



2022 REGIONAL PUBLIC FINANCIAL MANAGEMENT (PFM) SYMPOSIUM

Strengthening PFM Governance – An Enabling Tool for Progress Towards Effective, Inclusive, Accountable and Sustainable Economic Recovery

22 – 25 March 2022
Virtual Meeting

FINAL OUTCOMES

A 2022 Regional Public Financial Management (PFM) Symposium was convened virtually from 22 - 25 March 2022 to provide an opportunity for knowledge sharing and networking amongst Finance Secretaries and Senior Officials that explore efforts targeted at strengthening PFM systems in the Region as members recover, rebuild and adapt to the onslaught of Covid-19.

2. The PFM Symposium was fully funded by the European Union (EU) under the EDF 11 Funding Arrangement that supports Inclusive and Accountable Governance initiatives. The PFM Symposium was attended by Australia, Cook Islands, Federated States of Micronesia, Fiji, Kiribati, New Caledonia, New Zealand, Niue, Papua New Guinea, Republic of the Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu. Also in attendance were the European Union, Pacific Financial Technical Assistance Centre, UNDP, UNESAP, PCRIC, representatives of Civil Society Organisations, Auditor Generals Offices and the Private Sector. The full List of Participants and Agenda are attached at [Annex A](#) and [Annex B](#).

OPENING REMARKS

3. The devastating impacts of Covid-19, natural disasters and the war in Ukraine were highlighted, particularly the socio-economic consequences for the Pacific and that it was more important now to focus on good Public Finance Management. Public Finance Managers will need to deal with decreased fiscal income and face hard choices on public expenditure and that deepening the deficits increases debt. The need for PFM to be effective, sustainable, transparent and accountable was also emphasised as public finance management was at the heart of good governance and principles of democracy. It was further noted that the PFM Symposium would be a platform to share experiences, build knowledge and to strengthen capacity.

4. The commitment of the EU in supporting PFM in the Region was also noted as it was in line with the commitment of the Pacific Leaders through the Teieniwa Vision 2020 on Pacific Unity Against Corruption aimed at strengthening governance and transparency. The work of other PFM implementing agencies in the Region was also acknowledged, especially, technical assistance and capacity building programs coordinated by the Pacific Financial Technical Assistance Center (PFTAC), and oversight agencies such as Parliamentary bodies and Auditor General's Offices by the Pacific Association of Supreme Audit Institutions (PASAI), and the United Nations Development Program (UNDP).

5. It was also emphasised that the region is very prone to climate and disaster shocks and having robust PFM systems was crucial to deal with these shocks effectively through access to and management of climate and disaster risk finances. It was noted that the Climate Finance

and PFM Technical Working Group was established with the main focus of promoting the inclusion of climate change in the Public Expenditure and Finance Accountability (PEFA) framework through the piloting of a new PEFA climate module in Samoa, promoting direct access to the Green Climate Fund and elevating the importance of climate finance effectiveness.

6. It was acknowledged that the PFM Symposium is an important platform for stakeholders to reflect on strengths and challenges and participate in a call for innovative regional solutions that best meet our resource capacities and unique contexts and build conversations around strengthening PFM systems.

PUBLIC FINANCIAL MANAGEMENT (PFM) REFORMS IN THE PACIFIC AND PFM EXPERIENCES DURING COVID-19

7. Participants at the Conference were presented reflections on PFM reform and progress in the Pacific over a 10-year period, country experiences on PFM and regional experiences in strengthening regional and fiscal defences through buffers to strengthen future Pacific resilience sustainability.

8. It was noted that PFM improvements constituted implementation of IPSAS (Cash) Standards, enhancement of disclosures for nonfinancial assets and liabilities (IPSAS encouraged disclosures), improved standards in the design of Chart of Accounts with greater alignment to GFSM2014, strengthening warranting processes that is, quarterly warranting and commitment controls, implementation of internal audit standards and modernised risk-based auditing techniques in certain countries such as Fiji, Samoa and Tonga. It was also noted that PFM was fairly weak in areas pertaining to management of assets, policy-based budgeting and management of fiscal risks. Participants were also notified of modalities for technical assistance and capacity development available in the region as well as PFM Diagnostic Tools particularly guidance to member countries in adopting good practice.

9. In terms of member countries experiences, it was noted that the impact of Covid-19 on revenue sources through direct sources such as tourism as well as indirect sources such as consumption of goods and services reduced significantly impacted the tourism sector particularly in employment and flow on effect to Government revenues. It was acknowledged that to cope with the Covid-19 pandemic, support from bilateral partners was crucial as well as temporary departure from fiscal rules, constraints on operating expenditure, debt funding to support economic recovery, government stimulus through economic response plan and economic recovery roadmap were implemented. In addition, the departure from fiscal rules allowed governments to respond to the crisis with all available resources without adherence to fiscal rules and these included implementing expenditure measures under the economic response plan that pushed expenditure to levels beyond the medium-term strategy expenditure ceilings.

10. It was acknowledged that the economic damage from the crisis would be deeper, longer lasting and socially detrimental and that additional debt servicing requirements over time would impose major stress on government spending and that while debt sustainability was a concern, the usual worries of excessive debt are less relevant in the pandemic context as long as increased spending stimulates the economy to justify additional debt servicing costs. It was acknowledged that fiscal instability and its impact by limited fiscal space from climate change risks, natural disasters are faced by Pacific economies lead to increases in debt levels and therefore the need to build fiscal buffers to enable economies to deal with economic shocks which are becoming more frequent and more intense.

11. It was acknowledged noted that there were various types of fiscal buffers and some already exist within the Region that could potentially be replicated in other countries. There are various types of fiscal buffers in the form of disaster funds, cash buffers held within Consolidated Funds, insurance products, government deposits with central banks, foreign reserves held by central banks and sovereign wealth funds. It was acknowledged that fiscal risks need to be mainstreamed into FICs fiscal and budgetary planning processes, encourage self-insurance to reduce dependencies on foreign aid and budget support as well as to assess the appropriate size of buffers for countries depending on the vulnerability risk of the country.

12. It was noted that simplification of the national budget processes so that citizens and civil society are able to participate in the formulation of all stages of the national budget process was acknowledged and the benefits of citizens budgeting in leveraging the engagement of citizens and shifts in perception of people where there is more understanding of the limited resources that government has. It was acknowledged that having solid PFM systems and processes in place is the most effective first line of defence in terms of responding to shocks including climate-related, disaster-related and pandemic-related shocks.

13. It was acknowledged that we need to do a lot more and continue to do more in terms of improving and strengthening transparency and accountability so that countries are better prepared to respond to shocks. It was acknowledged that effective communication was crucial in creating stability to people and communication tools used by marketing to beef up public awareness to create calmness. It was acknowledged that capacity constraints faced by member countries and the need to continuously build capacity at Ministry of Finance levels and the need to have transparent and completeness of information and the need to strengthen PFM systems in order to deal with issues such as corruption and associated leakages.

BALANCING FISCAL RISKS FROM MULTIPLE SHOCK EVENTS IN HIGHLY UNCERTAIN TIMES WITH CONSTRAINED RESOURCES TO RECOVER FROM THE CRISIS

14. The remarks and presentations for the session provided an overview of balancing fiscal risks from multiple shock events with constrained resources with consideration of sharing risks with the private sector in order to emerge fiscally stronger. There is acknowledgement of the significant impact of Covid-19 on PICs having to temporarily depart from approved fiscal rules and therefore the need to consider other alternative solutions that could best assist Ministries of Finances in designing fiscal stimulus packages to protect and safeguard the welfare of its people and stakeholders.

15. The session highlighted that there was significant potential for Ministries of Finances to engage with the Private Sector particularly in conversations around economic recovery from Covid-19 and other ongoing national crisis such as domestic riots, climate change, natural disasters. Some of the potential solutions for valuable conversations with the private sector pertained to the important of diversifying into other sectors such as agriculture, the need to invest in people and digital platforms to ensure flexibility and continuity of work and the need to build self-sustainability across all sectors of the economy to reduce dependency on government support in recovery. In the creation of an enabling environment, the need to break through prevailing perceptions between the private sector and government was essential in building results-oriented conversations that discuss current trajectories and the sustainability of government policies as well as impacts to the private sector in order to formulate effective interventions. Also, the need to build agility in response mechanisms through consideration of risk-centred contingencies, continuity plans as well as agile laws and infrastructure. It was

acknowledged that in stimulus packages discussions, there was a need to note and discuss what sector needs to be prioritised for projects, incentives and programs. To understand which sectors would generate export and revenues what is the investment what needs to be applied in order to get returns effectively. It was noted that due diligence on stimulus packages to first understand what the challenges are and then formulate packages that address these challenges to ensure business continuity as specific needs of businesses are addressed effectively through stimulus. Also understanding people's skill levels and ability to adapt to working in other environments outside the usual working environment is also acknowledged. An enabling environment would therefore be one that reviews the frameworks, the laws and infrastructure to understand what the underlying issues on the ground are and aligning the financing incentives, programs and/or projects to fit and address those underlying issues.

16. One of the key challenges identified in the airlines sector constituted of underlying drivers of contingent liabilities and tackle legacy issues particularly in the Airlines industry which were under capitalisation of airlines in the Pacific Region and resorting to debt financing to purchase of new equipment or new airplanes, political interferences on routes and types of airplanes to be bought and management of airlines considering the limited resources that they have access to. There was an acknowledged that the airlines industry was highly capital-intensive and generally would have the highest debt to equity ratio. Therefore, since airlines have been debt-laden before Covid-19, it is critical for airlines to manage liabilities as financing growth and re-fleeting through debt would increase liabilities significantly and consequently contingent liabilities. It was acknowledged that governments need to continuously engage with airlines to identify their needs and provide necessary financial support and adequate provisions particularly when borders re-open. It was acknowledged that there is potential to build airline partnerships in the form of co-shares, joint leases of airplanes, joint use of global distribution systems and other areas to enhance potential collaboration to drive economies of scale. Additionally, revenue cost driven airlines that look at sharing revenue and costs that are fully supported by national governments that ensure that a country's needs and aspirations are fully met.

17. The support from donor partners was noted as well as the government funding to support health spending needs of Kiribati such as building of pharmacies and stimulus packages for SOEs, unemployment support for tourism and business that closed operations and business stimulus to ensure business continuity. In addition, the shift towards communication spending to support officials in Ministries and Departments to work from home as well as advertisement costs on informing public on awareness and PPE expenses, the move towards transactive payments from manual cash to transactive payment processes, including online procurement processes. The initiatives by Government in building resilience through digitisation, although still in its early stages and the introduction of the IFMIS program in Kiribati to improve financial management and acknowledge assistance through the TA to implement and assist resilience in Kiribati are acknowledged.

FINANCING COVID-19 RECOVERY THROUGH URGENT AND SUSTAINABLE FUNDING APPROACHES AND SOLUTIONS

18. The session highlighted various urgent and sustainable funding approaches and solutions to finance Covid-19 recovery as PICs cope and build resilience to climate change and climate-related natural disasters. Whilst member countries that presented in the session highlighted the common challenges that Covid-19 brought upon their various governments, Covid-19 also provided opportunities to review and consider funding solutions and initiatives

that could assist member countries in coping with Covid-19 in order to build better with the limited resources available.

19. Some of the challenges presented in the session related to drop in revenues, increases in outstanding public debt and the need to borrow more to meet current needs and implement a post-crisis recovery plan based on public investment. In addition, other challenges faced were in terms of debt conditions/requirements from donors, costs of transshipment and delays in continuation of planned large investment projects due to restrictions on movement and materials. In light of these challenges, possible solutions that were explored by member countries that presented for the session were acknowledged. These solutions pertained to fiscal and health reforms which needed to be financially credible, economically efficient and socially fair focussed on saving money, optimising resources and streamlining governance as well as a multi-year investment program to meet the country's infrastructure needs. In addition, fiscal consolidation was needed to secure medium to long-term financing needs through expenditure rationalisation, revenue mobilisation and strengthened public financial management was also explored.

20. The solutions to potentially manage these challenges fiscal consolidation to secure medium to long-term financing needs which could be explored through expenditure rationalisation, revenue mobilisation and strengthened public financial management. Some of these initiatives included reviewing current spending and SOE subsidies, issuance of budgetary ceilings to each Ministry to budget, undertake a public expenditure review, speed up SOE reforms, improving revenue administration, maximising fishing revenues, reviewing fiscal responsibilities legislated in the relevant laws, implementation of the PFM Roadmap, strengthening fiscal projects and budget presentation as well as rolling out updated FMIS to improve accountability, management and reporting.

21. It was also acknowledged that key policy initiatives to complement ongoing reforms to sustain fiscal consolidation were the need to improve investment and private sector development such as starting a business, access to credit and doing business with government and tax reform, development of the financial sector was crucial and to strengthening development cooperation was crucial to improve mutual accountability and coordination between government agencies and increase predictability, effectiveness and development of assistance flows. It was acknowledged that a strong fiscal position was critical in order to maintain shocks through favourable tax revenues and government recurrent revenues, keeping expenditures well within budget and the ability to maintain strong reserves built over the years in order to buffer the economy with stimulus packages during shocks such as Covid-19. It was also acknowledged that there was a need to shift focus towards more productive sectors such as the agriculture, primary sector mainly construction sector.

STRENGTHENING FISCAL TRANSPARENCY, ACCOUNTABILITY, EFFECTIVENESS, AND INCLUSION TO RECOVER STRONGER FROM THE CRISS

22. With an intention to provide a level of inclusivity and strengthening accountability and transparency of public finances during a crisis, the session emphasised the need for government particularly, Ministries of Finances to engage with oversight institutions and Civil Society Organisations in conversations around economic recovery from Covid-19 and how we can improve responding to crisis better.

23. The role and importance of Supreme Audit Institutions (SAIs) in the region was crucial in supporting crisis response mechanisms of government through maintaining financial

management discipline and ensuring transparency as well as accountability is undertaken during the process. In addition, the need to ensure active dialogue with stakeholders such as government, development partners and civil society organisations so that SAIs are able to understand the overall response to the crisis, the main risks and how their role could add value through SAI work. The effectiveness of the crucial work that SAIs play rested on their independence and protection from outside influence and therefore guarantee of independence legislated in the Constitution is crucial.

24. Acknowledged that in times of crisis, there will be an increased risk of non-compliance with laws, regulations and government procedures due to limited government capacity and possible relaxation of rules procedures and difficulty in complying with laws and regulations during an emergency situation but that any deviation from the rules need to be properly documented and explained. Therefore, it was also acknowledged that public expenditure laws needed to be clear on the use of public funds during an emergency situation and the need to clarify the role of SAIs with clear and broad mandates of SAIs to carry out any audits during crisis as it sees necessary. As such effective communication between SAIs and all stakeholders that is, parliament, executive, judiciary, media, citizens and NGOs was crucial. There are also opportunities to explore the need to reassess fiscal policy needs, identifying financial and human resources required and ensuring that these resources are available to front line public service providers and consequently deploying emergency responses that ensure public service delivery. At the same time, the importance of a close working relationship between the Ministries of Finance and line Ministries to navigate the crisis and the importance of capacities of line ministries and core government bodies in helping ministries of finances to unpack, use data and information in order to design relevant packages required.

25. The Covid-19 pandemic certainly provided an opportunity to identify systems and processes in place and to explore initiatives that could unlock economic potential in generating development, through effective recovery plans that unlock new opportunities and transformative solutions that can help us achieve better in the future and build back better green and blue economies. It was also acknowledged that whilst effective accountability could be achieved through access to digital technological solutions by oversight institutions, the challenges to creating an enabling digital infrastructure platform to enable oversight institutions to use digital solutions effectively remained. It was also acknowledged that there are linkages between public finance systems and Sustainable Development Goals (SDGs) and whilst challenges exist in terms of linking government priorities to budget allocations, it has been acknowledged that disaggregated data to track where expenditures were going remain a constraint. There was also expectation on regional institutions to monitor and support SDG reporting and whilst member countries are able to pursue Voluntary National Reviews to review progress and regional publications undertaken via the Quadrennial Pacific Sustainable Development Reports, the need for capacity building from member countries needed to demand driven from member countries and supported by regional institutions. In acknowledging capacity constraints, there are opportunities to establish partnerships at national levels of the Ministries of Finances and relevant line ministries such as Ministry of Environment or Ministry of Women to ensure budget information is able to capture the right information.

26. Acknowledged the importance and voices of citizens in conversations around economic recovery from crisis and the efforts taken by regional institutions in engaging citizens to provide inputs in informing response packages and ensuring that feedback loops remain active to ensure informed decision making. Acknowledged that fiscal space does affect response and recovery pathways but the need for information, data, leadership and institutions have been the cornerstone to balance effectiveness and accountability and there was a need for governments and partners to invest in building public finance capabilities necessary in dealing with uncertain

times, being able to navigate risks, refine and build into existing systems new ways of looking at risk and prepare budgets moving forward.

27. There was also a need to acknowledge the significance impact development partners played in assisting member countries in responding to the crisis through providing assistance targeting covid-related assistance to Health or Ministry of Finance by way of support to economic stimulus packages and collaborating with government in terms of continuation of projects in country. Covid-19 provided an opportunity and benefit for small islands states in terms of the need to enhance internet access and connectivity that improved dramatically, opportunities to refine policy reform matrix and coordinating various assistance provided by donors to minimise duplication and resources are allocated wisely to priority areas. It was also acknowledged that Covid-19 also provided an opportunity to put emphasis on health through a comprehensive reform agenda.

28. Acknowledged the need for an effective regionalism approach that is fundamental and key to our resilience in facing future crisis and the need for all to stakeholders, that is, individuals, private sector, public enterprises, government and partners to collaborate and provide meaningful solutions to face these unprecedented economic and social challenges. The challenges in terms of capacity constraints was acknowledged and there needed to be a connection between budget formulation and budget execution and reset mindsets that effective PFM Systems are not the sole responsibility of government or Ministries of Finances but the responsibility of the whole country inclusive of all stakeholders.

Pacific Islands Forum Secretariat, Suva
24 March 2022