PFTAC

UNITED NATIONS ESCAP

Economic and Social Commission for Asia and the Pacific

WORKSHOP ON MEDIUM-TERM EXPENDITURE PLANNING FOR NATIONAL SUSTAINABLE DEVELOPMENT

15-19 FEBRUARY 2016, NADI, FIJI

SUMMARY OF DISCUSSIONS

The Pacific Financial Technical Assistance Centre (PFTAC) and United Nations Economic and Social Commission for Asia and the Pacific, Pacific Office (UNESCAP) organised a Workshop on Medium-Term Expenditure Planning for National Sustainable Development, from 15-19 February 2016, in Nadi, Fiji.

The workshop brought together senior officials from finance, planning and prime minister's departments of eight countries including Fiji, Kiribati, Papua New Guinea, Tokelau, Tonga, Tuvalu, Solomon Islands and Vanuatu. A list of participants is annexed.

The objectives of the workshop were to discuss processes, tools and strategies for improving medium-term expenditure planning to achieve national sustainable development. In particular, the workshop focused on four main questions:

- How to implement medium-term budgeting to better link with medium-term national development plans?
- How to improve the quality of government spending?
- What are the fiscal risks and how should they be managed?
- How to improve medium-term expenditure planning to achieve sustainable development goals?

Participants actively discussed issues through presentations and group exercises, which led to information sharing and highlighting good practices.

The key messages and outcomes from the workshop are set out below.

Setting the Scene

Public expenditure is an essential tool governments have to achieve sustainable development. Sustainable development requires the integration and balancing of economic, social and environmental considerations to serve overall public interest through social equity and maintenance of capital. Moreover, the UN Rio+20 outcome document ‘The Future We Want’, the 2014 Small Islands Developing States outcome document ‘SAMOA Pathway’ and the United Nations’ 2030 Agenda for Sustainable Development clearly recognised the need for balanced and integrated policy making based on a strengthened evidence base. Inadequate linkages between the national planning and budgetary processes constrain the ability to achieve national development goals and priorities in the medium to long term.

Country Presentations

Country participants delivered presentations and shared experiences on their countries' planning and budgeting processes. A number of common issues relating to 'challenges and constraints', 'critical success factors' and 'strategies/ policies' were highlighted in each of the country presentations. These included:

- Closer integration between planning and budgeting in an annually updated budget with a medium-term framework strengthens the discipline of accounting for how funds are going to be used for implementing development priorities.
  - Medium-term planning and budgeting is a useful tool to ensure multi-year programs/ projects are adequately funded given governments' competing spending pressures and commitments, for better implementation results.
- Development plans should provide descriptions and costs for key priorities to allow for necessary budget allocations to support implementation. Costing of planned priorities is essential before policy or spending commitments are made. Budgets should contain updated forward estimates for all decisions made in the past by Cabinets or Parliaments including decisions made between budgets.
- Government planned priorities and associated expenditure projects and programs are often multi-year commitments. Government revenues are volatile in some countries underlining the importance of careful expenditure planning.
- Salaries and wages pose important fiscal pressures in some countries. Other countries are facing increasing fiscal pressures arising from natural disasters and population growth.
- Political interface can pose a challenge in effective budgeting and delivering planned targets. Strong leadership at various layers of the decision making process is important to getting buy-in and support.
- Monitoring of allocations and connecting with planned priorities are essential for achieving desired outcomes.
- Institutional arrangements such as combining planning and budgeting departments, and having effective committee arrangements, can support necessary consultation and analytical preparation for stronger links between the budget and planning processes.
- Budget documents are important in creating accountability and transparency for spending decisions, and implementing policy reforms and development plan priorities.

National Planning and Government Expenditure Linkages for Sustainable Development

A presentation by UNESCAP covered commitments countries have made at the global level on sustainable development and discussed the links between these commitments to national planning and budgeting processes in the Pacific. While global commitments to a large extent have been incorporated into national development plans, implementation performance in the region has been mixed.

The presentation noted that integrated planning and budgeting is acknowledged as essential for sustainable development. In particular, this enables implementation of development plans, spending agencies can be held to better account for performance, and parliaments can have an increased role in monitoring planned outcomes. The presentation highlighted typical reasons for limited linkages between development plans and budget allocations:

- poor coordination between ministries and central agencies;
- plans are ignored – priorities are not in budget allocations;
- too many plans and/ or complex to implement;
- plans are focused on identifying aid programmes; and
- plans don't have sufficient ownership – at all levels.

As a general rule, successful reforms to integrate planning and budgeting rarely involve the creation of new systems, rather existing instruments could be leveraged. While there is no single solution to integrating planning and budgeting processes, the presentation identified successful efforts to have involved:

- consolidation of central functions into one ministry or the implementation of a joint decision making structure (e.g. Committees jointly chaired by the Departments of Planning and Budget);
- national development plans which are developed through wide consultation for ownership and contain targeted and costed priorities; and
- strong cabinet involvement in strategic decision making around the policy, planning and budgeting cycle, often through the establishment of cabinet committees.

Incorporating the Sustainable Development Goals into Budget and Planning Processes: Tonga's Experience and Lessons for the Region

Representatives from Tonga presented their experience with linking the Tonga Strategic Development Framework (TSDF) to the national budget. The TSDF is the overarching document for integrated planning and budgeting in Tonga. Specific key performance indicators are included in the TSDF to better link with supporting strategies and funding for implementation, as well as provide benchmarks for monitoring and evaluation.

Some fiscal risks in funding sustainable development priorities include:

- aging population and health care costs related to high prevalence of non-communicable diseases;
- impact of natural disasters; and
- mounting infrastructure maintenance costs.

The presentation highlighted challenges and offered solutions including:

- ring-fencing critical budget items to limit transfers from planned to unplanned budget items;
- higher compliance in assessing policy proposals;
- robust and regular monitoring of policy decisions; and

- better coordination between central and implementing agencies.

Long-term Spending Pressures Arising from Demographic Changes

A PFTAC presentation discussed long-term fiscal pressures arising from demographic changes. A comparison of annual historical and forecast population estimates, which are available by age groups for all eight countries represented at the workshop, revealed some common trends and significant challenges for many PICs.

A common trend is net migration with the number of people leaving their country generally exceeding the inflow of new migrants or returning residents. Moreover, internal migration within countries from rural to urban areas and outer to main islands is an important factor. However, countries differed in terms of the age profile of their populations and population growth rates. Kiribati, Papua New Guinea, Solomon Islands, and Vanuatu have a relatively young and rising population, while the proportion of people aged 60 years and older is largest in Fiji, Tonga, Tokelau, and Tuvalu. Population numbers have been stable or declining in Fiji, Tonga, and Tokelau but increasing in Tuvalu.

Changing demographics have fiscal implications. Population ageing is expected to increase health care expenditure. In addition the costs of social security or other old-age benefits will increase particularly if the eligibility age for state pensions is not increased to reflect today's increase in life expectancy. Also adding pressures on health care costs is a high prevalence of obesity in the region.

Changes in the number of school-age children and the migration of young families from rural to urban areas can also have significant impacts on the cost of providing basic education, though the magnitude of the cost changes is less clear. A small rural or outer island school requires a minimum critical mass of staff to operate, so migration of students from such schools may not translate into much cost savings, while the cost impact on the larger urban school to which a student migrates will depend on whether it is at, or under, capacity. If new schools or larger schools are needed, education expenditure will increase.

An Approach to Better Integrating Planning and Budgeting: Lessons from Solomon Islands

A presentation by a PFTAC consultant discussed recent integration initiatives in the Solomon Islands. It defined integration as the link between development priorities in the plans with the resource allocation in the budget and emphasised the importance of prioritisation given scarce resources. The process of prioritisation may not always be transparent and is often seriously undermined by the poor compliance of ministries and departments with budget instructions especially with respect to the timely submission of budget bids and keeping within budget ceilings.

To address these challenges, Solomon Islands has introduced a committee structure to strengthen the sharing of decision making on budget strategies, proactively allocating resources to sectors based on best practices, defining development spending and setting a medium target for the development budget. In addition, roles of major stakeholders in the prioritisation process are being clarified and documented.

Solomon Islands is developing solutions to other related challenges which include:

- the role of Ministers in budget process;
- politically driven projects which are not ready for implementation;
- development budget being used for non-development projects;
- changes to budgets at Caucus meetings very late in the budget process; and
- bypassing ministry of finance evaluations of cabinet proposals.

Getting the Baseline Budget Right—Towards Medium-term Expenditure Planning

An introductory session by PFTAC on implementing medium-term budgeting and planning emphasised that for essential public services, like education and health services, any improvements in most countries will always be a multi-year endeavour. Ensuring the public that elected leaders' promises to improve these services will actually materialise, therefore, requires a disciplined process for multi-year fiscal planning.

Results from Public Expenditure and Financial Accountability (PEFA) assessments in the Pacific Island Countries, however, show very low ratings on the development and implementation of multi-year perspectives in fiscal planning, expenditure policy and budgeting. PIC practices contributing to these low ratings were highlighted and possible solutions were discussed. These are summarised in the table below.

Practices Diminishing Spending Quality	Solutions to Improve Spending Quality
Notions that planning and budgeting are separable	Integrate processes, documents and teams
Separation of recurrent and development budgets	Integrate processes, documents and teams
Undisciplined cabinet procedures: Approving policy changes throughout the year without fiscal reviews or prioritisation in the context of long-run priorities	Require ministry of finance 'fiscal reviews' of all proposed cabinet policy actions before adopted considering both: • Long-term costs of the proposal, and • Effect on the medium-term fiscal surplus/ deficit
Inadequate time for cabinet/ parliament debate on budgets, underlying policy objectives, and long-term impacts	Start budget process earlier so that more attention can be given to longer-term objectives
Multi-year focus not taken seriously by cabinet/ parliament	All decisions reviewed relative to longer-term consequences for priority national goals
Numerous supplemental budgets for non-emergency matters and consequent reallocations	Final action on all non-emergency proposals delayed until annual budget preparation so they can be properly weighed and prioritised

	in the context of: • Longer range plans to develop and maintain critical infrastructure and growth-enhancing public services • Other past adopted policies with "built-in" cost increases • All other newly proposed policies that have arisen during the year
Diversion of appropriations for other purposes than originally intended	Careful monitoring to limit reallocations that may jeopardise achieving longer-term goals
Lack of proper commitment controls forces reallocation during the year to cover costs incurred by violators	Greater use of the commitment control capabilities of financial management information systems (FMISs)
Procurement system failures and rent-seeking behaviours	Require start-of-year procurement plans with estimated prices for services made available to the public

Preparing Budget Documents for Better Linkage to National Plan Priorities: Fiji's Experience

A presentation by Fiji underscored the importance of a clearly articulated development plan and a proactive approach to integrate priorities into the annual budget.

At present the Government of Fiji is developing two plans:

- 20 year development plan which will set out broad outcomes, goals and strategies and identify and address key challenges, opportunities and resources needed for realising a long term vision; and
- 5 year development plan which will set out detailed strategies and programmes for the allocation of resources for all sectors, including education and health. It will provide a comprehensive framework for infrastructure development, enhancing social services, youth empowerment, job creation and reducing the impact of climate change and natural disasters.

The two new development plans, to be finalised by mid-2016, will include costed priorities. The global Sustainable Development Goals will also be incorporated in both plans. Line ministries will be required to draw up their strategic plans using the development plans and align budget submissions accordingly. The new development plans will be directly linked not only with the current year's budget but also with two forward year estimates. A detailed narrative in the 2016 Budget expenditure estimates explains the current and forecast expenditure linkages with national plans' policies and priorities. This approach facilitates better integration between development plans and budgets, and the budget documentation can then be utilised for raising levels of accountability in the implementation of national priorities in development plans.

Sound Medium-term Fiscal Planning to Achieve Sustainable Development: Gaining Acceptance in a Political Environment

UNESCAP presented on the importance of targeted expenditure for effective delivery of services for achievement of national development priorities. Integration of national plans and budgetary processes can support the achievement of national development goals. Given the limited resources of governments and competing priorities, technical analysis on policy choices needs to inform key decisions, to minimise ad-hoc and politically driven agenda.

For improved prioritisation and linkages between plans and budgets, two critical steps were highlighted:

- National development plans need a level of detail to clearly capture development activities – with cost estimates included to allow for meaningful debate around inter-sectoral priorities and trade-offs to occur. An indirect benefit is the plan becomes a centralised driver of policy and implementation of priorities – this will also facilitate streamlining the number of planning documents (e.g. corporate plans) and creates the main reference for budgetary allocations and tracking performance; and
- Narratives in the budget document should be included to explain direction of future allocations and commitment for fiscal year implementation of priorities.

Noting that budgeting and planning are undertaken in a political environment, a presentation by the PFTAC consultant highlighted the accountability chain, namely at levels of the legislature, executive and officials. The presentation highlighted the role of the executive branch of government to set policies and priorities while that of officials is to advise the ministers and implement policies. The clarity of government priorities which are normally outlined in a country's medium-term plans is essential to effectively integrate plans into budgets. The presentation identified several tactics that officials can use to guide the ministers and cabinet in their selection of priorities which include clarifying roles under the PFM Act, presenting trade-offs and options; and regular briefings to chief executive officers, ministers, and parliament.

Ensuing group discussions confirmed that the level of integration (using indicators, e.g., trends in actual sectoral allocation against benchmarks or priorities in the development plan) between the development plan and budget is low in most participating countries present. Several measures were identified to improve integration including:

- costing of development plans;
- strengthening political ownership;
- better analysis of trade-offs and policy choices to help with informed prioritisation;
- strengthening monitoring of implementation;
- more co-ordinated institutional arrangements between planning and budget;
- stronger compliance with budget guidelines/ manuals; and
- budget documents to include narratives describing how allocations are linked to development plan priorities.

Quality of Government Expenditure

A PFTAC presentation discussed quality of government spending. Public expenditure is a significant contributor to economic activity in Pacific Island countries and an important tool that governments have to achieve economic and social objectives. But public expenditure is constrained by the financing governments can raise and by how many projects can feasibly be implemented. Given these limited resources, governments need to make decisions on what programs or projects to fund. The economic merit of spending programs can be evaluated by three criteria—their effect on (i) economic efficiency, (ii) equity and (iii) provision of safety nets.

Some forms of government expenditure can increase economic efficiency by raising the productive capacity of a country or the output a country can sustainably produce with given resources. Infrastructure spending, for example, can permanently increase a country's output and people's income by improving access to markets and services. Governments can support financial development, which is important for economic development, by putting in place adequate financial regulation and policies including financial literacy programs. The latter are particularly important because some businesses and individuals are simply too risky to lend to without training in financial basics, and some businesses and individuals not being able to borrow is not a market failure, but rather a sign of poor business planning. Government owned financial institutions have been found to perform worse than privately owned banks because political interference in decision making often overrules sound and disciplined analysis of business plans.

Government expenditures on basic education and basic health care increase people's ability to earn higher incomes by producing more output more efficiently. In addition, they help achieve redistributional and equity objectives by equalising access to opportunity. Typically governments are also expected to provide some sort of social safety net or insurance to prevent people from falling into poverty because of personal conditions, e.g. ill health, or economic shocks, such as natural disasters. The quality of government expenditure can be evaluated by these three criteria.

Managing Fiscal Pressures and Fiscal Risks

PFTAC delivered a presentation on the importance of disciplined preparation of 'fiscal notes' on all proposals (including those proposed by donors) before adoption by parliament or cabinet. A fiscal note estimates the fiscal impact—the potential costs, savings, revenue gain, or revenue loss resulting from the implementation of a proposed policy or project—regardless of funding source. It is a tool to help cabinet members and parliamentarians better understand how a proposal might impact the budget as a whole, the budgets of individual agencies, and in some instances, local governments.

Fiscal notes should be prepared for all proposed cabinet/ parliament actions before decisions are taken. They should be a required part of all cabinet and parliament briefing materials on any proposal. Initial preparation should rest with the proposing ministry or agency on a form prescribed by the ministry of finance. Cost (or savings) estimates should cover at least a 3-4 year period or longer if a longer phase-in is needed for full implementation. Ministry of finance review and comments on all fiscal notes should be a part of the cabinet and parliament submission. In addition to showing the costs (savings) associated with each specific proposal, the ministry of finance should present information showing updates of the overall fiscal surplus (or deficit)—including all changes resulting from cabinet/ parliament decisions since the last official budget.

Budget department officials should maintain a database on all fiscal notes for use in preparing future budgets or budget updates. Ministry of finance officials with responsibility for budget preparation should be informed by the cabinet of actions on all cabinet decisions with fiscal consequences. This information should be added to their information base for preparing forward budget estimates.

The presentation stressed that fiscal notes and cabinet approval should be required for all of the following proposals:

- creating a new program, activity, or project by using funding from another program, activity, or project. While such actions may be appropriate it is important to determine and certify that the transfer will not harm the program and there is no intent to ask for restoration in future years of funds to the program, activity, or project from which the funds were removed;
- all new policies or projects for which the government will be responsible. Examples:
    - phase in requirement for all public school teachers to have BA degrees by a specified date; and
    - compulsory secondary education by a specified date.
- all expansions of current government policies;
- all new donor-funded capital or other development projects. Examples:
    - donor funds initial construction of a capital project. Country responsible for operation and maintenance, asset repair/ replacement; and
    - donor funds initial operation of a new public service for x years, then country is expected to finance operation after x years.
- all proposals for new borrowing; and
- all proposals to provide guarantees or establish public-private partnerships.

Managing Fiscal Risks: Cook Island's Loan Repayment Fund

Proper debt management is a cornerstone of good public financial management. One tool to assist governments in managing their debt servicing costs is a loan reserve fund (sometimes called a sinking fund). The Cook Islands presented on the Cook Islands Loan Repayment Fund (LRF), a risk management initiative which outlined how countries can use a loan reserve as a way to smooth debt servicing requirements (for example, by putting money aside during grace periods) to better manage their exposure to rapid increases in debt servicing from one year to the next.

Governments face continual demands on public funding. The existence of grace periods on concessional finance can often incentivise governments to use the fiscal space provided to engage in recurrent expenditure, or commit to capital or loan expansion, which can cause issues for fiscal stability in later years.

The Cook Islands version of a Loan Reserve Fund (LRF) averages (or amortises) the required principal and interest costs on all loans across all remaining years. An example would be a 20 year loan, with a 2 year grace period before the first payment is due. Debt servicing on such a loan would be spread across the whole 22 year life of the loan, with this money put aside in a separate fund (the LRF) that is protected by legislation. Reserves accumulate during these first two years and cannot be appropriated for any other purpose. After the two year grace period expires, the LRF is drawn down to meet the required debt servicing payments.

An LRF of this nature helps to protect reserves that are needed to meet future debt requirements from being used for other purposes, and also ensures that the government of the day does not commit to structural/ recurrent expenditure within loan grace periods. The accumulated interest earnings of the reserves can also serve as an important buffer for exchange rate risks.

To form an LRF, analysts need to have: all the loan payment conditions, grace-periods, payment schedules and maturities; the interest rates and exchange rates on each loan; the current loan balances; and the comparison rate for government finance (as some governments may be better off paying down debt early, or simply using their core reserves as a buffer).

Estimating Annual Set-Asides for Asset Repair and Replacement

Most PICs are not setting aside adequate resources for asset repair or replacement. PFTAC presented a simple approach to estimate the minimum annual set-asides for this purpose. It relies first on developing a comprehensive asset register for all fixed and movable assets (regardless of whether the asset was purchased by own source or donor funds). The cost of replacing the asset is then determined as well as its estimated useful life. Once these basic pieces of information are obtained, the estimated annual set aside for repair and replacement can be determined by simply dividing the replacement cost by the estimated useful life. The annual set-aside should be maintained in a centrally managed ministry of finance account specifically for asset repair and replacement. Any end year balances should carry forward. This approach should insure that funds are available when needed, without requiring special appropriations when assets need to be replaced or need significant repairs.

Maintaining and repairing assets during their useful life will require adequately trained local technicians and workers and may support private sector development.

Asset Management and Estimating Out-year Costs: Tuvalu’s Experience

A presentation by Tuvalu highlighted its approach to maintaining assets. Urgent repairs for large assets have been funded through supplementary budget funding – which is unsustainable.

As such, a Deferred Maintenance Fund has been established and the Government of Tuvalu has committed annual recurrent financing of A$500,000 for the Fund. A policy governing the operation of the Fund is in place, including reporting requirements and guidelines for accessing the Fund. However, compliance with the policy will require strong leadership and political will.

Some challenges require attention, including:

- support to review the stock of government assets and develop asset management plans;
- maintenance costs of large infrastructure projects need to be identified in the planning stage and incorporated into the deferred maintenance plans, particularly for externally funded projects;
- ensuring that the funding is not vired for use on other expenditures; and
- need for centralising all maintenance under one ministry to remove duplication of maintenance efforts and to ensure better use of funds.

Managing the Fiscal Risks of Natural Disasters

A presentation by PFTAC discussed natural disasters. Mainly cyclones, floods, earthquakes, and tsunamis have had major fiscal impacts throughout much of the region causing damages every year on average of almost 2% of countries' gross domestic product (GDP). Fiscal planning can enhance economic resilience to natural disasters by building more natural disaster resistant public infrastructure and by having in place post-disaster budgetary procedures to support emergency relief, economic recovery, and reconstruction without sacrificing debt sustainability.

However, estimating the potential fiscal costs for emergency relief and the losses and damages caused by natural disasters is difficult because of uncertainty about the frequency, magnitude, timing and specific location of natural disasters. Available data on natural disasters in small island economies, recorded in the International Disaster Database, suggests:

- average losses and damages of around 10% of GDP, but
- median[1] losses and damages stood at about 1%.

The median is substantially lower than the average because of a small number of extremely costly events. The costs of the top 10% most damaging natural disasters amounted to around 25% of GDP. Moreover, losses and damages vary widely across types of disaster with storms and earthquakes typically causing more damage than floods and droughts.

To meet the fiscal costs of natural disasters there are three main sources of finance available to governments. These are: (i) fiscal buffers, including contingency funds, cash reserves and public debt; (ii) risk transfer instruments, such as insurance and other hedging instruments; and (iii) support from donors and multilateral institutions, including the Asian Development

[1] A median is the point at which 50% of cases is above and 50% below.

Bank, International Monetary Fund (IMF) and the World Bank. Funds from donors and multilateral institutions typically are available following a major natural disaster, but they may not be available for moderate disasters or in some cases they may not be accessed immediately thus requiring some contingency for emergency relief.

Moreover, whether disaster related aid is in addition to planned aid or replaces planned aid is of crucial importance. Donor related funding is aimed to increase the productive capacity of countries and longer-term growth prospects. If disaster related aid simply replaces planned aid and only rebuilds destroyed or damaged physical capital without adding new productive capacity, countries will be worse off than the originally planned use expected before a natural disaster struck. Also the form of support whether it is provided as grants or loans has longer-term implications with loans adding to a country's indebtedness and possibly adversely affecting debt sustainability.

Medium-term Fiscal Planning: Tonga Projection Model

Tonga presented on a new quantitative tool (Tonga Projection Model) which provides a macroeconomic and fiscal framework for medium-term projections. The model can also be used to evaluate macroeconomic performance and prepare policy scenarios for budget preparations. To fully implement the model, ongoing effort is needed to update data and prepare a manual for users with associated training.

Country Priorities and Action Points

Country	Priorities and Action Points
Fiji	**1.** Asset Register • Fast track the compilation of the asset register for the remaining 15 agencies. Further discussion with the various Heads of Ministries and enforce a strict deadline. **2.** Improvement in the Budget Forecasting Method, • For example to include demographic changes and strengthening assumptions for revenue forecast. Seek assistance from other PICs, PFTAC, ESCAP, World Bank and IMF **3.** Emergency Fund for Disaster • Allocation of realistic funding to support the country in times of emergency (use PFTAC's Model as guidance) • Need to provide the breakdown for current lump-sum allocation in the budget (for immediate, medium and long term support)
Kiribati	1. Improve our Asset Register 2. Strengthening our system to ensure that all policy decision align with our National Development plan – through fiscal notes 3. Develop our database for cabinet decisions that have financial implication

Country	**Priorities and Action Points**
Papua New Guinea	1. Cost National Plans/Sector Strategies and link to annual budgets - strengthen budget narratives 2. Improve M&E Framework and enforce implementation – develop clear and achievable targets 3. Better manage fiscal risks, particularly: • Off Budget/ Unplanned Expenditures • Natural disasters fund 4. Improved and updated statistics / data to facilitate planning / policy making
Solomon Islands	1. Better manage fiscal risks, particularly: • Integrating National Priorities with International Commitments / Goals • Alignment of SDGs into National Development Strategy Framework • SDGs and Indicators selection/translations into national context. Responsible agencies: Ministry Development Planning Aid Coordination, and Ministry of Foreign Affairs 2. Integrating Planning and Budget • Establish Budget Committees (Cabinet endorsement of ToRs) • Strengthen PS Performance indicators (Contract) • Strengthened Cabinet Deliberation process on new policy proposals • Improve Budget documentations (Programme and Forward estimates Descriptions) Implemented through: Budget Coordination Committee and Budget Strategic Committee 3. Medium-term Expenditure forecasting • Consideration of long-term pressures arising from Demographic changes (Education and Health sector) Discuss with various agencies: National Statistics, Education, Health, Department of Planning / Budget 4. Asset Management • Seek Support on way forward in establishing Policy/ Central Database. Donor support needed.

Country	**Priorities and Action Points**
Tokelau	1. Merge Planning And Budgeting to provide a better approach to the budgeting process, including: • Identification of various activities/projects in the various corporate plans and cost these accordingly to include in budget templates before sending these out to villages and departments; • Develop budget templates to show departments and villages the link of both operational and development budgets to goals as identified in Tokelau's 5 year national plan; and • Forecast out year budgets. 2. Review current Budget process and implement changes to improve timeline and information submitted with budget bids to decision makers for proper scrutiny. 3. Fixed Asset register for both capital and expensed items, supported with a procurement policy and manual.
Tonga	1. Strengthen capacity of Budget and Planning Officers to provide more regular and informed decisions to Cabinet • Train budget / planning officers on: policy assessment criteria from a political aspect; establishing stronger KPIs in all levels of planning; and align budgeting and planning from organizational to national level. 2. Enforce Cabinet Handbook for increased compliance to reduce ad-hoc decisions that have huge financial implications • Incorporate this as a KPI in the Prime Minister's Office's Corporate Plan under its Cabinet Office 3. Financial KPIs be included in CEO contracts to increase ownership and accountability in Planning and Budgeting • Conduct a joint work with PSC • Consult CEOs 4. Format the Budget estimates to be simplified for increased transparency and accountability for all users • Liaise with Fiji's Budget and Planning officials • Plan and trial out format for Tonga • Submit end results and recommendation to Ministry of Finance management and Cabinet

Country	Priorities and Action Points
Tuvalu	1. Strengthening Government Asset Management • Establish an asset management plan – request for a technical assistance in formulating a comprehensive asset management plan for the government. • Centralize all maintenance under one ministry to avoid virement of allocation for different purpose. 2. Estimating out-year costs • Strengthening the proposals processes that have financial implications to be vetted first by the Planning and Budget Department before submitting to the Cabinet or DCC. • Integrating cabinet decisions to the MTFF monthly to determine fiscal implications and then resubmit to the Cabinet for consideration.
Vanuatu	1. Develop Medium-Term plan across all sectors - PMO and MFEM to take lead by working with all sectors to assist by develop their Medium-Term Plan and Costing. 2. Increase the budget allocated for Contingency Fund for Natural Disasters - MFEM to take lead. Follow normal Budget process by convincing the Ministry of Budget Committee. 3. Improve the Budget Book format - PMO and MFEM to take lead.

Follow-up Activities

Workshop participants will consult national stakeholders to confirm and pursue implementation of priority actions and, where necessary, liaise with partner agencies on support required.

Guidelines on good practice for strengthening medium-term expenditure planning and better linking to national plans will provide a helpful resource for both national and development partner stakeholders. Workshop participants will assist with drafting of the proposed guidelines in partnership with organisers.

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Annex

Workshop on Medium-term Expenditure Planning for National Sustainable Development,
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