



PACIFIC ISLANDS FORUM SECRETARIAT
Excelling together for the people of the Pacific

Republic of the Marshall Islands Peer Review Report

June 2012

Cairns Compact for Strengthening Development Coordination in the Pacific



PACIFIC ISLANDS FORUM SECRETARIAT
Excelling together for the people of the Pacific

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Team, with the assistance of the Pacific Islands Forum
Secretariat.

Approved by the Government of the Republic of the Marshall
Islands, in consultation with its development partners.

ACKNOWLEDGEMENTS

At the invitation of the Government of the Republic of Marshall Islands (RMI), a Peer Review of RMI's national development planning, budgeting, public financial and aid management systems and processes was undertaken in RMI from 14 to 23 February 2012. The Government of RMI invited representatives from two Forum Island Countries, the Cook Islands (Ms Dallas Young) and Vanuatu (Mr Collin Tavi), and one development partner, the UN system in the Pacific (Mr Mosese Qasenivalu) to make up their Peer Review Team. The RMI Peer Review Team was supported by personnel from the Pacific Islands Forum Secretariat.

The Peer Review would not have been possible without the efforts of a number of people and organisations to whom the peer review team would like to express their sincere gratitude:

- The Government of RMI for taking the initiative to undertake a peer review and for galvanizing an unprecedentedly high level of interest in the process throughout;
- The RMI President and his Cabinet, members of the Nitijela, senior staff of the Government of RMI, development partners, private sector and non-government organisations who shared freely their experience, insights and ideas on how to strengthen policies and systems in RMI
- Ms Kino Kabua, Secretary for Foreign Affairs and her staff for their logistical support and unfailing helpfulness in providing documents and information before and during the visit; and
- The Governments of the Cook Islands and Vanuatu and the UN system in the Pacific, for agreeing to release us to serve on this Peer Review Team.

All financial figures are in US dollars.



RMI President Christopher Loek and his Cabinet being debriefed by the RMI Peer Review Team.



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President

REPUBLIC OF THE MARSHALL ISLANDS

**MESSAGE BY HIS EXCELLENCY CHRISTOPHER J. LOEAK
PRESIDENT OF THE REPUBLIC OF THE MARSHALL ISLANDS**

The Republic of the Marshall Islands is fully committed to the Cairns Compact on Strengthening Development Coordination (Forum Compact), an agreement by Pacific Island Forum Leaders in 2009 mandating the Pacific Island Forum Secretariat to undertake an annual Process Peer Review to allow for the sharing of development process successes and to seek constructive ideas on where improvements could be made to improve development planning, donor coordination, donor resource flows, and alignment.

The process provided the RMI with the opportunity to undertake a comprehensive self assessment in the three thematic areas of development planning, budgeting, public financial and aid management systems and processes. This exercise enabled the Government of the Marshall Islands to assess the status of the country and the challenges facing it. We are thankful for the active involvement of representatives of key development partners, implementing Ministries/Agencies, representatives of non-government organizations and the private sectors, among other stakeholders for their valuable contributions and for engaging in a constructive manner and express their views for greater participation, accountability, and transparency in the management of the country's public affairs.

The Peer Review conducted in the Marshall Islands has been a fulfilling experience and we have great honor therefore to subject ourselves to this important exercise and to share with our peers what we think we have achieved over the past few years, in pursuit of the objectives entailed in policies that our government develops and how these policies are translated into programs that enhances development coordination, addresses identifiable gaps to national sustainable economic growth, and improves the quality of life of our people.

The Government of the Republic of the Marshall Islands would like to reiterate its commitment to continue to collaboratively work with the Pacific Island Forum Secretariat and to increase national efforts to accelerate progress towards our collective aim of reaching the Millennium Development Goals.

Komol tata!

A handwritten signature in black ink, appearing to read 'Christopher J. Loeak'.

Christopher J. Loeak
President

MESSAGE FROM
THE SECRETARY
GENERAL FOR THE
PACIFIC ISLANDS
FORUM
SECRETARIAT



In 2009, the Pacific Islands Forum Leaders, through the Cairns Compact on Strengthening Development Coordination (Forum Compact) committed to improving the coordination and the use of government and donor resources available in their countries to better achieve the MDGs. The peer reviews of Pacific Island Countries' systems and processes of planning, budgeting, public financial and aid management is a key Forum Compact initiative to implement the Leaders mandate. The Republic of the Marshall Islands (RMI) is the sixth Forum Island Country and the first of the United States compact states to volunteer to undertake the Peer Review process.

The Republic of the Marshall Islands (RMI) has a long term constitutional and development relationship with the United States. Through successive RMI and U.S. compact agreements, the people of the Marshall Islands and the US have worked closely with other development partners to improve the lives of the Marshallese people. The U.S. provides around US\$100 million (compact and federal grants) on an annual basis to the RMI. An estimated 50% of this total funding will be phased out by 2023.

Similar to previous Pacific peer reviews, the government of the RMI is generally aware of its development challenges, what is working and what is not working in terms of their systems of planning, budgeting, public financial and aid management. Having the opportunity to talk with senior officials from the Cook Islands, Vanuatu and the UN system provided the opportunity for cross learning and adoption of ideas and approaches that had proven successful in other neighbouring countries.

I congratulate and thank the Government of the Marshall Islands for its commitment and endeavours to improve the governance and accountability systems of the country. The real challenge now is in the collective resourcing, implementation and monitoring the necessary actions to improve overall development planning, budgeting, public financial and aid management in the Marshall Islands.

The end goal for the Marshall Islands is improvement of the effective delivery of development programmes to the people and communities to accelerate the achievement of development results and the MDGs.

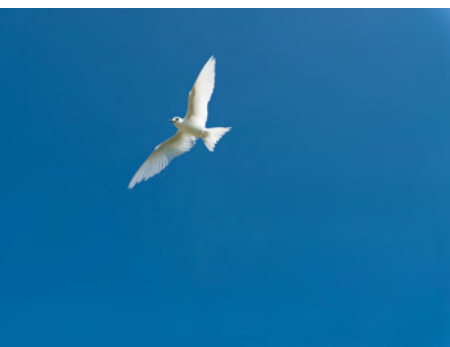
I should like to assure Mr President and the government of the Forum Secretariat's firm commitment to ongoing support to the Government of the Marshall Islands in progressing the Peer Review Team's recommendations through facilitation of support from Governments and Development Partners in the region.

Tuiloma Neroni Slade
Secretary General
Pacific Islands Forum Secretariat

BACKGROUND



BACKGROUND



1. The Forum Compact on Strengthening Development Coordination in the Pacific is a development compact agreed by Forum Leaders and endorsed by key development partners at the Pacific Islands Forum Leaders' annual meeting in Cairns, August 2009.

2. The development compact sets out collective actions by Forum member countries and development partners designed to strengthen coordination and use of development resources in the Pacific in line with international best practice as expressed in the Paris Declaration on Aid Effectiveness, the Accra Action Agenda and Pacific Principles on Aid Effectiveness.

3. Peer reviews are a key part of this package of development coordination initiatives. They review and focus action on the ways that Forum Island Countries (FICs) with support of development partners use their own money and the aid they receive to ensure a better life for their people and make progress towards achieving their national priorities including the Millennium Development Goals.

4. Peer reviews are based on the idea that if a FIC wants to make improvements in its development efforts, it may be better to seek advice from Pacific neighbours who may be facing and could have found solutions to exactly the same challenges within similar contexts.

5. RMI, like many FICs, has a limited resource base and depends at present on external support to cover its balance of payments and fiscal deficits. It has in the past received the bulk of its external support under a Compact of Free Association with the United States (US support accounts for just over half of Government expenditure, excluding payments to landowners and to the Trust Fund, in FY 2012). However, sectoral grants under the Compact, which underpin health and education services, diminish annually towards the end of the Compact in 2023. The Trust Fund which will supplement current revenue from 2024 is not expected to cover the gap. Various other reports have identified this assertion including the Fiscal Year 2010 Statistical Appendices funded by the U.S. Department of the Interior and prepared by the Graduate School Program for the RMI as well as the Report to Congressional Committees on Trust Funds for Micronesia and Marshall Islands May Not Provide Sustainable Income by the U.S. Government Accountability Office (GAO) done in June of 2007. The country therefore faces significant challenges in making every dollar of public expenditure count now and in growing the economy so that current revenues are increased. The Government was newly installed in January 2012 and is considering its policies and priorities. The Cabinet generously invited the team to provide frank advice on the matters within its terms of reference.

6. The peer review team looked at how the government and people of RMI formulate their national development priorities, turn these into budgets, implement plans and monitor and report on results; and just as importantly, how their development partners act collectively and individually to support those national priorities and processes.

7. The peer review team considered reform initiatives already announced by the Government of RMI and strengths and weaknesses in current planning, budgeting and performance systems. This report provides recommendations to the government of RMI and its development partners on a set of practical actions in the short to medium term that could strengthen resource use in RMI. The Peer Review Team's terms of reference are at Annex 4.

8. The team considered RMI's long term vision statement, Vision 2018, successive Appropriations Acts, plans for public expenditure and tax reform, sector plans where

these exist and plans and reports produced by RMI Ministries under the terms of the Compact, as well as a draft Public Expenditure and Financial Accountability (PEFA) assessment report. These provided descriptions of current planning, reporting, financial and aid management systems and plans for future improvements and gave the team helpful context for their work.

9. Substantive discussions were held with the Speaker and with the Chairs and Members of the Foreign Affairs; Appropriations and Public Accounts Committees of the Nitijela (Parliament); the Attorney-General and the Auditor-General; the Chief Secretary and Secretaries or Acting Secretaries for Foreign Affairs, Finance, Resources and Development, Health, Education, Internal Affairs, Public Works and Transport and Communications; the Heads of the Economic Policy, Planning and Statistics Office, the Office for Environmental Policy, Planning and Coordination, the Marshall Islands Marine Resources Authority, and the Environmental Protection Authority, the Public Service Commission; Resident Representatives of Development Partners (US, ROC/Taiwan, Japan) and visiting teams from AusAID and the Asian Development Bank; and representatives of the private sector (Chamber of Commerce) and non-governmental organisations (WUTMI, Youth-to-Youth and WAM). A presentation of preliminary findings was made to a meeting of the Cabinet. A full list of those consulted is in Annex 5.

10. The team is well aware that Marshall Islanders have been thinking about issues of planning, budgeting, aid and financial and performance management for some time and that only a few of the proposals will be entirely new. The proposals are also made against a background of shortage of human resources in the public service and the likelihood that numbers will be further squeezed. It is also acknowledged that changes to planning, budgeting, reporting and aid management systems will produce limited results without a continuing commitment to economic and public service reform. However, the package of measures proposed is designed to be consistent with ongoing reforms, feasible within existing capacity and is prioritised with suggested time lines, and where possible the report identifies resources within the Pacific on which RMI could draw for technical advice and examples of policy and practice.

11. **This report is structured in three parts:** i) Background; ii) Findings and recommendations on the three areas of Planning, Budgeting and Performance Management; Public Finances; and Aid Management; iii) Next steps. These were the natural categories into which discussions fitted but for consistency with the team's terms of reference, the principles of aid effectiveness to which these issues relate is cross referenced in section headings.





PLANNING, BUDGETING AND
PERFORMANCE MANAGEMENT

Planning and budgeting

12. The long term development vision for the country is contained in Vision 2018, the Strategic Development Plan Framework 2003-2018. This vision is referred to by public servants as the basis for medium term and sectoral planning. It was the result of much consultation within the country and represents the best available statement of where the Marshallese people want to take their country. However, the master plans and Ministry level plans envisaged in Vision 2018 as the means by which the vision would be turned into action and budgets have not been developed. The 2009 medium term work plan for the Economic Policy, Planning and Statistics Office (EPPSO), which is the institutional home for national planning and monitoring, states:

[The] practical utility [of Vision 2018] is limited given its focus on a long list of rather wishful policy statements, guidance that are neither prioritised nor linked to budget expenditures or revenue generation.

13. This assessment is widely shared in the public service and among development partners. As a result, the directions for the public service have remained at a high level of generality and do not appear to have been supplemented by specific political policies and targets in recent years. The lack of an implementable plan or plans based on Vision 2018 has been identified as an action point within the RMI Government for some time, and was recognised by all those contacted by the review team. A National Development Plan (NDP) Committee, chaired by the Chief Secretary, has been established but has not been active recently. The process of developing the plan has been awaiting policy guidance from the new government and the release of the 2011 Census Report. The United Nations Development Program (UNDP) has been approached to provide technical assistance in developing the NDP.

14. In the absence of a medium term national planning framework, parts of the public service which have an interest in setting out their objectives and linking them to resources have used a range of planning frameworks. For education and health, which receive the bulk of US Compact Funds, medium term plans have been developed which are partly statements of how the sector will adapt to reduced Compact funding and partly Ministry Corporate (activity level) Plans. These plans are used to develop annual Portfolio Budget Statements which link activities to resources. Other Ministries which do not have the same requirements to show medium term plans as Ministries receiving Compact funds are nevertheless voluntarily developing similar planning and budgeting systems. There are at least two cross-Government sector plans, the National Energy Policy and the National Climate Change Policy, and a trade policy and a water sector policy are under development. There has also been significant investment in plans to reform public expenditure and revenue through the Comprehensive Adjustment Program (CAP) and the Tax and Revenue Reform and Modernisation (TRAM) process.

15. RMI has a Medium Term Budget Investment Framework (MTBIF) which describes the economic and fiscal environment and provides estimates of revenue and expenditure for two previous budget years, current fiscal year and two future trend years. The MTBIF is a requirement of the Compact, but is produced by external consultants and according to government officials, should act as a statement of Government policy or guide revenue or expenditure planning (in effect, it is updated following decisions made in the budget process).

16. The basic unit of planning for all parts of the public service is the annual line item budget which Ministries and agencies have to submit as part of the budget process for their allocation from the General Fund (RMI's own resources). This budget submission

PLANNING,
BUDGETING
AND
PERFORMANCE
MANAGEMENT
(Ownership, managing
for results and
accountability to the
public)

may or may not be informed by more sophisticated planning tools such as performance based budgeting or corporate plans, and in many cases will not include much of the Ministry or Agency’s development expenditure which comes from external sources not captured by the budget.

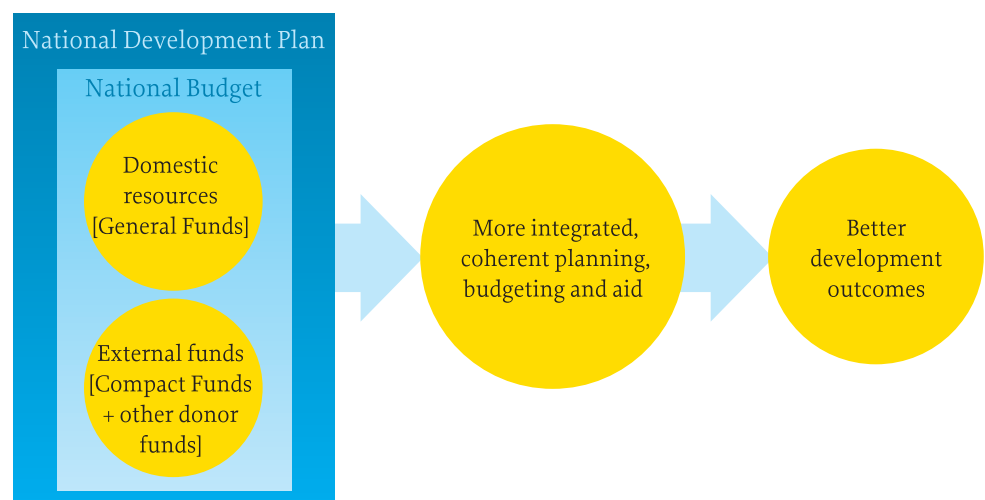
17. The RMI budget is organised by source of funds (General Fund, Compact Sectoral Grants, other US Grants, other donors) rather than function. The result is that the Nitijela and the public cannot see from the budget documents what resources are going into what functions. This reflects the reality that there are three distinct planning and budgeting systems running in parallel: one for the General Fund, which may be a quite basic calculation of running costs with no output measures; one for Compact Funding, which at present involves extensive work on performance based budgeting (PBB) and lengthy Portfolio Budget Statements; and one for other development partners, which may involve a range of planning and budgeting procedures, most of which (other than agreements with ROC/Taiwan on the use of their project funds) bypass the budget process altogether (Figure 1).

Figure 1: Parallel planning and budgeting systems



As noted above, neither Vision 2018 nor the budget provides sufficient glue to hold these parallel processes together and ensure that they are directed towards specified development outcomes. Experience elsewhere in the Pacific is that a first step towards better resource allocation is unifying domestic planning and budgeting systems with those adopted for managing external resources (Figure 2).

Figure 2: Unified planning and budgeting systems



18. The team found that Ministries and agencies are setting their priorities and associated work plans in good faith, but the sense of what they are accountable for achieving varies with the policy framework and the requirements of the funding source. The peer review team therefore fully endorses the intention of the Government to move towards a new medium term national plan. In doing so the Government may want to take account of the lessons drawn from past peer reviews and other experience with national planning in the Pacific:

- It is essential to be clear about why a plan is required. It is not about government asserting control over development, which is brought about by a variety of state and non-state actors. But it can give the public service guidance on expectations, set priorities for severely limited public budgets, and act as a ‘prospectus’ and guide for development partners who may want to contribute to the country’s development.
- A plan needs to fit for the purpose intended. There are examples of national plans in the Pacific which have been over elaborate and beyond the capacity of the country to deliver. On the other hand, Vanuatu’s Planning Long Acting Short (PLAS) matrix provides an example of a realistic medium term agenda across Government with measurable outcomes (see Box 1).
- Political direction and ownership of the plan is essential. Plans which are seen to be the result of a technocratic process do not have a strong influence on policy. The beginning of the term of a new Government is an especially good time to be preparing a national plan because it can reflect those parts of the national vision which the incoming government wishes to prioritise in its period of office.
- Consultancy support for the preparation of a plan can be valuable but only in support of strong national leadership and building national capacity during the delivery of the consultancy. A simple plan that is entirely home grown is more likely to be implemented. Vanuatu’s PLAS was developed with no external technical support.
- Creating a plan is not the end of a process but the beginning. Putting a national plan into operation requires that a central agency or committee with some influence over the whole of government “own” the plan (i.e. advocate for its implementation and monitoring and scrutinise proposals for consistency with the plan). If no agency has this responsibility, or if the agency with nominal responsibility does not have the capacity to carry it out, the plan may remain formally recognised but may not be implemented effectively. In RMI possible candidates for this role are a revived National Development Plan Committee or the Budget Coordinating Committee (BCC) with an extended role.
- Plans do not have to start from scratch. There are already a number of policies in RMI which could be drawn on to put together a national plan, provided that they are given clear endorsement by the incoming Government.
- There is no absolute requirement, especially in a small island state, for a hierarchy of national, sector, corporate and annual plans, and experience suggests that small administrations need to be very cautious in their ambitions. But minimum requirements should be considered as part of the national planning process and standard processes and templates made available across Government for whatever levels of planning are considered necessary, to avoid the current diversity of planning formats.

The peer review team recommends:

- **Recommendation 1:** That RMI decide as a matter of urgency on a process and timetable for production of a simple, measurable, Cabinet-endorsed three to four year national





plan; and determine which existing high level committee should provide high level direction for its preparation and implementation and monitoring.

Box 1. Simpler planning: The Vanuatu Planning Long, Acting Short Matrix

The Vanuatu Planning Long, Acting Short Matrix is a good example of a simple 10 page matrix that articulates clear priorities, targets, indicators, and timelines and identifies the responsible agencies. It was developed in 2008 by the Vanuatu incoming government with participation of senior public servants, community, civil society and private sector representatives.

Vanuatu has adopted a programme of substantial investment and reforms up to 2015 to establish a foundation for sustained economic growth and good governance. The “Planning Long, Acting Short” Matrix was created to focus attention on a slice of the longer term development plan over the five years to 2012. The Matrix covers macroeconomic and fiscal management, accountability and transparency, stability of government, trade and industry, infrastructure, support for agriculture, improved credit and market access, enabling legislation, quality of education, employment opportunities, health services and the rule of law. The specific actions cover maintenance of key macroeconomic targets, microeconomic and institutional reforms, targeted investments and continuation of progress towards the MDGs.



19. At the same time, the Government can consider how to unify its planning and budgeting processes, and to deal with the gap between policy and budget identified in the recent PEFA assessment. One element in this will be improved aid management, which is discussed in a later section. The other will be bridging the gap between line item and performance based budgeting.

20. Most budget processes in FICs demand some degree of accountability for the results which will be obtained from the budget, even if this is done at the simple level of a budget narrative. Because the budget process is something that all Ministries and agencies have to participate in, it is usually the most effective point for a small island administration to introduce and enforce accountability. At present there is no accountability for results in line item budgeting, although some Ministries say that they attach current annual or corporate plans with their budget bids. But performance based budgeting as presently practised also carries little real accountability, despite the effort put into identifying activities and outcomes and reporting on them and despite the fact that Portfolio Budget Statements for Compact Ministries commendably set out to identify all sources of income for the year which will contribute to results. This is partly because there appears to be little consistent questioning of projected or previous results within Government during the budget process (there is some questioning by the Nitijela - see below); and partly because the level of detail in the Portfolio Budget Statements inhibits real challenge over whether money has been used effectively.

21. In considering unification of planning and budgeting systems, RMI has two main options:

- Make PBB a requirement of the budget process for all Ministries and Departments, overseen by the Ministry of Finance. For this to work, there would need to be significant improvement in the way that managers use PBB and in their ability to link reporting on activities to assessment of outcomes. Experience so far has been that the acceptance



of PBB has been mixed, despite five years of investment by the Office of Compact Implementation (OCI). The technical assistance which OCI uses to support PBB will not be available after this year, and without more resources OCI does not plan any further expansion of PBB.

- Develop a mandatory system of simple accountability for all Ministries and agencies linked in the first instance to annual plans which take account of all the resources they expect to receive, including from development partners. The accountabilities would be for progress which could be made during the year, but the BCC would need to be satisfied that there were demonstrable links to the outcomes of the medium term national development plan and whatever medium term expenditure plan goes with it. There would need to be central guidance on annual planning, formulation of accountabilities and reporting. Ministries and agencies wishing to continue to use PBB for internal management would do so, but without central agency support.

22. Despite the theoretical advantages of PBB, the peer review team would prefer the second option. At present PBB ties up human resources in developing complex budget bids which have a limited effect in promoting accountability or good resource management. Rolling it out across Government is likely to be resource intensive and unsustainable. It is not used in administrations of comparable capacity in the Pacific. Adopting something simpler for the whole of Government would enable RMI to draw on arrangements in other Pacific countries. An essential element would be high level supervision of the new arrangements and more importantly consistent oversight of the budget cycle through appraisal of plans, proposed accountabilities and budget bids to review of performance. This would be an appropriate role for the BCC.

The peer review team recommends:

- **Recommendation 2:** That RMI develop single simplified planning, budgeting and reporting templates and instructions for use across Government in consultation with key development partners; and that the BCC assume responsibility for the entire budget and implementation cycle, including assessment of results. Assistance from UNDP, other development partners and other FICs, with experience in this area should be considered.

Performance management

23. There is a strong interest in the Cabinet, across Government and in the Nitijela on more and better performance information. There are examples of good practice, including RMI's production of two MDG reports under the guidance of a high level committee. Annual reports are produced by some Ministries and agencies and submitted to the Nitijela. These may contain significant data such as trends in water quality, but in general the quality and the use made of them are inconsistent. The Nitijela held a series of public hearings with ministries, departments and government agencies in 2011 on their results as part of the budget process. The office of the Auditor-General has done its first performance audit and expects to do more in future; this can be an important tool in establishing accountability, provided that results are available quickly and in a form that can be fed back into policy and practice. The peer review team encourages the Government to ensure that the office of the Auditor-General is adequately resourced to carry out its mandated function, including by seeking external support in the first instance.

24. Because of the way the public service is managed and the budget process works, there are few consequences of failure to perform. Moreover, in RMI's two main aid relationships, with the U.S. and ROC/Taiwan, although there are means to adjust programs, the sorts of





incentives to negotiate performance requirements which exist in other aid relationships in the Pacific are weak. In the circumstances, despite some distinguished exceptions, performance information is not consistently valued within Ministries and agencies nor has it in the past been systematically requested by the Nitijela and the general public.

25. There are problems with the availability and reliability of data at all levels. EPPSO produces a range of statistical products, but like other parts of the public service has had capacity constraints and has lately been concentrating on the 2011 census analysis report. It is not presently staffed to carry out its mandated monitoring and evaluation function across Government. As in much of the Pacific, there is no track record of consistent monitoring of a set of high priority outcomes. A good deal of reporting is done, but much of it is at the activity level and produced to comply with the requirements of external funders.

26. As money gets tighter, the need for systematic reporting on what is working and what is not gets more urgent. The alternative to having performance information is to do what RMI has been doing in the last two years, which is to impose across the board cuts. Having a national plan and reporting on accountabilities as part of the budget process will help to some extent to systematise performance information. However, there are two further steps which could be taken to make the most of the information that is gathered across the public service:

- Standardise reporting (using one reporting format) to development partners to make it part of routine reporting by Ministries and agencies within the government's national budget process. This would require some negotiation with development partners (a task for the Aid Management Unit in consultation with the Planning unit - see below) but is consistent with international aid effectiveness commitments and would allow a more efficient use of time spent on reporting overall.
- Strengthen the centralised monitoring and evaluation function. Vanuatu's experience has been that although monitoring of progress is the responsibility of all government departments, ministries and agencies, the M&E Unit within the Office of the Prime Minister has nevertheless been tasked with monitoring overall policy implementation; this means that information will need to be identified and collected in a collaborative manner with line ministries, departments and agencies. The M&E unit will then consolidate that information to prepare an annual development report to the Vanuatu Cabinet and Parliament.

27. Vanuatu's M&E policy framework recognizes that there are already organizations monitoring development outcomes and impacts. The Reserve Bank monitors monetary and external sector developments and makes recommendations to government based on an evaluation of trends. The National Statistics Office produces data which allows monitoring of economic and social trends. The Ministry of Finance and Economic Management monitors budget outturns and uses that information to better manage the budget. Many aid projects have monitoring indicators built in during the design stage of the project. The monitoring and evaluation role assigned to the M&E unit covers the development plans and policies of the government.

28. Since Vanuatu's annual development report provides information on outcome indicators on policy objectives, the information is useful for planners and members of parliament to make informed decisions. In Vanuatu's case the annual development report is tabled in parliament before the presentation of appropriation bill during the budget session. This process provides an avenue for parliamentarians to assess the sector's





performance over the previous year before making any decisions for the forward year on budget issues and new policy initiatives.

29. For RMI, in the medium term the aim would be to integrate performance reporting and analysis into the budget process. This will not happen overnight. The important first step is to revive and build (where needed) simple, standardised and inter-linked systems for information collection and reporting on the resources and results across all government ministries and statutory bodies and for that information then to be consolidated into an annual development report to the RMI Cabinet and Nitijela. At present EPPSO is the focal point for monitoring and evaluation, although as noted above it has no spare capacity. The Chief Secretary's office would remain a suitable home for this function, given that it is linked to the Chief Secretary's chairmanship of the Budget Coordinating Committee and the National Development Plan Committee (in Vanuatu the M&E Unit is housed in the Prime Minister's Office). The Asian Development Bank has expressed an interest in helping with monitoring of the national development plan, and this should be actively followed up. The structures and templates used in Vanuatu will also provide useful guidance.

The peer review team recommends:

- **Recommendation 3:** That RMI revive its monitoring and evaluation function within the office of the Chief Secretary to develop simple reporting systems and databases that are at the same time linked to the annual monitoring of the unified budget to help the unit provide an annual overview of progress against the national plan, to be submitted to the Nitijela and made widely available within the country.
- **Recommendation 4:** That RMI identify all M&E capacity building needs in all Ministries to support the centralized M&E unit within the Office of the Chief Secretary.

30. A number of Pacific countries have integrated results reporting into the personal performance management of chief executives and senior officers of Ministries and agencies, linking progress against institutional objectives to the renewal of contracts. The governments of the Cook Islands, Samoa and Tonga have had some years of experience in this area. The Government of Vanuatu is in the process of also contracting their Director Generals and Tuvalu is considering the same approach. The Forum Secretariat can facilitate exchange of experience and information with these countries if the RMI Government wishes to explore this possibility further.

Information availability and dissemination

31. In discussions with the peer review team, the members of the Nitijela demonstrated a strong interest in information on the economic and fiscal situation, social indicators, and aid flows, as well as trends in the international context which have a bearing on RMI policy. There has been significant investment in information collection and analysis in recent years, including the recent population census and public expenditure and fiscal analysis through the recently completed PEFA assessment and the CAP and TRAM reports. RMI also benefits from relationships with US federal agencies and academic institutions which generate useful statistics. However, Senators and officials generally felt that information was not being organised and disseminated as well as it could be. There was no suggestion that the Government was being secretive, but there did not appear to be a culture of routine provision of information.

32. Having a national plan with monitoring and evaluation arrangements and a more active monitoring of the fiscal and debt management situation (see next section) will help



to systematise the provision of key information. However, there may be a need for further dialogue between the Nitijela and the Executive about what information is realistic for the Government to provide regularly and about the use that the Nitijela is able to make of what is provided.

33. Members of the Nitijela have shown a real commitment to public access to information through public hearings before standing committees, which are broadcast on radio. However, despite the existence of a number of Government and Ministry websites, very little information is routinely available to the general public on such basic issues as the budget, the economic and fiscal position, progress in health and education and the proceedings of the Nitijela. Information on websites is in the main out of date¹. Other Pacific countries have made extensive use of the internet to inform Parliament, the public and their citizens overseas². An information policy which defined important pieces of information and provided for their dissemination, perhaps concentrated on a single site such as the Nitijela's site, may produce better access to information than the present approach of decentralised responsibility.

The peer review team recommends:

- **Recommendation 5:** That RMI develop a public access to information policy which defines a basic set of information to be provided to the Nitijela and to the public and allocates responsibility for keeping the stock of information up to date.



From Left: Mr Colin Tavi, Vanuatu M&E Manager, Mr Mosese Quasinalu, UN system Fiji UNDAF M&E Manager, H.E Martha L.Campbell, US Ambassador to the Republic of the Marshall Islands and Dallas Young, Cook Islands Director International Division, Cook Islands Ministry of Foreign Affairs and Immigration. RMI Peer Review, February 2012.

¹ RMI is not alone. The US Compact web site, uscompact.org, maintained by the US Department of the Interior, is a potentially valuable repository of documents relating to the development dialogue with the US, but much of it has not been updated in recent years.

² See, for example, the Samoa Ministry of Finance web site mof.gov.ws.



A close-up portrait of an elderly man with weathered skin and short, graying hair. He is wearing a simple, light brown t-shirt. His hands are clasped together in front of him, resting on a surface. He is sitting under a thatched roof, with the wooden beams and green foliage of trees visible in the background. The lighting is natural and soft, highlighting the textures of his skin and the fabric of his shirt. A blue horizontal bar is overlaid on the upper part of the image, containing the text 'PUBLIC FINANCES' in white, uppercase letters.

PUBLIC FINANCES



PUBLIC FINANCES (Ownership)

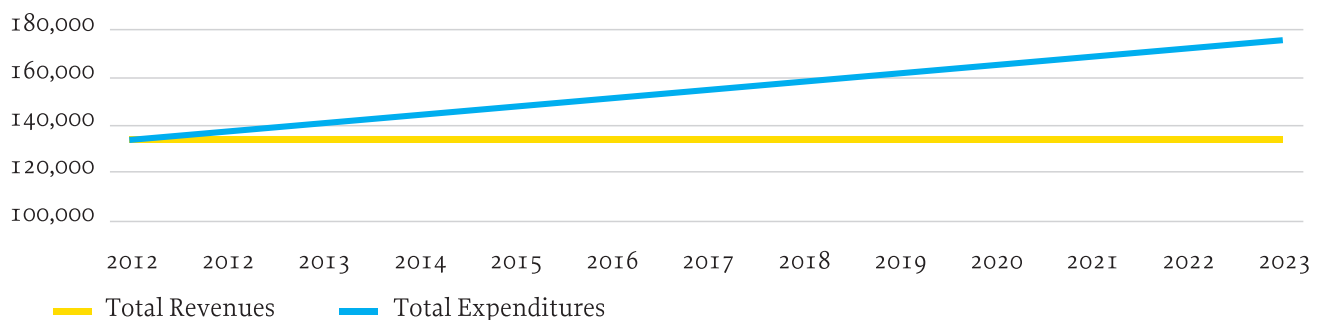
34. There is widespread awareness that Compact funds will decrease significantly in the coming years and that income from the Trust Fund will not be sufficient to make up the shortfall. A good deal of planning has taken place at national and sectoral level through the CAP and sector decrement plans to show how the decrease will be managed. But there appears to be little debate about the fiscal choices for the country within the budget process itself. This is partly because so much is treated as being pre-determined. The General Fund covers a range of standing commitments that are rolled over from year to year, while Compact funding is divided into quite detailed spending categories at the Joint Economic Management and Financial Accountability Committee (JEMFAC), the joint US/RMI body that oversees economic assistance under the Compact, before the Nitijela debates the budget. Moreover, there is little analytical context to the budget discussions. As the draft PEFA assessment points out, neither the Appropriation Bill nor the Budget Statement provides comprehensive information on the macroeconomic context, revenues, expenditures, and financial assets, nor systematic information on prior year's outturns or a detailed analysis of the fiscal implications of new policies; and there are substantial unreported operations outside the scope of the budget process. Members of the Appropriations Committee reported that although there were marginal adjustments to allocations during the passage of the Appropriations Bill through the Nitijela, they did not feel that the budget process allowed for policy debate.

35. Having reducing resources in the medium term and priorities emerging from sector and fiscal plans, and shortly from a national plan, makes it more important that RMI should create the conditions for a discussion about the budget and shape the resources it has to meet priority objectives. There is no perfect budget process in any FIC. However, other FICs have found it helpful to frame the budget debate through:

- the requirements of the national plan - a development plan should overall guide resource allocation and annual budget appropriations.
- medium term fiscal forecasting (home grown; no amount of forecasting by the IMF or consultants has the same impact as a forecast approved and owned by the Cabinet) prepared in an accessible and visual format (see Figure 3 for an illustrative example).
- a statement of fiscal policy by the Cabinet at the beginning of the budget process.

Figure 3: Demonstrating the financing gap

Forecasting of Financing Gaps



Assumptions

Revenues

- 30% of the budget from taxes will grow 1% annually
- Compact funds reduce \$0.5 m per year
- Other funds are held constant

Expenditure

- Expenditure growth 2% per year
- Grace period for one loan ends in 2013 increasing principal repayments by \$2 million





36. The undertaking of a PEFA assessment in 2011 is a major gain for RMI. It comes on top of a number of initiatives to improve public financial management which have been enumerated in the assessment report. The proposed next step will be the preparation of a reform road map. Other FICs have found the road map useful both in prioritising and sequencing reforms and in underpinning a dialogue with development partners on areas for assistance and on ways in which external support can be adapted to evolving domestic financial management systems. As part of improving the link between budget and policy RMI should consider ways to integrate economic and fiscal forecasting into the budget process, replacing the MTBIF, and expanding the budget presentation to include greater political direction and economic context.

37. Although the country's debt is not particularly complex, the Ministry of Finance has also been giving thought to improving its debt management systems. The Ministry may want to consider debt management software widely used in the Pacific that automates principal and interest payments including forecasting the end of grace periods and their associated impact on the fiscal envelope. Further information on how this works in practice can be provided by the Ministry of Finance in the Cook Islands.

38. RMI operates a centralised payments system and legislation requires that all funds received by Government go through the General Fund (although this provision is not universally respected for aid flows). The team heard repeated concern from Ministries and NGOs that systems in the Ministry of Finance, together with cash flow problems, combined to cause delays in payments which threatened the achievement of the objectives for which money was appropriated. The Ministry of Finance is well aware of these concerns and points out that some of the problems are caused by incomplete documentation in the first place. It is aiming to introduce a service standard for processing of correctly completed purchase orders, and as part of a "Lean" initiative is aiming to identify procedures which could be streamlined in addition to having established an Association of Fiscal Officers who meet regularly with the Ministry of Finance to discuss how to improve efficiency of financial processes. Much of what this present peer review report recommends in terms of better aid management depends on line Ministries having confidence in the ability of the Ministry of Finance to ensure the smooth flow of funds.

The peer review team recommends:

- **Recommendation 6:** That RMI develop a public financial management reform road map by the end of 2012 in consultation with its key development partners.
- **Recommendation 7:** That RMI plan to strengthen medium term economic and fiscal forecasting for the FY2014 budget cycle.

39. Managing within a reducing budget is challenging and undermines the confidence in the future which is needed for medium term planning. So RMI is considering its options for increasing revenue through growing the economy and exploring other development funding sources. Both will require pursuing the reform policies on expenditure, taxation and state owned enterprises on which previous Governments have embarked. Growing the private sector is the generally accepted solution for growing the economy, but as both the Government and the existing private sector accept, finding an agreed set of policies has been a challenge. The Ministry of Resources and Development is collaborating with the Chamber of Commerce on a study to identify potential sources of private sector growth and appropriate policies to encourage it. The wider Government should consider using this opportunity to develop a private sector development policy alongside or as part of



the national plan and under the same governance structures, with full participation by representatives of the private sector.

40. The best overarching solution is for private sector to be part of the nation building and development process of RMI's national planning. They need to be fully engaged not only in the private sector development policy formulation but also more importantly in the national plan. They need to understand the national vision and the overall macro socio-economic situation. Giving them the big picture towards which all stakeholders in the country could work towards provides greater impetus for private sector creativity and innovation.

The peer review team recommends:

- **Recommendation 8:** That RMI establish a private sector development policy and ensure that private sector development is also captured and emphasized in the forthcoming medium term national development plan.



Back from left: John Winter, PIFS Consultant; Collin Tavi, M&E Manager, M&E Unit, Vanuatu Office of the Prime Minister; Castern Nemara, RMI Chief Secretary to Government; Alfred Alfred, RMI Secretary of Finance; Mr Mosese Qasinevalu, UN M&E Manager; Gee Leong Bing, RMI Director Office of Compact Implementation

Front from left: Dallas Young, Cook Islands Director International Division - Foreign Affairs; Kino Kabua, RMI Secretary for Foreign Affairs; Charmina Saili, PIFS Regional Planning Adviser; Kayo Kotton, Assistant Secretary Budget, Procurement and Supply/OIDA.

A low-angle photograph of a tropical sky. Several palm trees with vibrant green fronds are visible against a clear, bright blue sky. Two white birds are captured in flight, their wings spread, adding a sense of movement to the scene. The overall atmosphere is serene and sunny.

AID MANAGEMENT

41. In FY 2012 RMI will receive \$71.2 million in US Compact revenue through the US Department of the Interior, of which about \$42 million is available for allocation (the remainder consists of payments to Kwajalein landowners and to the Trust Fund), and a further \$11 million in US federal grants, making aid from the US cover just over half of public expenditure. RMI also receives an unspecified amount through links with and services from a wide variety of US public and private agencies, estimated by the US Embassy as being worth around \$30 million a year. Aid from ROC/Taiwan amounts to \$11 million a year, \$3.6 million as budget support and the remainder as projects. ROC/Taiwan also provide support to scholarships and significant technical assistance in health and training. Japan implements grant projects, which are agreed upon project by project, and extends grassroots grant to local governments and other organizations. It also provides technical assistance including dispatch of experts and volunteers as well as invitation of trainees from RMI. Australia has signed a partnership for development concentrating on energy and water supply, and RMI has had allocations from successive European Development Funds also focused on energy and water supply in the outer islands. The Asian Development Bank is providing a loan in support of fiscal sustainability and grants for electricity supply and social protection. The World Bank is preparing support for telecommunications expansion and reform. The country also receives small amounts from a number of UN and regional agencies and the Global Fund. Compact revenue, federal grants, all aid from ROC/Taiwan and Global Fund grants are on budget in FY 2012; the remainder does not appear in budget documents.

42. Nine development partners attended the development partner meeting in 2010. This is not a large number by Pacific standards. However, the actual degree of fragmentation of aid (e.g. overall number of projects) to the country is unquantified. RMI remains some way from being able to plan for and promote more efficient forms of aid such as sector approaches, but this should be the aim in the medium term.

43. As the Government recognises, aid management is disjointed at present. Broadly:

- The Ministry of Foreign Affairs is the national and political focal point for governments and for all international and regional organisations, agreements and conventions in which the RMI has membership. It houses, amongst other core function areas, the Office of Compact Implementation which administers the requirements of Compact funding;
- The Ministry of Finance is the contact point for the international financial institutions and the National Authorising Office for EU aid and in theory receives and pays out all aid receipts;
- The Chief Secretary's office is the contact point for managing the development Partnership with Australia; and
- Line Ministries, agencies and NGOs manage federal grants and grants from UN and regional organisations, many of which are paid to them directly.

44. EPPSO is mandated by legislation to carry out aid coordination but has not been staffed to do so for some time. There is a lack of coordination between the Ministries handling aspects of aid and roles and responsibilities have grown up over time without being codified. There is no consistent information on aid flows in the Appropriations Act or in any other part of the budget cycle.

45. The relationship with the US inevitably dominates and shapes RMI's thinking about external support and its systems for managing it. By longstanding agreement, RMI has

AID MANAGEMENT

(Alignment, harmonisation and mutual accountability)





used Compact funding to finance the bulk of its education and health expenditures, and to that extent it backs clear national priorities. However, there are inbuilt controls and rigidities to the way that US funding is provided (leaving aside for the present support in kind outside the budget) which may undermine its effectiveness in the long run:

- Grants are given for one year. Although unused funds are available for reallocation, they will not necessarily be reallocated for the same purpose. This affects the incentive for long term planning in Compact sectors;
- Grants are given for specific activities and outputs. The Compact gives a high degree of flexibility as to the purposes for which funds may be applied³, except in the case of supplemental education grants. However, the Portfolio Budget Statements, which are the basis of application for Compact funding, are heavily weighted towards defining activities, so whether this is intended or not, Compact Ministries are in effect delivering on a series of discrete projects;
- Grants are subject to quarterly reporting. While the need for regular updates is understandable, the activity based nature of the portfolios gives rise to weighty and detailed reports which take a lot of time to prepare and, on the basis of experience of most funding agencies, are unlikely to be helpful to those who manage the grants within the U.S. system;
- Grants are subject to a requirement that no less than 30% and no more than 50% shall be used for public infrastructure, with a priority given to health and education but with a second priority to economic infrastructure. So far this has meant a concentration on school and health facility building, which may be required but is not a proven top priority input to achieving national health and education outcomes;
- JEMFAC is in theory a mutual accountability mechanism, but is also the means by which the U.S. exercises its requirement for accountability for Compact funds. The agenda rightly covers key micro-economic issues such as public sector wage costs and utility subsidies, but also quite detailed activity level issues. Resolutions are couched in terms of directions to the Government of RMI. Whether this is the best model for high level talks is a matter for the two Governments, but alternative models of dialogue are available elsewhere in the Pacific which concentrate on a consistent set of high level reporting on progress towards nationally owned targets, and thus leads to mutual commitments from all parties concerned.



46. Both RMI and the U.S. believe that better results could be obtained from Compact funding. Changing aspects of the relationship will not lead on its own to better outcomes. Experience elsewhere in the Pacific has been that countries have been able to shape external assistance to better fit their own objectives and systems, and to change the system of accountability away from accountability to development partners for aid financed activities to an overall accountability internally and externally for achieving results. But this has only happened as part of a process of implementing reform, articulating objectives, translating them into budgets and embarking on a credible plan to improve their systems. Managing the relationship with the US is naturally a high priority for RMI, but it needs to be done in the context of better managing its own resources and within structures for managing its aid relationships overall.

³ There is an underlying requirement to provide for the needs of Kwajalein and Ebeye, and some grants are specifically geographically directed. However, the team did not hear this requirement identified as a constraint to planning.



47. More consistent aid management is on the agenda of the Government. There is consensus that an aid management unit should exist in one of the central agencies and that clearer rules of engagement are required for development partners. There is a clear trend towards this arrangement in other Pacific countries, and a number of examples of simple aid policies (including from Vanuatu and Cook Islands) on which RMI could draw. Development partners consulted by the peer review team indicated that they would welcome clearer roles and responsibilities for aid management and would respond positively to requests from RMI to change aspects of current aid behaviour if required.

48. Aid management means more than being a single point of contact for development partners. **Table 1** below breaks down aid management into its components:

Function	Who does it now?	Who could do it?
Lead and coordinate the process for determining national priorities	CS/BCC	CS/NDPC or BCC
Determine available resources and identify funding gaps	MoF/OCI	MoF/AMU
Determine external funding needs	-	CS/NDPC or BCC
Develop and implement Development Cooperation or ODA policy, including direction to use national systems	-	AMU
Research external funding sources; determine transaction costs as well as benefits of aid partnerships	MFA	AMU
Bilateral	MFA Varies by partner	Multilateral MFA/MoF MFA/AMU
Establish bilateral relationship	Join multilateral	
Negotiate program	Draw on multilateral services	
Communicate to stakeholders the programmes/funding	Varies by partner	AMU
Receive resources	Varies by partner	MoF
Procurement	Varies by partner	MoF
Report on finances	LM	MoF
Report on activities and outcomes; harmonise reporting practice around RMI templates	LM	LM/AMU
Evaluate activities/projects/programmes	Dev't partner	M&E Unit
Renegotiate programmes with Development Partners	MFA/CS	AMU
Ongoing aid forecasts and promote predictability of aid with development partners	-	AMU
Consistent development partner dialogue, collective and one-on-one	Varies by partner	AMU
Manage missions for duplication and impact on government	Varies by partner	AMU

CS: Chief Secretary, BCC: Budget Coordinating Committee, AMU: Aid management Unit, NDPC: National Development Plan Committee, LM: Line Ministry, MFA: Ministry of Foreign Affairs, MoF: Ministry of Finance

49. Where an Aid Management Unit is located is less important than establishing a clearer role and its relationships to the rest of Government. The decision on location depends on the main problem which it intends to solve. If the problem is that RMI is not making sufficient contacts with potential development partners, then that would indicate Foreign Affairs as the best location. If the intention is to align aid more stringently with overall systems for budgeting and public expenditure, then Finance would be right. If aid needs to be linked to emerging performance management systems for public investment, and these are exercised through interdepartmental committees chaired by the Chief Secretary, then this office would be appropriate. Points for and against the three possible locations are summarised in Annex 3. Given the skills available in OCI and its existing role in managing the key aid relationship, it would make sense to integrate OCI in the Unit.

50. Two of the roles for the AMU summarised above need brief comment:

- Active management of relationships with development partners. RMI held a successful development partner meeting in December 2010 at which the Government's reform policies were presented. As one development partner told the team, it was an occasion for information sharing, but the next step of encouraging joint working still needs to happen. The next development partner meeting should be held when RMI has a national plan, aid policy and public financial management reform road map; but such set meetings need to be supplemented with more regular informal contacts. RMI should consider holding a collective update every six months or so (to coincide with ADB missions) on progress on reforms and other issues.



- Mission management. The peer review team counted at least six missions in Majuro during the period of the review. The burden on senior management in Government of multiple and overlapping missions is already considerable, and will get worse. As with other small administrations, it is important to be able to quantify the problem and to work out where the burden is primarily coming from, as a first step to deciding what to do about it. Some administrations have introduced a mission free period, while others have put in place strict rules about mission notification and timing.



The Peer Review Team recommends that RMI:

- **Recommendation 9:** Set up an Aid Management Unit in one of the central agencies, with a mandate to develop and implement a development assistance policy drawing on Pacific models and in consultation with development partners.
- **Recommendation 10:** Institute regular informal collective consultation with development partners and aim to hold a further formal development partner meeting when new plans and policies are in place.



The Peer Review Team recommends that development partners:

- **Recommendation 11:** Sustain and increase efforts to improve coordination amongst DPs and with government in RMI through regular development partner and government-DP dialogue and exchange of information.
- **Recommendation 12:** Work with RMI to develop a development assistance policy.
- **Recommendation 13:** Work with RMI to integrate information on aid into the budget and medium term forecasts.
- **Recommendation 14:** Respond positively to RMI proposals to harmonise reporting frameworks for aid activities.
- **Recommendation 15:** Until RMI has mission management systems in place, take the initiative to coordinate visiting missions amongst donors.
- **Recommendation 16:** Prepare for regular consultations with RMI, developing common analysis of and approaches to the key reform requirements.



NEXT STEPS



51. It is for the Government of RMI to determine which of the recommendations (full list in Annex 1 and a sequenced list of immediate and intermediary actions in Annex 2) it wants to take forward. If the Government agrees, there should be a follow up visit or discussion by PIFS to RMI to discuss concrete work plan/actions and resource framework/division of labour for implementing the recommendations of the Peer Review Report. This visit is proposed to happen in country within six months after the completion of the Peer Review. Key development partners in country can consider supporting the implementation of the peer review recommendations in addition to other government identified priority development coordination priorities.

52. It is proposed that a simple Monitoring and Evaluation Framework/Indicators agreed between the Government, development partners and PIFS be developed and used to track the implementation of the Peer Review Recommendations (recommendations to the Government, Development partners and the PIFS).

53. The peer review process threw up a number of technical questions about planning and financial management in the peer reviewer's own countries which could not be dealt within the time available.

The peer review team recommends that the Forum Secretariat:

- **Recommendation 17:** Facilitate a visit by key central agency staff in RMI to Cook Islands and or Samoa to study planning, aid, financial and performance management systems.





Annex 1: List of Recommendations

Recommendations to the Government of RMI:

- **Recommendation 1:** Decide as a matter of urgency on a process and timetable for production of a simple, measurable, Cabinet-endorsed three to four year national plan; and determine which existing high level committee should provide high level direction for its preparation and implementation and monitoring.
- **Recommendation 2:** Develop single simplified planning, budgeting and reporting templates and instructions for use across Government; and that the BCC assume responsibility for the entire budget and implementation cycle, including assessment of results. Assistance from UNDP, other development partners and other FICs with experience in this area should be considered.
- **Recommendation 3:** Revive its monitoring and evaluation function within the office of the Chief Secretary to develop simple reporting systems and databases that are at the same time linked to the annual monitoring of the unified budget to help the unit provide an annual overview of progress against the national plan, to be submitted to the Nitijela and made widely available within the country.
- **Recommendation 4:** Identify all M&E capacity building needs in all Ministries to support the centralized M&E unit within the Office of the Chief Secretary.
- **Recommendation 5:** Develop a public access to information policy which defines a basic set of information to be provided to the Nitijela and to the public and allocates responsibility for keeping the stock of information up to date.
- **Recommendation 6:** Develop a public financial management reform road map by the end of 2012 in consultation with its key development partners.
- **Recommendation 7:** Plan to strengthen medium term economic and fiscal forecasting for the FY 2014 budget cycle.
- **Recommendation 8:** Establish a private sector development policy and ensure that private sector development is also captured and emphasized in the forthcoming medium term national development plan.
- **Recommendation 9:** Set up an Aid Management Unit in one of the central agencies, with a mandate to develop and implement a development assistance policy drawing on Pacific models and in consultation with development partners.
- **Recommendation 10:** Institute regular informal collective consultation with development partners and aim to hold a further formal development partner meeting when new plans and policies are in place.

Recommendations to the Development Partners:

- **Recommendation 11:** Sustain and increase efforts to improve coordination amongst DPs and with government in RMI through regular development partner and government-DP dialogue and exchange of information.
- **Recommendation 12:** Work with RMI to develop a development assistance policy.
- **Recommendation 13:** Work with RMI to integrate information on aid into the budget and medium term forecasts.
- **Recommendation 14:** Respond positively to RMI proposals to harmonise reporting frameworks for aid activities.
- **Recommendation 15:** Until RMI has mission management systems in place, take the initiative to coordinate visiting missions amongst donors.
- **Recommendation 16:** Prepare for regular consultations with RMI, developing common analysis of and approaches to the key reform requirements.

Recommendation to the Pacific Islands Forum Secretariat:

- **Recommendation 17:** Facilitate a visit by key central agency staff in RMI to Cook Islands and/or Samoa to study planning, aid, financial and performance management systems.

Annex 2: Timeline for proposed Immediate and Medium Term Actions by RMI

Timing	Actions	Possible sources of experience or support
Immediate	<ul style="list-style-type: none"> Finalise and disseminate widely the census analysis report Re-establish the National Development Plan Committee and expand its role Develop a nationally owned medium term fiscal framework Review and simplify financial transactions procedures 	RMI, SPC, UNFPA UNDP, Samoa, Cook Islands PFTAC
By end of 2012	<ul style="list-style-type: none"> Develop a new national plan (simple, action oriented, nationally driven, built on V2018, consultative) Standardise planning and accountability templates (sector, Ministry) Set up Aid Management Unit Develop PFM road map 	UNDP, Vanuatu, PIFS Samoa, Tonga Vanuatu, Samoa, Nauru PFTAC
By first half of 2013	<ul style="list-style-type: none"> Develop and implement a national development cooperation or ODA policy Finalise and implement a private sector growth strategy 	Vanuatu, Samoa, Cook Islands, PIFS
By end of 2013	<ul style="list-style-type: none"> Re-establish M&E arrangements Present new plan and supporting mechanisms to DPs at collective meeting 	ADB, Vanuatu ADB, PIFS

Annex 3: Location of Aid Management Unit

Location	Pros	Cons
MFA	<ul style="list-style-type: none"> Has the mandate for and experience of negotiation with external parties Allows direct communication with partners on aid matters OCI (runs most external support already) is in MFA Already a focal point for DPs 	<ul style="list-style-type: none"> No link to planning, budgeting or financial management systems No authority to manage performance across government No legal mandate
MoF	<ul style="list-style-type: none"> Manages public finances Manages donor flows Secretariat to the Budget Coordinating Committee (BCC) Willing and interested Has a stake in performance management Existing channels to all spending Ministries Manage some DP relationships already 	<ul style="list-style-type: none"> No link to planning Many other tasks No legal mandate
Chief Secretary's Office	<ul style="list-style-type: none"> EPPSO has mandate Makes full use of authority of Chief Sec Link to Cabinet Link to national plan and EPPSO planning function Already a focal point for some DPs Link to CS chairmanship of BCC Possible location for enhanced performance focus across government 	<ul style="list-style-type: none"> Not involved in budget preparation (except through CS chairmanship of BCC), financial forecasting, etc Already stretched Many other tasks



Annex 4: RMI Peer Review TOR

1.0 Purpose

This note sets out draft Terms of Reference for a peer review of the Republic of the Marshall Islands' national development planning and related processes under the Forum/Cairns Compact on Strengthening Development Coordination in the Pacific.

These draft Terms of Reference draw on a concept note on the peer review process that was circulated by the Pacific Islands Forum Secretariat (PIFS) on 20 October 2009 and discussed at a regional workshop on 26-28 November 2009.

2.0 Background

Through the Forum Compact, Forum Leaders agreed in August 2009 that the Pacific Islands Forum Secretariat (PIFS) should establish and report annually to the Leaders and the Post Forum Dialogue on a process of regular peer review of Forum Island Countries' (FICs') national development plans to:

- a. promote international best practice in key sectors;**
- b. improve effective budget allocation processes; and**
- c. guide support from development partners.**

The objective of the peer review process is also to guide improvements in development coordination, including by informing discussions at the Pacific Islands Forum and Post Forum Dialogue, through reviews of coordination at a country level.

Peer reviews are an opportunity for mutual learning between FICs on the one hand and their peers in other FICs and development partners (donors) on the other about how best to address development challenges. The peer review process is intended to contribute to reinforcing country leadership over the establishment of national priorities, and enhance the capacity of countries to guide the use of development resources - both government and development partner funded resources.

3.0 Issues for review

The Peer Review process will consider the following issues in line with globally (Paris, Accra) and regionally (Pacific Principles of Aid Effectiveness) accepted principles for development effectiveness:

Ownership: Pacific Aid Effectiveness Principles 1, 3

- Processes for preparing and reviewing well developed and costed national and sectoral development plans/strategies
- Links between the national and sector development plan/strategies and budgets

Alignment: Pacific Aid Effectiveness Principles 2, 5, 6

- Alignment of development partners plans/programmes and funding to the national and sector development plans/strategies and national/sector budgets and financial management systems

Harmonisation: Pacific Aid Effectiveness Principle 4

- Harmonisation of and amongst development partners' development assistance, programming, monitoring processes to reduce transaction costs on government systems and resources

Managing for Results: Pacific Aid Effectiveness Principle 7

- Mechanisms, processes and frameworks for monitoring the implementation of the national development plans/strategies focused on results and outcomes.

Mutual Accountability: Pacific Aid Effectiveness Principle 7

- Mechanisms, processes and systems for collective (government and development partners) assessment, monitoring and review of development programmes/resources to improve the effectiveness of development assistance.



Following are the detailed considerations for the Peer Review:

Ownership:

- Processes for preparing and reviewing national and sector development plans, including:
 - whether the national and sector plans define a clear set of development results and set realistic timeframes for achieving these
 - how domestic stakeholders are consulted in the preparation and review of national and sector plans
 - the extent to which the Government has communicated national and sector plans within Government and to other domestic stakeholders
 - the extent to which the Government has established and implemented an effective review process for national and sector plans
 - how evidence (including statistics) was used to develop national and sector plans, set budgets and monitor progress.
- Links between the national plan, sector plans and budgets, including:
 - the extent to which the plans included above are supported by realistic and appropriately costed annual budgets and sector plans
 - whether the processes for developing and reviewing national plans, sector plans and annual budgets are integrated with each other

Alignment and Harmonisation:

- Relationship of development partners to national and sector development plans, including:
 - the extent to which development partners align their assistance to the priorities articulated in national and sector plans in a coordinated manner
 - the extent to which development partners harmonise among themselves to ensure coherent and collective assistance to the government. Eg, joint missions, joint assessments, joint country strategies, joint programmes.
 - the adequacy of national and sector plans to provide clear guidance to development partners on how aid can complement national resources
 - the extent to which development partners deploy aid resources through national (government and other domestic stakeholder) systems.


Managing for Results and Mutual Accountability:

- Monitoring the implementation of national and sector development plans, including:
 - Processes and frameworks for tracking and reporting progress against outcomes in national and sector plans, and for drawing policy conclusions from progress reporting.

4.0 Outputs

The key output from the peer review process will be a report prepared by the review team and agreed by the Government that will summarise the available evidence, based on existing documents and in-country consultations, to draw conclusions on the above issues as the basis for:

- Recommendations to the Government on how it can improve:
 - processes for preparing and reviewing its national and sector plans, including consultation mechanisms with domestic stakeholders
 - processes for linking these plans to the annual budget



- coordination of development partners assistance, including by providing appropriate guidance through national and sector plans

- budget allocation and monitoring systems

- **Recommendations for development partners on how they can improve:**

- processes for aligning their assistance to the priorities articulated in the national and sector plans

- processes for coordinating assistance between development partners

- efforts to support and strengthen Government monitoring and implementation systems.

- **Broader lessons on the above issues for other FICs and development partners to consider through the Post Forum Dialogue and other regional meetings.**

5.0 Peer Review Team

The review team will consist of one representative each from Cook Islands, Ms Dallas Young, and Vanuatu, Mr Colin Tavi and one representative from a development partner, UN System Mr Mosese Qasenivalu. The Marshall Islands, in the true spirit of Peer Learning and sharing amongst PICs drew its peer review team from the PIFS established Peer Reviewers Database consisting of government and development partner nominated officials. The Peer Review Team will be supported by the Regional Planning Adviser and an international consultant engaged by PIFS.

6.0 Stages of review process

6.1 Pre-Analytical review

With support of the Regional Planning Adviser, the consultant engaged by PIFS will consider the Government's self assessment (2011 Country Note and Development partners reports) against the agreed format for annual reporting by all FICs on their national development plans, and any reflections by, or commissioned by, the Government on the implications of the self assessment, as well as any other recent reporting on implementation of plans, progress against the MDGs, and the economic and financial situation. An Information Brief will be prepared for the review team and shared with the Government.

6.2 In-country review

The in-country peer review process will take no more than 8 working days. The in country review consultations with relevant national and development partner stakeholders should take no more than 7 working days.

Prior to the consultations, the Peer Review Team will hold an Initial Briefing with the Peer Review Focal Point/Agency to confirm the objectives and focus of the Peer Review and the stakeholders to be consulted.

The peer review team would then meet with relevant stakeholders. A list of stakeholders will be agreed between the Government and the review team. It is anticipated that consultations will include:

- Ministers and officials in central planning and financial management agencies and key service delivery agencies (e.g. education and health).
- Representatives of key development partners.
- Representatives of non-government organisations and the private sector.

The Peer Review Team will consult with the Government on the best way of getting a range of non-Governmental opinion and will if appropriate request that Government convene a consultative meeting with wide community representation.

A Peer Review Debrief will be held on the last day of the Peer Review in country where the Peer Review team will provide some very preliminary findings from the peer review consultations. Stakeholders from both government & non-government sectors and development partners will be invited to attend.

6.3 Post Peer Review Process

1. Preliminary Report by the Peer Review Team:

Within two weeks of the completion of the in country peer review visit, the Peer Review Team with support of the PIFS and consultant will produce and submit a preliminary Peer Review Report to the government for review and comment.

2. Government approval of the Peer Review Report:

The host country will be asked to respond to the draft report within two weeks of receiving the draft and asked to approve a final Peer Review Report within six weeks of completion of the peer review visit.

3. Dissemination of the Peer Review Report:

Within two weeks of host country approval of final peer review reports, Peer Review Reports will be disseminated widely by PIFS to all Forum members and development partners via PIFS Circular and on the PIFS website.

4. Host Country and PIFS Report on Peer Reviews to PIC-Partners and PPAC meetings:

The host country and PIFS will present the peer review report and a consolidated report summarising the peer reviews undertaken in 2012 at the Pacific Island Countries - Development partners meeting and the Pacific Plan Action Committee (PPAC) meeting. The conclusions of the peer reviews will be reported to the Forum Leaders meeting as part of the PPAC Chair's Letter to the Chair of the Forum.

5. Host Country and PIFS Report on Peer Reviews to Leaders and Post Forum Dialogue - August 2012

PIFS will present [a summary of] the peer review report and a consolidated report summarising the peer reviews undertaken in 2012 to Forum Leaders and the Post-Forum Dialogue to inform discussions on development coordination.

The Host country can also consider a high level report potentially through their leader's address to the Forum Leaders on their peer review process and follow up.

6. Development Coordination Action Planning, Resourcing and Implementation:

Based on the preference of the host Government, it is proposed that there be a follow up visit by the PIFS and development partners to the host country to discuss concrete work plan/actions and resource framework/division of labor for implementing the recommendations of the Peer Review Report. This visit is proposed to happen within and no more than three months after the completion of the Peer Review in country. Key development partners in country can consider a pooled fund to support the implementation of the peer review recommendations in addition to other government identified priority development coordination priorities.

Alternatively and/or additionally, and again based on the preference of the host Government, the government can integrate the Peer Review Recommendations into their ongoing national development planning, budgeting and aid coordination/management development strategy/plan and processes.

It is proposed that a simple Monitoring and Evaluation Framework/Indicators agreed between the Government, Development Partners and PIFS will be developed and used to track the implementation of the Peer Review Recommendations (recommendations to both Government and Development Partners).

7.0 Administrative and funding arrangements

In addition to the consultant, PIFS will provide logistical and administrative support to the peer review process coordinated by the Regional Planning Adviser.

The major costs of the peer review process will be met by PIFS. These costs include the consultant and administrative support provided by PIFS, travel by the peer review team and incidental costs incurred by the Government such as hiring meeting facilities and catering. The only significant costs to the Government will be the time of officials consulted. It is proposed that the development partner participating in the review team will cover their own costs.

The Government will nominate a designated focal point to set up and manage the consultation process in close coordination with PIFS.



Annex 5: List of Stakeholders consulted in RMI

N°	Name	Title
Parliamentarians		
1.	H.E. Christopher Jorebon Loeak	President of the Republic of the Marshall Islands
2.	Hon. Hilda C Heine, PhD Ed.	Minister of Education
3.	Hon. Phillip H. Muller	Minister of Foreign Affairs
4.	Hon. Thomas Heine	Minister of Justice
5.	Hon. Michael Konelios	Minister of Resources and Development
6.	Hon. Tony A. deBrum	Appropriations Committee member (Nitijela) and Minister in Assistance to the President
7.	Hon. Dennis Momotaro	Appropriations Committee member (Nitijela) and Minister of Finance
8.	Hon. David Kabua	Appropriations Committee member (Nitijela) and Minister of Health
9.	Hon. Rien Morris	Minister of Transportation and Communications
10.	Hon. Hiroshi V Yamamura	Minister of Public Works
11.	Hon. Donald Capelle	Speaker of the Parliament (Nitijela)
12.	Hon. Jerakoj Bejang	Chairman, Foreign Affairs and Trade Committee(Nitijela)
13.	Hon. Lucky Kaios	Member, Foreign Affairs and Trade Committee (Nitijela)
14.	Hon. Michael Kabua	Chairman, Appropriations Committee (Nitijela)
15.	Hon. Jeban Riklon	(Member)
16.	Hon. Maynard Alfred	(Member)
17.	Hon. Kenneth Kedi	Chairman, Public Accounts Committee (Nitijela)
18.	Hon. Tomaki Juda	Vice Speaker
19.	Hon. Jiba Kabua	Chairman, Resources & Dev't Committee (Nitijela)
20.	Lena Tiobech	Acting Clerk of Nitijela
21	Divine Witi	Legal Counsel (Nitijela)
Government Officials		
22.	Casten Nemra	Chief Secretary, Office of the President
23.	Kino Kabua	Secretary for Foreign Affairs, Ministry of Foreign Affairs
24.	Alfred Alfred Junior	Secretary of Finance, Ministry of Finance
25.	Bruce Bilimon	Assistant Secretary, Accounting and Administration, Ministry of Finance
26.	Boris Anni	Assistant Secretary, Taxation, Ministry of Finance
27.	Kayo Kotton	Assistant Secretary Budget, Procurement & Supply, OIDA Ministry of Finance
28.	Jefferson Barton	Director, Economic Planning, Policy and Statistics Office (EPPSO),
Office of the President		
29.	Gee Leong Bing	Director, Office of Compact Implementation, Ministry of Foreign Affairs
30.	Junior Patrick	Auditor General, Auditor General's Office
31.	Filimoni Manoni	Attorney General, Attorney General's Office
32.	Rosania A. Bennett	Assistant Attorney General, Attorney General's Office
33.	Deborah Barker- Manase	Director of Environmental Protection Agency
34.	Justina R Langidrik	Secretary of Health, Ministry of Health

N°	Name	Title
35.	Maybelline Andon Bing	Assistant Secretary of Health, Ministry of Health
36.	Melvin V. Dacillo	PMU Architect, Ministry of Public Works
37.	Reynaldo V. Sunqa	PMU Manager, Ministry of Public Works
38.	Winifredo Mendez	PMU Engineer, Ministry of Public Works
39.	Raynard Gideon	Public Service Commissioner
40.	Ken Anitok	Public Service Assistant Commissioner
41.	Molly Helkena	Assistant Secretary, Ministry of Internal Affairs
42.	Abacca Anjain - Maddison	Chief, Community Development, Ministry of Internal Affairs
43.	Rostina W. Morris	Manager, Women in Development, Ministry of Internal Affairs
44.	Meria N. Bollong	Youth Services Bureau, Ministry of Internal Affairs
45.	Caroline Jarom	Manager Child Rights Office, Ministry of Internal Affairs
46.	Yumiko Crisostomo	Director, OEPPC
47.	Gary Ueno	Secretary of Education, Ministry of Education
48.	Thomas Kijiner. Jr	Secretary of Resources and Development, Ministry of R
49.	Glen Joseph	Director, Marshall Islands Marine Resources Authority
50.	Phil Philippo	Secretary of Transportation and Communication, Ministry of T&C
51.	Carl Alik	Assistant Secretary Transport and Communications, Ministry of T&C

NGOs and Private Sector

52.	Daisy Momotaro	WUTMI Director
53.	Jessica Ducey	Director, Youth to Youth in Health
54.	Brenda Alik Maddison	President, Chamber of Commerce and General Manager MIVA
55.	Alson Kelen	Executive Director, WAAN Aelon in Majel
56.	Velma Edwards	Assistant Banking Commissioner
57.	Maybelline Ipil	Project Manager, MIEPI
58.	Molly Murphy	Data Analyst, MIEPI

Development Partners

59.	H.E Martha L.Campbell	US Ambassador to the RMI
60.	Douglas G Carey	US Deputy Chief of Mission, RMI
61.	Alan E Fowler	US Department of Interior, Programme Specialist (Grants)
62.	Andrew Zvirzdin	US Political/Economic Officer and Vice Consul
63.	H.E George T.K.Li	ROC(Taiwan) Ambassador to the RMI
64.	Mina Wenlin Cheng	First Secretary, Embassy of the Republic of China (Taiwan) to RMI
65.	Fumiyoshi Kashima	Japan Charge d'Affaires ad interim, RMI
66.	Masataka Mizutani	Economic Adviser/Researcher, Embassy of Japan, RMI
67.	Sophie Mackinnon	AusAID Micro-states Economist
68.	Leah Briones	AusAid Senior Program Manager, North Pacific
69.	Erin Magee	AusAid Programme Manager, Polynesia and Micronesia Pacific Branch
70.	Ellen Milne	ADB Local Coordinator, RMI
71.	Hayden Everett	ADB Financial Sector Specialist (Public Finance), Manila
72.	Peter Talbot	ADB Consultant
73.	Wen-Kai Ou	ADB Operations Coordination Specialist, Manila