

## Update! Update! Update!

With the ongoing implementation of the Financial Management Reform, awareness of the changes is starting to increase across all levels of government, the private sector and the community.

In August the FMR team met for the first time with representatives from Ministries and Departments who have been appointed to oversee the changes within their Ministries.

The Change Leaders will play a crucial role in the implementation process as the main point of contact for the FMR team. At the briefing the leaders were given an update on the progress of the Reform as well as a breakdown of exactly what is required of them.

The FMR team will have monthly meetings with the Change Leaders who will also provide feedback on developments within their ministries.

In the effort to create more awareness, the FMR team with the assistance of the Government ITC Department have also set up the FMR website to provide further updates on the Reform. The website can be accessed through the Ministry of Finance web page at [www.mfnp.gov.fj](http://www.mfnp.gov.fj).

Efforts are also being made to publicise the reform efforts through articles in the Fiji Times and ongoing consultation with the media.

The FMR team has been busy delivering presentations on the progress of the Reform to organisations and departments that have expressed interest in the process.

## Budget Preparation System

The Government of Fiji is replacing its Budget Preparation System (BPS) in order to meet the requirements of Performance Budgeting, a major component of the Financial Management Reform.

The Ministry of Finance called for tenders early this year in an effort to identify a new and more flexible system that will manage budget information and draw relevant reports from a database.

An evaluation process is currently underway before a decision is made on the new system expected to better support the annual budget process of prioritizing and allocating the Government's limited funds to ministries and departments.

The new system will provide:

- Internal reports for the budget preparation process
- External reports to be tabled in Parliament

It will also accommodate other changes necessary as part of the Financial Management Reform.



The Financial Management Bill was tabled at the last sitting of parliament

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# Capacity Building within Government

The months of August and September have been hectic for the FMR/FMIS Team with ongoing presentations to ministries and departments, the tabling of the Financial Management Bill in Parliament and the drafting of the new finance instructions and the proforma finance manual.



Conducting FMIS training

An exciting time for Government with the changes linked to the financial management reform to be implemented within ministries and departments in the coming year.

To effectively manage the changes, capacity building programs have been set up. These programs will cover training on performance budgeting, corporate planning, internal controls, annual reporting and accrual accounting, to name a few. Training is targeted at specific groups within the civil service who are directly involved in these areas.

The FMR Team together with the training provider, USP are working to ensure that the proper training material is produced and the training is coordinated in a timely manner alongside the changes being implemented.

An FMR training committee has been formed comprising members from across government and headed by the FMR Team.

The training committee is directly responsible for overseeing the implementation of all training programs.

The members were selected from some Government ministries including the Government Training Center. This was done to strengthen the support for financial management training and also to ensure that technical training expertise is available.

Since it was formed, the training committee has met twice with the initial focus on the new finance legislation, with discussions around the type of training required.

Training on the legislation will kick-start the capacity building program. Although a specific date has not been set, training is anticipated towards the end of this year.

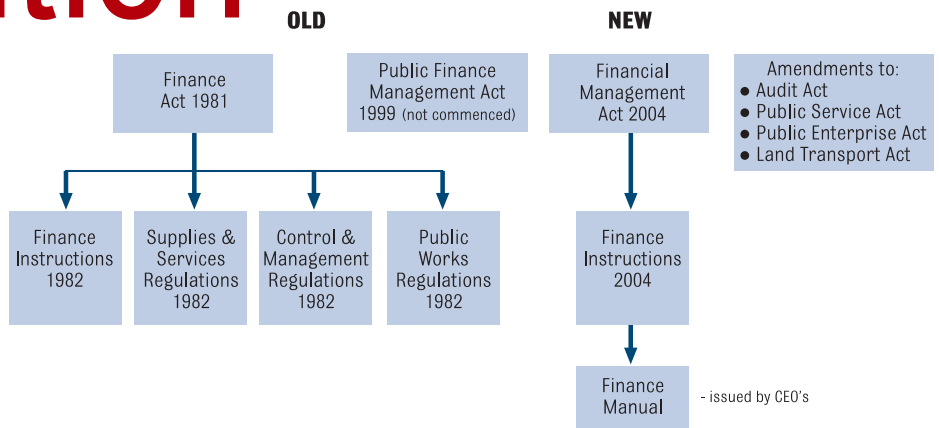
# Legislation

The Financial Management Bill 2004 has been drawn up to support the changes brought about by the Financial Management Reform.

The objectives of the new legislation are to adopt a performance focus and strengthen accountability by progressively improving the existing financial management framework.

The new legislation will determine the way in which government finances are managed and the roles and responsibilities of the Minister for Finance and Chief Executive Officers. It provides for planning and reporting requirements such as the preparation of annual corporate plans and annual reports and improves cash management procedures.

More importantly, the new legislation gives CEO's more financial authority over their budgets by allowing them to:



- set up their own tender boards for procurement purposes
- transfer funds within their own budget (but with certain restrictions)
- retain certain types of revenue
- write off losses up to certain limits

The Bill has been tabled in parliament and is currently being discussed by the relevant Parliamentary Sector Committee in order to bring about a better understanding of the major changes in particular relation to the 1981 Finance Act and the suspended 1999 Public Finance

Management Act (PFMA).

The legislation also accommodates the gradual move from cash to accrual accounting.

The new Act which should come into effect from 1st January will be supported by:

- Finance Instructions - to be issued by the Minister for Finance; and
- Finance manuals - to be issued by each chief executive officer of a budget sector agency.



Ministry of Finance CEO, Tevita Banuve (middle) with Acting Deputy Secretary Financial Asset Management, Aisake Taito (left) and Deputy Secretary Budget, Peceli Vocea

# The importance of Corporate Planning

**During a workshop for ministries and departments held earlier this year, someone asked why plan? Is it really as simple as it sounds or what exactly does it mean to plan the budget or what should be done for the whole year?**

Planning means putting together strategies to help ministries and departments deliver services with the funds they have been given in order to achieve their objectives.

Having a plan helps the agency prioritise resources to outputs efficiently and provides a benchmark to monitor performance of outputs and the achievement of objectives. Planning also provides the platform for monitoring individual performances.

A major form of planning is corporate planning. Although not a new concept, it has never been fully embraced until recently. Through the Financial Management Reform agencies are required to prepare corporate plans outlining the agency's planned performance for the year.

The FMR focus on corporate planning emphasizes that even the best-laid plans cannot be achieved without taking into account the level of funding available. Corporate plans should therefore be realistic given the availability of

resources. There also needs to be a strong connection between the policies that government wants to achieve and how these policies can be effectively translated into services that are funded and delivered by agencies.

The Civil Service Reform also supports the requirement for corporate planning. Part of the CEOs' performance will be assessed from the delivery of agencies outputs as set out in the corporate plans. From these corporate plans, business plans and individual workplans are then devised enabling individual performances to be measured as well.

With the two reforms emphasizing the importance of corporate planning, the performance of the public service can only get better. Things have already started rolling with the corporate planning process for 2005. The focus now is more on performance with agencies outlining how best they can achieve government policy objectives through the delivery of their services given the resources available.

The achievement of policies and delivery of service can be monitored through the development of performance measures. Training is set to take place next year to help agencies understand the requirements of corporate planning and performance measures.

## PERFORMANCE BUDGETING TIPS

### OUTPUTS

- Outputs are the goods and services provided by your Ministry
- Outputs have to be measurable
- Output Measures or Performance Measures should be able to assess or measure the quality, quantity, timeliness etc of your goods and services on the community.
- Performance Measures will be used when assessing your budget submissions
- Eg. Output for Ministry of Education is education services in primary schools. In order to carry out this output, the Ministry is required to teach the students according to certain standards, attain a high level of pass at all levels etc. The Output could then be measured by the pass rate in Primary schools.

**TIP. When identifying performance measures always think of who you are providing goods and services for and not how you will be providing the goods or service. For instance the Ministry of Education is providing a service to the students of the nation. The measurement is therefore the quality, quantity, timeliness of the service on the students.**

### OUTCOMES

- Outcomes have to be measurable
- When defining your Ministry Outcome think of the word "impact" What "impact" does your Ministry have on the community?
- Outcomes can be measured by Outcome Indicators, which measures the impact of the services provided by Ministries & Departments.
- Outcome Indicators reflect the long term goal of your Ministry

Ministry Outcomes rarely change over the years e.g for the Ministry of Education, the Outcomes could be Access to Education for all school age children. An indicator could be the number enrolled in school last year in comparison to the number of school age children in the country.

# Financial Management Information System

Another major component of the FMR is the introduction of a new Financial Management Information System.

The new system will improve the collection of relevant and timely data on financial transactions by ministries and departments. One of the problems identified with Governments current accounting system is the inability to efficiently produce reliable figures that are required when making management decisions.

The new FMIS is expected to:

- automate most current manual business/accounting processes;
- improve financial reporting



Training session on FMIS

- strengthen the monitoring of budgets
- strengthen control over spending;
- support the move from cash accounting to accrual accounting and the accompanying asset management; and
- support the adoption of performance budgeting

Tender proposals received for the new FMIS are currently under evaluation with suppliers given an opportunity to demonstrate the use of their proposed software.

An independent team was also appointed to audit the evaluation process and to ensure that the evaluation was conducted in a fair and transparent manner.

The software supplier should be identified in October after which an implementation plan will be drawn up before the gradual process takes place within the ministries identified to pilot the implementation of the new FMIS.

## Frequently Asked Questions

### What is the Financial Management Reform?

The FMR is the new policy framework that had been adopted by the Fiji Government to improve performance and accountability in financial management.

### Why was the FMR introduced?

The framework has been introduced following public concern over Government's inefficiencies and wastage as reflected in numerous Auditor-General Reports as well as reports by international agencies on public expenditure practices in Fiji. These reports have highlighted the need for Government to seriously address its resource allocation and financial management processes.

### What are some of the problems with the current management of Government finances?

The Fiji Government's current financial management structure, has been in place since the 1980s with minor changes

throughout the years. A review of the current structure revealed the following problems:

- inadequate links between government policy decisions and implementation;
- a focus on the resources given to Government agencies rather than how the agencies perform with the resources allocated to them;
- Central control of finances by the Ministry of Finance which contributes to slow delivery of service; and
- poor financial management and spending control.

### What changes will the FMR introduce?

The FMR will strengthen and modernize the management of Government finances to:

- better align government policy priorities with budget resources;
- adopt a performance focus;
- provide more effective control over public spending; and
- strengthen accountability and transparency in financial management.

### How will the FMR bring about these changes?

- Financial Management Act 2004 - The legislation has been drafted to give legal effect to the Financial Management Reform policy framework.
- Financial Management Information System - will be introduced progressively. The new system will support the changes by automating most current manual processes, strengthen the monitoring of budgets and control over spending.
- Performance Budgeting - involves the allocation of resources to agencies based on the goods and services they deliver. Therefore budgets will reflect the level of performance expected with the resources provided. . This will be linked to the annual corporate planning process.
- Training and Capacity Building - Training will be conducted at all levels to ensure the sustainability of the changes.



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