09
7	Finance	Central Bank of Samoa (lead), Ministry of Finance, Audit Office, etc.	None	None	30-Jun-10
8	Agriculture	Ministry of Agriculture (lead),	Completed	To be formulated	30-Jun-09
9	Commerce	Ministry of Commerce, Industry and Labour (lead), Ministry of Finance, Ministry of Foreign Affairs and Trade and Ministry of Agriculture	Completed but needs updating	None	31-Dec-09
10	Manufacturing	Ministry of Commerce, Industry and Labour (lead)	None	None	31-Dec-10
INFRASTRUCTURE SECTORS					
11	Transport	Ministry of Works, Transport and Infrastructure (lead), LTA, SPA	Drafted Sector Issues Paper	None	30-Jun-10
12	Construction	Ministry of Works, Transport and Infrastructure (lead), Ministry of Natural Resources and Environment, etc	Drafted Sector Issues Paper	None	30-Jun-10

13	Water	Ministry of Natural Resources and Environment (lead agency), Samoa Water Authority, Ministry of Health, Ministry of Works, Transport and Infrastructure, etc.	None	Completed	Completed
14	Communications	Ministry of Communications and Information Technology (lead), Office of the Regulator, etc.	Drafted Sector Issues Paper	None	30-Jun-12
15	Electricity	Electric Power Corporation (lead), etc.	Drafted Sector Issues Paper	None	30-Jun-12

2.3.3 IMPROVED BUDGETING

An effective budget must reflect national and sector level plans and priorities. This requires budget preparation to develop linkages to national and sector level planning processes and reviews. The budget process should also assist planners by providing realistic forecasts of future financial resources for their sector. Decisions on future allocation of resources should be informed by previous performance of the various sectors. The Ministry of Finance is in the process of transition from annual single year budget estimates to a medium-term framework. This should help to ensure the recurrent costs are given greater weight when considering present investments and policies. For the 2008/2009 budget Government presented a fiscal strategy and a budget with forward estimates as required by the Act for the first time. The Ministry of Finance has also introduced the IMF Government Financial Statistics (GFS) 2001 classification system.

2.3.4 ACCOUNTING AND REPORTING

Proper implementation of the budget with expenditure management processes and timely presentation of Government accounts are essential to the credibility of public finance management systems. The PEFA assessment noted delays in the submission of public accounts, which could have negative impacts on Government credibility and transparency. This was largely caused by the transition to a new public accounting software system (FINANCE ONE). The Ministry of Finance is fully aware of the importance of meeting deadlines for submission of public accounts and is committed to dealing with the backlog and eliminating the delays as a matter of priority

2.3.5 PROCUREMENT

The application of clear rules for an open and accountable procurement system is an important component of effective budget implementation. The Ministry of Finance Budget Division is responsible for the oversight of all large tenders. There is an ongoing World Bank capacity building support programme, which includes the drafting and introduction of new guidelines and formats for procurements. The new guidelines have been drafted and are due to be formally presented for approval, following which a consultant will be hired to prepare standard formats for tendering and contracting based on international best practice.

2.3.6 AID AND LOAN MANAGEMENT

The Aid Coordination and Loan Management Division in the Ministry of Finance is responsible for the coordination, monitoring and reporting on development aid to Samoa including both grants and loans. The Government is required to present information on total external and domestic debt. The current information system includes only external debt. There is a concern that after Samoa graduates from LDC status in 2010 the increased cost of loans and reduced availability of grant funding could impact negatively on Public Finance Management. It is therefore essential that there is a clear policy to guide the Government prior to approval of new loans. It is also important to include aid projects in the MTEF with related budget estimates and outputs for each sector so as to present a complete presentation of all public expenditure. The current budget estimates include columns for donor funding, which are not completed due to the lack of forecasts on future development partner funding.

2.3.7 INTERNAL AUDIT AND INTERNAL CONTROL FRAMEWORK

Effective oversight and monitoring are crucial to sound governance and public financial management reform. A well functioning system must have clear rules on transparency and reporting, together with mechanism to monitor compliance and enforceable sanctions for failure. The PEFA assessment noted significant gaps in the current control framework with over reliance of traditional manual control and procedures, which are often not complied with. This weakness in the internal control framework was highlighted as one of the main areas requiring priority action with direct linkages to the poor quality of data and delays in reconciliation of accounts.

2.3.8 CHIEF AUDITOR'S OFFICE

Independent audits of Government's accountability and performance are an important tool to identify shortcomings and strengthen accountability and

efficiency in public expenditure. Whilst recent reviews of the performance of the Chief Auditor's Office indicate that this role is being carried out effectively, Government is initiating an institutional strengthening programme, which will aim to develop increased capacity in the areas of value for money reviews, performance audits, and environmental audits. The following actions will be included in the institutional strengthening programme.

2.3.9 MANAGEMENT OF STATE OWNED ENTERPRISES

In Samoa there are a variety of State Owned Enterprises (SOEs), which are mandated to deliver services to the public. The Division for Monitoring SOEs, which is under the Ministry for Finance, is responsible for ensuring that SOEs conform to the 2001 Public Bodies Act and monitors their performance and accountability standards. SOEs are now required to produce annual rolling Corporate Plans as well as quarterly and annual financial and narrative performance reports. The Government intends to strengthen the quality and impact of performance monitoring by the Ministry of Finance so that there are further improvements in the efficiency, accountability and quality of services provided by SOEs to the public.

3. SEQUENCING THE REFORM STRATEGY

The 'Platform Approach' concept will be adopted in sequencing the reform actions. The main aim is implementing a package of measures/activities designed to achieve increasing levels (platforms) of PFM competence over a manageable timeframe.

The platform concept is useful to show the different stages of the reform process. However, the reform process is of continuous nature. At each stage of this process, the reform agenda will be reviewed to take into account the results achieved and the difficulties met.

Stage 1: Fiscal Discipline Platform

The priority reform actions under Stage One are focused on necessary improvements to the reconciliation and reporting of public accounts and the related strengthening of internal control systems. The timely production of accurate accounts are an essential requirement for fiscal discipline and for improved budget analysis and preparation of the future MTEF. Cashflow monitoring and management is also necessary to ensure funds are available to meet ongoing commitments and to avoid the growth of domestic arrears. Improvements to monitoring of income tax collection and follow-up of arrears will lead to improved revenue collection and lower levels of dependence or external assistance. The current estimated timeframe for the Stage 1 reform plan is approximately 2 years.

Stage 2: Monitoring for Performance and Strengthening Systems

Stage 2 will build on the achievements of stage 1 with the focus on the transition to sector wide programmes and greater emphasis on sector performance monitoring, setting of targets and strengthening systems for accounting, controls and reporting on outcomes. Further details of the Stage 2 reforms and actions will be developed in 2009/2010 depending on constraints and priorities identified during the implementation of Stage 1. The majority of Stage 2 reforms/actions are expected to be implemented between 2010 and 2013.

Each Division will be responsible for implementing its own reform agenda and preparing detailing actions plans and targets on the basis of the following format. The task force established under the Ministry of Finance will provide assistance in overcoming constraints and identifying resources or technical support required for the reform process.

Reform Action	Activities	Output	Timeframe	Target

4. PFM REFORM ACTION PAN

4.1 LEGAL & REGULATORY FRAMEWORK

4.1.2 (Stage 1): Compiling and finalising the appropriate Manuals for enabling PFM functions in a user friendly format ring binder format to allow updating. Development of an overall Treasury manual with key components and summaries from the more detailed Division-level manuals. Treasury circulars will only be issued after inter-Division consultation and will be properly filed and included in Manuals/Treasury Instructions as required. Estimated timeframe: By end 2010

4.1.3 (Stage 1): Updating the Treasury Instructions 1977 to be inline with the PFMA Act 2001. Estimated timeframe: By end 2010

4.2. REVENUE COLLECTION

4.2.1 (Stage 1): Restructure the tax administration sections in the Ministry of Revenue to improve efficiency and introduce a new client orientation. This is expected to include a specialised support for the major tax payers in the country and clear lines of responsibility for monitoring and follow up of arrears. More regular and accurate reconciliation of income tax assessments, payments and arrears will be a major objective of the restructuring. Technical support to be provided by AUSAid. Estimated timeframe: by June 2010

4.2.2 (Stage 1): Identify and introduce a new **database information system for income tax collection and monitoring** with links to ASYCUDA and Finance One. This new system will be used to improve the monitoring of income tax collection and follow-up of arrears. Estimated timeframe: by June 2010

4.2.3 (Stage 1): The Ministry of Revenue will develop **future revenue targets and forecasts** as an input to the medium term expenditure framework. Estimated timeframe: by June 2010

4.2.4 (Stage 2): The Ministry of Revenue will undertake a **review of the legal framework for tax enforcement** with the aim of identifying areas to be strengthened and improved. This will include consideration of an appropriate tax appeal mechanism as an integral component of a transparent and fair system. Technical support has also been requested from IMF form this action. Estimated Timeframe: by end 2011

4.2.5 (Stage 2): Dissemination of accurate and up-to date **information to the public and private sector on tax liabilities and tax administration**

procedures. This should improve relations with clients and help to promote compliance. Estimated Timeframe: By end 2011

4.2.6 (Stage 2): The capacity of the **tax audit and fraud investigation sections will be strengthened** with greater emphasis on risk assessment. Estimated Timeframe: by end 2011

4.3. PLANNING AND PERFORMANCE MONITORING

4.3.1 (Stage 1): Finalise the Monitoring and Evaluation Framework for the Strategy for Development of Samoa (SDS) 2008-2012. The strategy will include consultations with Government agencies on the SDS 2008-2012 and the availability and frequency of the key indicators. The SDS 2008-2012 will be biannually reviewed in terms of strategies and annually reviewed in terms of indicators. The mid-term review in 2010 will assess performance in achieving objectives and make any strategies adjustments as required. ***Estimated timeframe: by June 2008***

4.3.2 (Stage 1): Ministries will be required to develop **sector-level medium-term strategies** (4-5 year) and prioritised plans based on the overarching Strategy for Development of Samoa 2008/2012. At present sector plans have been developed for the health, education, public administration and water sectors. 11 person months technical support is being provided by ADB. Additional sector specific support may be required. Priority will be given to the preparation of a sector wide programme for agriculture, in view of its importance for food security and economic development. ***Estimated timeframe: 50% sector plans by end 2010 and 100% by end 2012.***

4.3.3 (Stage 1): The Economic Policy Planning Division will **strengthen capacity in macro-economic modelling of the national economy** to assist in the planning and budgetary processes. This is included in the ongoing ADB technical support. ***Estimated timeframe: by April-May 2009.***

4.3.4 (Stage 2): Sector plans will include key outputs and targets with measurable indicators as well as mechanisms for **annual sector reviews**, which will be linked to the budget process. Sector plans will also include resource requirements. The Public Sector Investment Programme (PSIP) will provide a summary of the capital investment programmes for the sectors and their anticipated recurrent costs as per rule of thumb. The PSIP will provide a major contribution to the Medium Term Expenditure Framework (MTEF) for the sectors. The PSIP will be published in August 2008 and will be integrated into the Planning and Budget cycle for the subsequent years. On the monitoring and evaluation front, annual sector reviews will provide an opportunity for consultation with stakeholders including the private sector and other civil society representatives and development partners. ***Estimated timeframe: see above***

4.3.5 (Stage 2): The Planning Division will develop **close linkages with the Statistics Department on the national statistics system** to include collection of data and surveys, which will inform the planning process and monitoring of performance with reference to the SDS and sector plans. The Statistics Department will adjust its activities to reflect these priorities. Estimated Timeframe: on-going.

4.4. IMPROVED BUDGETING

4.4.1 (Stage 1): The strengthening the quality of forward estimates within **three year rolling Medium-Term Expenditure Framework (MTEF)**, which was successfully introduced in the 2008/09 budget. PFTAC financed TA over a 12 month period to provide training and technical support for the MTEF. From 2009/2010 the budget preparation process will be brought forward with a revised timeframe provided to allow more time for planning, analysis and interaction with line Ministries and SOEs. The budget manual will be updated into a more user friendly format with amendments to include the new budget cycle. Action will continue to strengthen capacity of line-Ministries in preparation of forward estimates. Estimated timeframe: New budget timeframe for 2009/2010 budget year

4.4.2 (Stage 1): Develop closer **linkages between the budget and the national and sector strategies** and plans. Output definitions and performance measures in the budget will be revised in a way to better reflect agreed national and sector level priorities. Sector review meetings will be arranged so as to provide information for budget preparation and past performance against agreed outputs and targets. The Budget and Planning Committee under the Ministry of Finance will be revitalised to review submissions from line-Ministries and advise on improvements required and provide general policy support to strengthen output definition and performance monitoring. Estimated time frame: Ongoing

4.4.3 (Stage 2): The Ministry of Finance will provide more **information to the public on the budget process and the annual and medium term budget estimates**. This will include information to explain the budget process and ongoing reforms, as well as information on the budget cycle, annual budget estimates and budget performance reviews. The information will be made available over the internet. Estimated timeframe: by end 2010

4.5. ACCOUNTING AND REPORTING

4.5.1 (Stage 1): Remove the backlog of work on reconciliation of public expenditure for the 2006/2007 financial year and introduce mechanisms to prevent future backlog of work. Build capacity to **ensure that public accounts**

are submitted within the legally defined deadline of 4 months from the end of each financial year. The Ministry of Finance will arrange an intensive action of support through overtime arrangements for Ministry staff to handle the immediate backlog. In addition Technical capacity building support is required to prevent any recurrence of the backlog: to identify improvements to facilitate timely reconciliation of overseas bank accounts and local bank accounts; to review procedures for management and reporting of project accounts (set up, reporting requirements and its closure and disclosure); and the related functional structure of the Division. Estimated timeframe: to be achieved for submission of the 2008/2009 accounts.

4.5.2 (Stage 1): Strengthen the capacity for **cash flow forecasting and monitoring** centrally within the Accounts Division and at the Ministry level. At a central level the Division will provide accurate weekly and monthly cash flow reports. Additional human resources and capacity building training for Ministries will be required to achieve improvements at the Ministry level. Priority will be given to training Ministries responsible for larger scale development investments including Ministry of Works, Ministry of Health and Ministry of education and Sport. Estimated timeframe: by end 2009.

4.5.3 (Stage 1): Undertake a **review of the Finance One accounting system** to assess whether the software is performing according to Government's current requirements,

- to identify improvements or modifications required to the chart of Account and its link to the MTEF and sector approach
- to analyse whether the full advantages and reporting potential for controlling, monitoring and auditing purposes are being utilised
- to assess the need for training/capacity building and to advise on the potential for improved linkages with other Government systems such as the Debt Management System and ASYCUDA

Estimated timeframe: By end 2009

4.5.4 (Stage 1): Strengthen the **monitoring of domestic arrears and ensure that the level of arrears is reduced over time**, in particular for VAGST refunds, which is the main component of current arrears. Make arrangements for data from the ASYCUDA and tax information systems at the Ministry of Revenue to be linked to the Finance One system to facilitate monitoring of arrears. Estimated timeframe: by end 2010.

4.5.6 (Stage 1): The Government will commence **introduction of the IMF Government Financial Statistics (GFS) 2001 classification system with modifications adapted to cash basis accounting** (this is complementary to the

commitment under Budget Improvements – Priority 4). Estimated timeframe: by 2011/2012 financial year.

4.5.6 (Stage 2): Introduce the IFAC International Public Sector Accounting “Standards of Financial Reporting on Cash Basis of Accounting”. This will require including information in the public accounts on the value of receipts and payments from development partner spending which are currently not channelled through the Treasury Fund. Technical capacity building support is required for this component. Estimated timeframe: for 2010/2011 financial year at the latest.

4.6. PROCUREMENT

4.6.1 (Stage 1): Approval and introduction of the new Procurement Guidelines together with training of Ministry personnel on application of the guidelines. Estimated timeframe: by December 2008

4.6.2 (Stage 1): Drafting and introduction of standard tender and contract formats for works, supplies and services in line with the procurement guidelines and consistent with international best practice. Technical support financed from the World Bank. Estimated timeframe: by June 2009.

4.7. AID AND LOAN MANAGEMENT

4.7.1 (Stage 1): Include information on domestic debt within the current Debt Recording Database with the objective of providing a complete report on both external and domestic debt to Cabinet and parliament as required by law. Estimated timeframe: by June 2009

4.7.2 (Stage 1): Develop new government policy on donor aid and debt management including budget support as the preferred aid modality and debt management controls for loan approvals and domestic debt. Introduce joint donor monitoring and reviews on budget performance and public financial management reforms. Estimated timeframe: by end 2009.

4.7.3 (Stage 1): Include donor funding in annual and medium term budget estimates and out-turn reports. This will require consultation with development partners and line Ministries on mechanisms to ensure that there is agreement on the estimates, expected outputs and responsibility for providing the information at the appropriate time for the budget process. Estimated timeframe: by June 2009.

4.7.4 (Stage 2): Develop improved database for donor aid financing commitments and disbursements under the Aid and Loan Management Division with linkages to Finance One. In addition establish linkages between the

Debt Recording and Management System and Finance One. This input is linked to the performance of Priority 1. Estimated Timeframe: by December 2009.

4.8. INTERNAL AUDIT AND INTERNAL CONTROL FRAMEWORK

4.8.1 (Stage 1): Government will utilise the **2004 INTOSAI Guidelines to review and strengthen internal control standards** and the role of the Internal Audit Division in the Ministry of Finance. Estimated timeframe: By June 2010

4.8.2 (Stage 1): The work programme of the Internal Audit Division will place **increased emphasis on systems monitoring and risk analysis** with the objective of strengthening the overall control framework. Estimated timeframe: By June 2010

4.8.3 (Stage 2): Strengthen the capacity of the Internal Audit Division **to utilise computer audit and analysis software** and advise on improving information technology controls in government accounting systems. Estimated timeframe: By end 2011

4.9. CHIEF AUDITOR'S OFFICE

4.9.1 (Stage 1): Development of **standard manuals and methodological guidelines** for the Chief Auditors office as a quality control mechanism. Estimated timeframe: End 2009

4.9.2 (Stage 2): Strengthened capacity to undertake **performance audits, environmental audits and value for money reviews**. Estimated timeframe: By June 2010

4.9.3 (Stage 2): Improved use of **IT applications and infrastructure** for use in systems audits and risk analysis of public expenditure.

4.10. MANAGEMENT OF STATE OWNED ENTERPRISES

4.10.1 (Stage 1): Strengthen the capacity of the SOE Monitoring Division in provision of **finance/business analysis and project appraisal** to support the improved performance of SOEs. Estimated timeframe: by June 2010.

4.10.2 (Stage 2): Develop the role of the SOE Monitoring Division to include the **provision of organisational analysis and change management** support to SOEs. Estimated timeframe: By end 2012.

5. CAPACITY BUILDING FRAMEWORK

Key Issues to consider are:

- Human Capacity (professional cadres, turnover etc)
- Institutional Arrangements (PCs, telephones, faxes, electricity supply)
- Financial Administration and IT Networks (banking network, postal and communications network, data networks)

5.1 CAPACITY BUILDING SUPPORT

The table below provides a summary of ongoing capacity building support provided by development partners together with priorities areas for future support yet to be financed:

ONGOING PROGRAMMES:

Implementing Agency	Description of TA/Capacity Building Support	Timeframe	Partner
Budget Division	TA inputs over a 12 month period to facilitate the introduction of forward estimates and the MTEF	2007-2008	PFTAC
Budget Division	TA for drafting of new procurement guidelines and manuals with standard tender formats	2007-2009	WB (\$175,000)
Ministry of Revenue	TA support for an institutional strengthening programme for the Ministry of Revenue	2008-2015	AUSAid
Ministry of Revenue	TA support to improve information flow & consultation with large tax payers	2008-2009	PFTAC AusAID
Ministry of Revenue	TA to assist in strengthening the legal framework for tax enforcement	2008-2009	IMF
Aid Division	TA to the NAO to assist with the transition to EU budget support	Aug 2007 to December 2008	EU
Economic Policy Planning	18 months TA to strengthen macro-economic modelling, sector planning and project	2007-2009	ADB

Division	appraisal		
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FUTURE PRIORITIES

Implementing Agency	Description of TA/Capacity Building Support	Timeframe	Indicative Partner
Accounts	18 months full-time TA support: Extraction and production of reports from FMIS, introduction of accrual accounting, GFS 2001 classification, improved systems for reconciliation of accounts, training in cash-flow planning, monitoring of arrears including VAGST refunds	2009-2010	PSIF
Accounts	Review of the performance, functionality and integration of the Finance One software	2009	PSIF
Aid Division	Assistance in arranging linkages/information transfer between the Debt Recording and Management System and Finance One	2009-2010	Commonwealth Secretariat
Aid Division	Technical Support to assist in drafting a Debt Management Strategy	2009	
Budget	Intermittent TA support to strengthen the MTEF process and sector planning following initial introduction of MTEF	2009-2010	PSIF
Budget	Staff training on procurement, tendering, evaluation, etc.	2009/2011	EU or PSIF
Budget	Staff Training on Forecasting Modules for both Expenditures and Revenues	2009-2010	PSIF
Budget	Staff training on Budget Formulation and Monitoring techniques using the Performance Based Budgeting approach	2009-2010	PSIF
Budget	Short term attachment for senior budget staff to an	From mid 2008 – 2011	EU or PSIF

	International Financial Institution or a Bilateral Partner on Public Sector Budgeting and Financial Management		
Ministry of Agriculture	Technical assistance to facilitate the development of a sector wide approach for the agriculture sector	From mid-2009	
Internal Audit	On-the-job training support (2 months TA) on ACL software application to identify risks/exceptions from FMIS data	2010	EU or PSIF
Internal Audit	8 months intermittent TA input over 24 months to strengthen the internal control framework following INTOSAI guidelines	2009-2010	PSIF
SOE Monitoring	6 months intermittent TA input over two years to strengthen finance/business analysis, performance monitoring, project appraisal and change management skills	2009-2011	ADB

6. COMMUNICATION STRATEGY

For the PFM Reform Plan to succeed, the participation and support of a wide number of personnel across all levels of Government is required. It is therefore essential to have a communication strategy to ensure that there is awareness and support for the programme and a regular flow of information on progress and activities being implemented under the plan. The following will form the main elements of the communications strategy:

- Presentation of the PFM Reform Plan to all the personnel in the main implementing Divisions within the Ministry of Finance and dialogue on their roles and priorities in the reform process.
- Presentation of the PFM Reform Plan to the monthly meeting of government accountants, which is chaired by the Ministry of Finance, to ensure that they are aware of the plan and the importance of their support for the reform process. The monthly meeting with accountants will be used

to maintain a regular flow of information and dialogue on progress, activities, problems and constraints

- Circulars sent out by Treasury will be used to inform CEOs of line Ministries and these will be copied to Ministers to inform them of the PFM Reform Plan and the need for their support for the change process. Circulars will be used to provide a regular flow of information to line-Ministries on the progress and activities of the reform plan with details of the roles and responsibilities for the reform agenda.
- A series of training workshops are planned throughout Phase 1 of the PFM Reform Plan. These workshops will include participation from line Ministries as appropriate and will be used to strengthen awareness and understanding of the overall reform process as well as the management of specific change actions
- A briefing session will be arranged with development partners to initiate a dialogue on the content of the PFM Reform Plan, the priorities, the coordination of capacity building support and the monitoring arrangements including future dialogue with partners.
- Consideration will also be given to establishing a newsletter targeting key stakeholders with information on the progress of implementation, challenges and success stories along with information on selected capacity building actions from different perspectives. However, this will be dependant on the identification of the human resources to undertake this work.
- The PFM Reform Plan and annual progress reports will be made available to all stakeholders and other interested parties online through the Ministry of Finance Website.

7. INSTITUTIONAL ARRANGEMENTS, MONITORING AND EVALUATION

A PFM Reform Task Force under the Chair of the Deputy CEO, Operations Department of the Ministry of Finance will be responsible for implementation of the PFM Reform Plan. The Task Force will include representation at the ACEO level from the relevant Divisions within the Ministry of Finance, Ministry of Revenue and Audit Office. This committee will meet every month and will:

- Define the actions required for implementation of the Reform Programme
- Coordinate access to resources in close collaboration with the Aid Division
- Identify and prepare proposals for capacity building support
- Maintain workplans and schedules

- Oversee the work of consultants
- Organise training workshops as required
- Disseminate information to all stakeholders on the PFM Reform Plan
- Monitor progress by implementing agencies and advise on action to overcome problems
- Collect data to monitor performance of the PFM Reform Pan
- Act as Secretariat to the PFM Reform Steering Committee

Divisions and Ministries will be responsible for taking action on constraints identified as well as compilation of reports on progress achieved on an annual basis. Divisions will be responsible for providing regular reports on the progress of their reform actions using a standard reporting matrix:

Reform Ref	Action	Timeframe	Progress	Problems/ Risks and Additional resource requirements
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A higher level Steering Committee will be formed to oversee the progress of the PFM Reform Plan. The Steering Committee will be chaired by the CEO, Ministry of Finance and will include the following representation: CEO/Ministry of Revenue, Chief Auditor, CEO/Pubic Service Commission, CEO/Prime Minister's Office. This Committee will meet quarterly and will:

- Review progress reports from the Task force
- Advise on policy issues, problems and constraints raised by the Task Force
- Review recommendations from external consultants
- Commission independent reviews such as the PEFA assessment
- Approve amendments and future phases of the PFM Reform Plan
- Provide guidance and support to the Task Force to achieve the reform objectives
- Assist in identifying additional resources for implementation as required

Government plans to carry out annual reviews of the PFM reform process in collaboration with interested donors. It is proposed that this should include an independent analysis of progress using the international Public Expenditure and Financial Accountability (PEFA) matrix at least every two years and possibly the OECD/DAC Procurement Assessment specifically for procurement issues.

The Aid Division will be responsible for coordinating capacity building support from development partners and facilitating the arrangements for annual reviews involving interested partners and stakeholders in close consultation with the Task Force.

Annex 1: Matrix of Action for STAGE 1 and Performance Monitoring Indicators

No.	Action	Timeframe	Lead Organisation	Performance Indicator
4.1.2	Updating Treasury Manual with summary of Division-level Manuals and Integrated Budget Cycle management	Dec 2010	Ministry of Finance	Manual produced and being used including Integrated Management Cycle
4.1.3	Updating Treasury instructions in line with PFMA Act (2001	Dec 2010	Ministry of Finance	Treasury Instructions approved
4.2.1	Restructure the tax administration sections in the Ministry of Revenue to improve efficiency and introduce a new client orientation	Jun 2010	Ministry of Revenue	New structure approved by PSC
4.2.2	Introduce a new database information system for income tax collection & monitoring with links to ASYCUDA and Finance One.	Jun 2010	Ministry of Revenue	Database information system in operation & reduction in income tax arrears
4.2.3	Develop future revenue targets and forecasts as an input to the medium term expenditure framework	June 2010	Ministry of Revenue	Accurate forecasts/targets provided to Budget Division
4.3.1	Finalise the Monitoring and Evaluation Framework for the Strategy for Development of Samoa (SDS) 2008-2012.	Jun 2008	EPPD, MoF	SDS approved and published
4.3.2	Ministries will be required to develop sector-level medium-term strategies (4-5 year) and prioritised plans based on SDS	Dec 2012	EPPD, MoF	50% sector plans by end 2010 and 100% by end 2012. No. of annual sector reviews
4.3.4	Strengthen capacity in macro-economic modelling of the national economy	May 2009	EPPD, MoF	Economic model being managed by EPPD and used to adjust forward estimates and macro-economic forecasts
4.4.1	Strengthen the quality and presentation of forward estimates within three year rolling Medium-Term Expenditure Framework (MTEF)	June 2011	Budget Div, MoF	Presentation of budget in full MTEF format
4.4.2	Develop closer linkages between the budget and the national and sector strategies and plans.		Budget Div, MoF	An increase in the number of outcome indicators included in the budget estimates and budget performance monitoring reports
4.5.1	Remove the backlog of work on reconciliation of public expenditure for the 2006/2007 financial year and introduce mechanisms to prevent future backlog of work.	Oct 2009	Accounts Div, MoF	Months taken from the end of the FY for submission of public accounts to CAO. Reduction in number of mis-posted transactions.

4.5.2	Strengthen the capacity for cash flow forecasting and monitoring centrally within the Accounts Division and at the Ministry level.	Dec 2009	Accounts Div, MoF	Cashflow planning system in place for Ministries responsible for major expenditure
4.5.3	Undertake a review of the Finance One accounting system to assess whether the software is performing according to Government's current requirements	Dec 2009	Accounts Div, MoF	Finance One reports being accessed and used by senior managers
4.5.4	Strengthen the monitoring of domestic arrears and ensure that the level of arrears is reduced over time, in particular for VAGST refunds	Dec 2010	Accounts Div, MoF & MoR	Reduction of volume of domestic arrears
4.5.5	Commence introduction of the IMF Government Financial Statistics (GFS) 2001 classification system	Jun 2011	Accounts Div, MoF	Production of public accounts with GFS classification
4.6.1	Approval and introduction of the new Procurement Guidelines together with training of Ministry personnel	Dec 2008	Budget Div, MoF	Dissemination of new Procurement Guidelines
4.6.2	Drafting and introduction of standard tender and contract formats for works, supplies and services in line with the procurement guidelines and consistent with international best practice	Jun 2009	Budget Div, MoF	Improved Procurement Manual being used along with standard formats for all Government procurement
4.7.1	Include information on domestic debt within the current Debt Recording Database with the objective of providing a complete report on both external and domestic debt to Cabinet and parliament	Jun 2009	Aid Coordination, MoF	Report on stock of domestic and external debt to Cabinet/Parliament
4.7.2	Develop new government policy on donor aid and debt management including budget support as the preferred aid modality and debt management controls for loan approvals and domestic debt	Dec 2009	Aid Coordination, MoF	Approval of Debt Management and Aid Policies by CDC
4.7.3	Include donor funding in annual and medium term budget estimates and out-turn reports	Jun 2009	Aid Coordination, MoF	Inclusion of details of donor expenditure in official Budget Estimates
4.8.1	Utilise the 2004 INTOSAI Guidelines to review and strengthen internal control standards and the role of the Internal Audit Division in the Ministry of Finance	Jun 2010	Internal Audit Div, MoF	No. of proposed improvements to the internal control framework by IAD
4.8.2	The work programme of the Internal Audit Division will place increased emphasis on systems monitoring and risk analysis with the objective of strengthening the overall control framework	Jun 2010	Internal Audit Div, MoF	No. of systems analysis reports produced by IAD
4.9.1	Development of standard manuals and methodological guidelines for the Chief Auditor's office as a quality control mechanism	Dec 2010	Chief Auditors office	CAO Manuals produced
4.10.1	Strengthen the capacity of the SOE Monitoring Division in provision of finance/business analysis and project appraisal to support the improved performance of SOEs.	Jun 2010	SOE Monitoring Div, MoF	Analytical reports on SOEs

ANNEX 2: PFM Reform Plan Phase I - PSIF Support programme: Tentative Work Schedule

	2008		2009										2010												
	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	
Finalise Terms of Reference and advertise for experts	■																								
Deadline for submission of applications		■																							
Evaluation and selection			■																						
Signing of contracts			■																						
Dissemination of information to line Ministries on PFM Reform Plan	■	■	■	■	■	■																			
Internal audit expert					■	■					■	■						■	■				■	■	
Public accounts expert					■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	
Finance One /Software specialist						■																			
Budget/perform monitoring expert					■						■	■				■	■								
MTEF specialists for forward estimates and ToT of Budget staff					■								■										■		
Debt Management Expert							■																		
Training workshops					■						■		■				■					■	■		
Study tour for internal audit staff																■									
Study tour for budget staff										■															
Study tour for accounts staff														■											
Joint Annual PFM Review				■									■												■
PEFA Assessment											■	■													