



Climate PFM At-a-Glance: FIJI

USD\$2,188 Million 2018 Recurrent Budget
 USD\$68.0 Million 2018 Development In-Kind Budget
 USD\$19.3 Million Budget Support

US\$5,061 Million Nominal Gross Domestic
 Production (GDP)

905,502 (2017 est) Population
 Sugar, Timber, Fish, Gold, Mineral Water: Main Export

Fiji has:

- Recovered well from natural disasters supported by accommodative fiscal and monetary policies;
- Built fiscal policy buffers and boosting private sector development to sustain growth;
- Enhanced productivity through improvement of business environment and governance; and
- Some challenges still remain.

Public Finance Management (PFM) is key to:

- Effective economic management;
- Achieving development outcomes; and
- Accessing climate change and disaster risk management (CCDRM) finances.

A summary of PFM performance and key areas for reforming are identified in the consolidated PFM issues matrix¹.

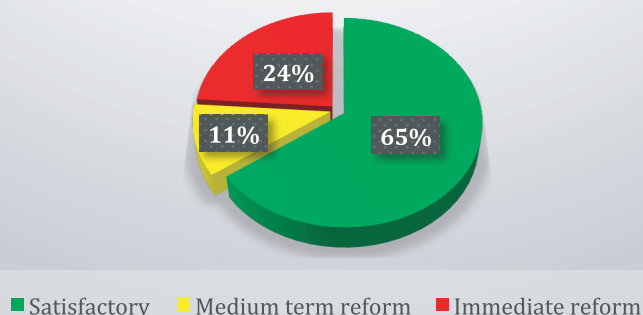
Country's Strategic Direction

The government has adopted its first 5 (2017-2021) and 20 (2017-2036) Year Development Plans both outlining targeted agenda to transform the country by integrating natural development and cross-cutting issues such as climate change (CC), disability and governance into the development programs. The national climate change policy has defined the position of government and other stakeholders on responsibilities and directions on climate change mitigation and adaptation efforts. The policy also recognises the need for constructive cooperation with all sectors and partners in reducing the adverse impacts of CC on the economy.

Public Finance Management Performance

The PFM analysis showed about 65% performed satisfactorily, guided by the PFM reform programme 2016-2019 and supported by partners, particularly in the areas of regulatory, budgeting and accounting improvement. These improvements included setting out expenditure control and accountability mechanisms. About 24% are identified as weaknesses within the PFM machinery, particularly in the areas of internal control, procurement, integrating priorities to the budget final document, monitoring and evaluation (M&E) and financial management reporting. Figure 2 shows the PFM performance under each identified common challenge and where key reform actions should be prioritised to.

Figure 1: Overall PFM Performance - 2018



Further look into the machinery of the PFM, the analysis finds Fiji shares 5 common challenges faced by other PICs.

These are namely;

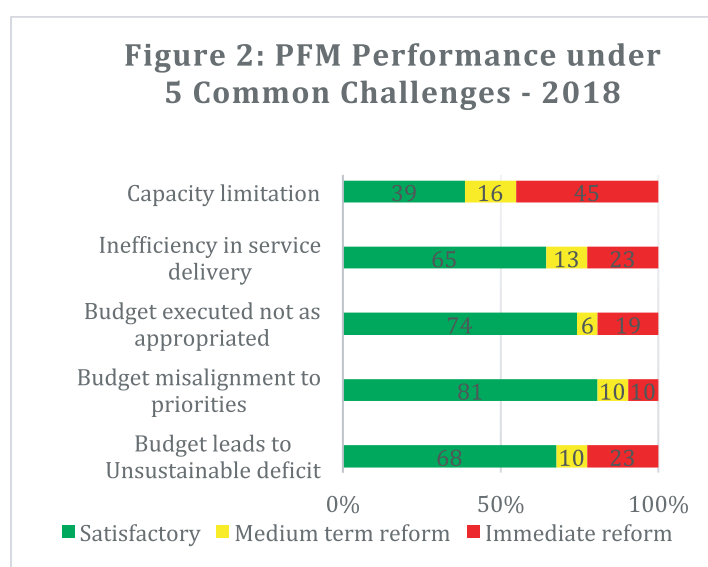
1.	Unrealistic budget leads to unsustainable deficits
2.	Budget misalignment with priorities
3.	Budgets executed not as appropriated
4.	Inefficiency in service delivery
5.	Capacity limitation

¹A traffic-light coding single matrix consolidated PFMS issues guided by PEFA and PCCFAF identified weaknesses and strengthens. The RED requires immediate reform actions; GREEN – shows satisfactory performance and ongoing monitoring to avoid slippage and Yellow: implies medium reform actions.

PFMS performance by common challenges²

Clearly, the overall PFM is performing satisfactorily illustrated by the high percentage of satisfactory level as in the bar-graph below, under each common challenge with the exception of the capacity limitation (45%). The analysis recognises the need to build capacity at all levels to address climate change and disaster risk reduction (CCDRR). The PFM machinery does not have the key linkages of the Human Resource System to the Financial Management Information System for better management of salary payment and HR development. It is of importance to ascertain a systematic follow-up process on key PFM issues as recommended by the oversight institutions, particularly the internal and external audits.

Figure 2: PFM Performance under 5 Common Challenges - 2018



Addressing capacity limitation

Capacity limitations are frequently cited as key constraint to obtaining “best practice” performance standard for PFM. The following are suggested actions to address capacity constraint in Fiji.

1. Prioritize capacity to areas that matter most in achieving development outcomes and meeting CCDR funds fiduciary criteria;
2. Access to capacity building, supplementation and substitution opportunities provided from partners;
3. Improve infrastructure capabilities;
4. Secure political support of all stakeholders involved in PFM reforms (leadership/commitment); and
5. Alignment of donors’ aid modalities to country’s strategies - coordination and harmonisation.

Suggested key PFM reform areas

The Green Climate Fund (GCF) has granted the Fiji Government with a US\$31 million for an Urban Water Supply and Wastewater Management Project. Fiji accessed this GCF fund through the Asian Development Bank, as an accredited entity. In October 2017, Fiji Development Bank became an accredited direct access entity (national implementing entity) by GCF. Despite that, it is important for the government to continue its effort to strengthen the PFM systems and processes in the area of integrating planning priorities into the budget, transparency, oversight and project management.

The following are suggested key PFM areas to consider reforming immediately (within 1 – 2 years timeframe):

- a. Integrating priorities into the budget and revamping of the accounting coding system;
- b. Developing an M&E framework to measure policy reform performance against desired results;
- c. Strengthening of internal control and internal audit;
- d. Strengthening the procurement process with establishing an appeal process and mechanism; and
- e. Developing of asset and project management processes, guidelines and framework.

Highlights of available support programs

- DFAT/GIZ CFRP Project consolidated the PFM issues into a matrix and validated the areas that need to be reformed.
- ADB/PFTAC can provide assistance towards strengthening budget management, monitoring, procurement and asset management.
- WB can provide assistance jointly with ADB and others on areas within their line of support.

Key documents used for the PFM issues consolidation

- The 5 and 20-Year Development Plan
- Fiji National Climate Change Policy
- PEFA Reports and Pacific Country Peer Review
- Climate Public Expenditure & Institutional Review (CPEIR) Report
- IMF Article IV report

² PFM identified common challenges facing FICs.