

Background to (PFM) Reform Plan in Samoa



Pre-PFM Reforms

- Late 1980s – fiscal reforms
- Early 1990s- public sector reforms start
 - SES 1995-1997
 - 1996 – introduced performance/output based budgeting
 - 1998 – public service reforms – down-sizing; right-sizing, corporatization
 - 1998 – privatization
 - Early 2000s further financial reforms – PFMA, Companies Act; PSC Act,
 - Mid-2000s – PFM reforms renewal
 - 2013 onwards – outcomes based; MTEFs.....



PFM Performance Report

- EC financed a study of the PFM systems in Samoa based on the Public Expenditure and Financial Accountability (PEFA) assessment tool – World Bank, EU + others – applied to compare countries
- Undertaken in October 2006
- Linked to proposed transition to budget support



PEFA Assessment – Main findings

Overall Budget Performance:

- Realistic budget for aggregate revenue/ expenditure projections – includes all expenditures – available to public
- Planned allocations to Ministries sometimes inadequate – leading to occasional supplementaries (MoH, MoE)
- Budget is based on Government policies
- No forward estimates in the budget



Main findings – Budget Execution

- There are significant controls on release of public funds but not of optimal effectiveness
- The internal control system includes excessive transaction level controls
- Lack of monthly monitoring of revenues, expenditures and cash management
- The internal control framework needs to include assessments of efficiency, effectiveness and more systems audits
- Lack of connectivity between information systems of revenue, debt and Finance One



Findings – Budget Execution (2)

- Delay in correcting errors in FMIS financial data
- Government agencies run their own parallel systems due lack of faith in Finance One
- Information reports from FMIS are not used to strengthen expenditure management/ decision-making
- Greater use could be made of FMIS controls in enforcing separation of duties and controls on access to accounts
- There are often delays in settling accounts payable



Findings – Accounting & Reporting

- **Very late submission of public accounts due to staff turnover and reconciliation problems within FMIS (Finance 1)**
- The public accounts do not include donor expenditure managed outside the Treasury fund
- The external scrutiny role of the Chief Auditor is being effected by the late submission of public accounts



Overall Assessment of Impact of PFM weakness

“The failure to develop a complete internal control framework has facilitated the accumulation of the other key PFM weakness in the form of inaccurate data in the financial management information system and led to staff being unable to perform timely reconciliation and reporting work”



Government of Samoa Response

- Analysis and response to PFM report in matrix format through internal consultation (August 2007 -February 2008)
- Drafting of PFM Reform Plan (February – September 2008)
- Formation of PFM Task Force (July 2008)
- Drafting of Project Proposal for PFM capacity building support and submission to PSIF (July-September 2008)



Public Finance Management (PFM) Reform Plan



PFM Reform Plan

Aim: To strengthen public finance management systems and promote efficient use of resources

Stages: Designed in Stages to focus on strengthening basic systems first (2008-2010) before moving on to higher level reforms in Stage II (2011-2013)

Covers all aspects: Legal/ Regulatory/ Institutional/ Management/ Systems/ Capacity Building



PFM Reform Plan - Objectives

Implementing Agencies:

Ministry of Finance, Ministry of Revenue and
Chief Auditors Office

STAGE 1 main objectives 2008-2010:

- ☐ Timely submission of public accounts
- ☐ Regular reconciliation of bank accounts & improved cash flow management
- ☐ Effective internal audit system contributing to a better internal control framework



PFM Reform Plan – Objectives (2)

STAGE 1 main objectives 2008-2010:

- ☐ Strengthened procurement procedures
- ☐ Improved payment of arrears
- ☐ Increased collection of income tax
- ☐ Strengthened budget with forward estimates, inclusion of development partner funding and links to sector plans with performance monitoring



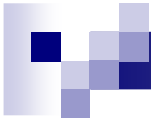
Accounts – Stage 1 actions

- Remove backlog of public accounts for 2006/07 & 2007/08 and develop systems/capacity to prevent future backlog
- Strengthen cashflow forecasting and monitoring in MoF and line Ministries
- Strengthen the monitoring of domestic arrears and aim to reduce payment delays
- Improve the quality of data and reporting functions from Finance 1 (FMIS)



Budget – Stage 1 actions

- Strengthen the MTEF process with improved forward estimates
- Update budget cycle with more time for integrated planning, analysis and interaction with Ministries/Public Bodies.
- Strengthen performance monitoring and linkages with sector plans in the budget
- Introduce new procurement guidelines and standard tender formats



Internal Audit – Stage 1 actions

- Review and strengthen the internal controls framework and the role of the Internal Audit Division.
- The Work Programme of the Internal Audit Division will place increased emphasis on systems monitoring and risk analysis



Economic Planning and Policy – Stage 1 actions

- Promote the development of sector plans with performance monitoring systems and annual reviews
- Develop a macro-economical model for Samoa to facilitate planning, forecasts and analysis



SOE Monitoring – Stage 1 actions

- Strengthen capacity for financial /
business analysis of SOE performance



Aid Coordination – Stage 1 actions

- Draft Aid Policy including the transition towards budget support as the preferred modality
- Develop a Debt Management Policy with mechanisms for control of external and domestic debt
- Develop a comprehensive reporting system on Government debt



Implementation and Monitoring

- Steering Committee to be established at CEO level (MoF, PSC, MoR, Chief Auditor and PM's Office) – meets quarterly
- Task Force already established under MoF meets monthly
- Propose annual meeting with development partners to review progress and discuss capacity building support
- Propose 3 yearly PEFA assessments by independent experts – next planned for October 2009



Chief Auditor's Office – Stage 1 actions

- The ISP, which started in Oct'09 is supporting the drafting of standard manuals and methodological guidelines, which should be completed by Feb 2010 and formally approved by mid-2010.
- The CA is developing capacity on audit checks to review control systems and risk analysis as well as skills and software for audit of Finance One



Ministry of Revenue – Stage 1 actions

- Restructure the tax administration sections in the Ministry to improve efficiency and introduce a new client orientation
- Introduce a new database information system for income tax collection and monitoring
- Develop future revenue targets and forecasts as an input to the MTEF



Progress to date

- PFM Reform – now in its 3rd stage
- Linked to budget support
- Indicators used by donors to link and leverage aid programme