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Maldives: Action Plan for PFM Reforms Based on PEFA Assessment

This report on "Action Plan for PFM Reforms Based on PEFA Assessment" for the country of Maldives was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time it was completed on November 2009. The views expressed in this document are those of the staff team and do not necessarily reflect the views of the government of Maldives or the Executive Board of the IMF.

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Action Plan for PFM Reforms Based on PEFA Assessment

November 2009

Prepared by staff from the government of the Maldives, the IMF, and the World Bank

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MALDIVES

ACTION PLAN FOR PFM REFORMS BASED ON PEFA ASSESSMENT

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ABBREVIATIONS

ADB	Asian Development Bank
AFS	Annual Financial Statements
AG	Auditor General
FCO	Financial Controller's Office
FRF	Fiscal Responsibility Framework
IA	Internal Audit
MLRF	Maldivian Rufiyaa
MMA	Maldives Monetary Authority
MOFT	Minister of Finance and Treasury
PAS	Public Accounting System
PEFA	Public Expenditure and Financial Accountability
PERT	Project Evaluation and Review Technique
PFM	Public Financial Management
PFM-PR	Public Financial Management Performance Report
TSA	Treasury Single Account
WB	World Bank

Executive Summary

The recently completed PEFA assessment indicates significant weaknesses in public financial management (PFM). Budget credibility is low, although the budget is comprehensive. Budget execution, control, procurement, accounting, and reporting is very weak. External audit and legislative oversight has been lacking. Improvements are underway in many areas. The purpose of this action plan is to help prioritize efforts in light of scarce resources. The authorities have negotiated a stand-by arrangement with IMF staff; Board submission is planned for October. The program will entail significant fiscal consolidation, in particular by reducing the wage bill and measure to ensure sustainable budget financing.

Immediate reform priorities include clarifying the treasury single account (TSA) concept and implementation plan; finalizing the new public accounting system (PAS), including financial regulations; accelerating budget reporting and ensuring timely annual financial statements for FY2009. This could require elimination or minimization of the budget carryover period between years.

Other high priorities include establishing a framework for assessing, monitoring, and managing fiscal risks, including a fiscal responsibility law; strengthening cash forecasting and management, as well as debt management, which could require enhanced ministry of finance and treasury/Maldives Monetary Authority (MOFT/MMA) collaboration; and ensuring that the public sector employment database and payroll system is fully integrated and regularly reconciled.

Longer-term priorities include further development of the medium-term budget framework, after some initial steps for 2009–11; development of effective internal audit to support financial controls and clarify relationships to the Auditor General (AG); and gradual deployment of a program budget structure.

To realize these improvements, it will be important to strengthen MOFT governance and reform oversight; to ensure that MOFT staff is adequately trained; to provide training to line ministry budget and accounting staff; and to utilize technical assistance efficiently.

I. INTRODUCTION

1. **The government of the Maldives has just completed an assessment of its PFM systems based on the PEFA methodology.** The PFM performance report (PFM-PR) from this assessment was presented at a workshop in Male on September 16, 2009.

2. **The PFM-PR report provides a detailed assessment of many different aspects of the PFM system, but as specified by the methodology, it does not give recommendations about how to address weaknesses and issues that are identified.** Neither does it provide any guidance on prioritization and sequencing of reforms or discuss how to create an enabling framework for reforms, for instance through capacity building in the ministry of finance or in the line agencies. According to the PEFA "strengthened approach," these should be the subject of a separate follow-up process, led by the country in question but with contributions from its development partners.

3. **The purpose of this report is to outline key elements of a strategy to strengthen PFM capacities in the Maldives**. It builds on the PEFA assessment, and on other analytical and technical work carried out by the government and its development partners, including the IMF, the World Bank (WB), the Asian Development Bank (ADB) and UNDP. The purpose is to assist the government in clarifying its priorities in this area and the options it has for resolving them. The report was prepared by an FAD team during a mission from September 13–17, 2009. Neither the WB nor ADB, who have both been active in providing technical assistance on PFM to the Maldives, were able to participate in this mission. The report has been submitted to these organizations and to other development partners for their review and comments.

4. **The PFM-PR identifies a number of weaknesses that require attention.** The assessment is built on a four-level scale (A–D, where A indicates no strengthening is needed and D indicates the function is missing or severely inadequate). In the assessment of the Maldives, there is only one indicator with a score of A. There are five areas with a score of B, which need some improvement. Six indicators scored a C, and seventeen a D, where very significant reforms are needed. Table 1 provides a summary overview of the assessment results.

Table 1. Results of PEFA Assessment

Indicator	Scoring
PI-1: Aggregate expenditure out-turn compared to original approved budget	B
PI-2: Composition of expenditure out-turn compared to original approved budget	D
PI-3: Aggregate revenue out-turn compared to original approved budget	D
PI-4: Stock and monitoring of expenditure payment arrears	D+
PI-5: Classification of the budget	B
PI-6: Comprehensiveness of information included in budget documentation	C
PI-7: Extent of unreported government operations	B+
PI-8: Transparency of inter-governmental fiscal relations	N/A
PI-9: Oversight of aggregate fiscal risk from other public sector entities.	C
PI-10: Public access to key fiscal information	B
PI-11: Orderliness and participation in the annual budget process	B
PI-12: Multi-year perspective in fiscal planning, expenditure policy and budgeting	D
PI-13: Transparency of taxpayer obligations and liabilities	C+
PI-14: Effectiveness of measures for taxpayer registration and tax assessment	C+
PI-15: Effectiveness in collection of tax payments	C+
PI-16: Predictability in the availability of funds for commitment of expenditures	D+
PI-17: Recording and management of cash balances, debt and guarantees	D+
PI-18: Effectiveness of payroll controls	D+
PI-19: Competition, value for money and controls in procurement	D+
PI-20: Effectiveness of internal controls for nonsalary expenditure	D+
PI-21: Effectiveness of internal audit	D+
PI-22: Timeliness and regularity of accounts reconciliation	C
PI-23: Availability of information on resources received by service delivery units	A
PI-24: Quality and timeliness of in-year budget reports	C+
PI-25: Quality and timeliness of annual financial statements	D
PI-26: Scope, nature, and follow-up of external audit	D+
PI-27: Legislative scrutiny of the annual budget law	D+
PI-28: Legislative scrutiny of external audit reports	D+

Donor Practices

Indicator	Scoring
D-1: Predictability of Direct Budget Support	N/A
D-2: Financial information provided by donors for budgeting and reporting	D
D-3: Proportion of aid that is managed by use of national procedures	D

II. Strategy for Reforms

A. Strategic Considerations

5. **The Maldives is negotiating a Fund program.** As a part of the program, the government is making certain commitments in the PFM area. These include implementation of PFM reforms as indicated by the PEFA assessment, including completing the transition to the PAS and the TSA, as well as enhancing budget execution including internal controls, cash management, and fiscal reporting. The commitments also include certain areas that require support from a strong PFM system, such as civil service reforms and privatization.

6. **The Maldives is planning significant fiscal consolidation over the next three to five years.** The authorities are considering anchoring this consolidation and the move towards a balanced budget within a fiscal responsibility framework (FRF). A well functioning FRF requires reliable and timely information on budget outturns and emerging fiscal trends over the medium term. Thus, it needs a strong accounting base, comprehensive fiscal reporting, and timely and accurate financial information, as well as capacity for risk assessment and medium-term forecasting.

7. **The fiscal consolidation will involve a reduction in public spending, especially in the civil service wage bill.** To ensure sustainable reform in this area goes well beyond the scope of the PFM system; it will require comprehensive civil service reforms. Reform of the payroll systems, which is in the PEFA framework and is assessed as needing significant reform, is an area of priority.

8. **In this action plan, the first priority is placed on strengthening "basic" PFM systems which will underpin and provide the platform for "higher-level" reforms.** The benefit of these reforms will be felt in budget preparation and execution and in designing and implementing fiscal policy, and their impact will be more immediate. Some of these reforms have already started, and the first priority should be to complete these ongoing reforms, including the PAS and the TSA. There are other areas that are linked to these ongoing reforms, where the impact also will be felt immediately. Improvement in cash management is one such area.

9. **Although the PEFA assessment includes some tax-related indicators, these will not be discussed in this report.** Tax reforms are being supported by the ADB and will be the subject of a separate IMF mission.

10. **The limited capacity at all levels in the MOF and in the line agencies is a significant constraint for the possibilities to implement, sustain, and institutionalize PFM reforms.** This constraint is a major factor in preparing a PFM action plan. Reform measures will need to be carefully prioritized and sequenced so as not to overload the limited

capacity, and the pace of reforms will need to be slower than it could have been in the absence of these capacity constraints.

11. **It is critical to ensure effective coordination between different reform efforts, to strengthen the government's oversight of the reform projects, and to ensure adequate user involvement.** Some of the reforms included in this action plan are covered by ongoing projects, such as the PAS. Whereas the government staff and advisors implementing these projects are doing excellent work, there seems to be limited coordination between the efforts, and the government's oversight mechanisms are often fragmented and ad hoc. Plans are captured in PowerPoint presentations without any formal endorsement, and procedures and other information is embedded in computer systems or in draft regulations with unclear status. There also seems to be limited user involvement in the projects.

12. **The action plan should be approved by the cabinet, and the minister of finance should sign off on implementation of important milestones.** The minister should appoint a high-level PFM reform committee to oversee implementation of the reform program. It is important to ensure that plans and procedures are properly documented and given the necessary formal authority. Ongoing PFM reforms, such as the PAS project, should not be implemented in isolation but be managed as part of this broader PFM reform strategy.

13. **The action plan seeks to provide a systematic framework, including clear deliverables with deadlines and lines of accountability for completing each of the reforms.** It is divided into three main parts:

- Reforms that are underway, need further strengthening, and provide the basic platform for other reforms. These should be completed as first priority by the end-2010.
- New priority reform areas that require attention during 2009–10, but which are likely to require sustained efforts over the medium term.
- Other reforms that have somewhat lower priorities, and which could be addressed from 2011–12.

B. Strengthening and Completing Ongoing Basic Reforms

Complete the TSA

14. **The government has established a TSA in the MMA.** It covers the core budget, all the budgetary inflows and outflows. However, a number of budget entities retain bank accounts outside the TSA. These include project funds of the donors and other accounts of the line agencies in the commercial banking system. Data on the amount of government money in the commercial banks shows that consolidation of these balances in the TSA would have either eliminated or minimized the need for government borrowing from the ways and

means account in the MMA. A well-structured and functioning TSA is also essential for meaningful cash planning and management.

15. **The MOFT in collaboration with the MMA should prepare a clear conceptual framework for the TSA.** This should include:

- The structure of the TSA and its subaccounts;
- A specification of which bank accounts will be outside the TSA and the rationale for this;
- Full description of how the TSA will be operated;
- Procedures for reconciliation of the TSA with the government accounts;
- Determination of who in the MOF is authorized to operate this account and how this will be managed; and
- A detailed timetable for inclusion of different accounts and cash flows into the TSA and for closure of the related accounts in the commercial banks.

16. **To facilitate the transition the MOFT should prepare and maintain a detailed list of all inflows (tax and nontax) that go into the TSA, and all outflows from the account.** A list of all commercial bank accounts, updated in line with the integration of these accounts into the TSA, should also be prepared. If necessary, the MOFT should reissue instructions that no line agency can open and operate any commercial bank account without prior, written approval of the MOFT.

Complete the PAS project

17. **This project is the main reform in payment and accounting systems, and is thus central to the production of fiscal information and data.** The project is in the process of being rolled out to various line agencies (3 so far out of a total of 250 agencies). During discussions, it was indicated that it could be possible to complete the roll out of the PAS system to all line agencies by 2011.

18. **The AG has indicated that there may be inadequate documentation or definition of the business processes underlying PAS.** There have been many reviews of the implementation of the project, including by WB and IMF experts. However, the AG suggested that unless the underlying business processes are fully defined and adequately streamlined, the benefits from the new payment and accounting system may be at risk. It was also mentioned by the financial controller's office (FCO) that financial regulations which regulate the payment and accounting systems have been revised but were not yet approved.

19. **The mission is not in a position to verify to what extent the AG's concerns are warranted.** However, given the important role of the AG in ensuring the integrity of the PFM system and the financial accounts, it would seem reasonable to address the concerns of

the AG, and review the business processes underlying the automated system. This could also be a good opportunity to finalize the detailed financial regulations.

20. **The mission recommends the following actions**:

- The MOFT (the FCO) should publish a Project Evaluation and Review Technique (PERT) chart for the project with specific outputs and benchmarks to be met in completion of the project. It should establish a committee of the main users, including some of the largest line agencies and the budget office of the MOF who should meet every month to monitor the project against the deliverables. These actions—preparation and publication of a PERT chart, with project deliverables dates, and the formation of a consulting user group should be completed before end-October. The assistance of the consulting team currently assisting the FCO in the roll out of PAS should be taken.

- The MOFT and the AG should agree a concrete deadline for finalizing the financial regulations. The review should verify that there is consistency between the functionality of the PAS system and the regulations. This review should be completed by end-November. Any further revisions of the regulations needed as a result of such a review should be completed by end-December. The finalized financial regulations should be issued and be implemented on January 1, 2010.

- The AG may also consider a performance audit of the project, mainly to address his concern regarding the underlying business processes. This audit should be completed no later than end-November so that any revisions to the project can be made before the year end. Any changes that need to be made are best made as soon as possible to avoid major cost. The mission would however suggest that only the most essential changes should be considered at this time. Unnecessary tinkering with the project that might carry unacceptable risks of project delay without commensurate gains should be avoided.

Advance the time table for the budget out-turn and fiscal reports

21. **The FCO should present the budget out-turn data along with complete fiscal data cumulatively for the year up to end-November 2009 by the December 15, 2009.** The mission was informed that it should be possible to prepare budget out-turn reports, using the PAS system, on a monthly and quarterly basis (cumulative figures) starting from end-November this year. These reports would however be limited to budgetary flows and would not include other flows such as loans and grants. The mission recommends that the data on these other flows be added to the basic budgetary out-turn report so that it provides complete and updated fiscal information already from the outset. This is important for the credibility of the reports and the integrity of the reporting process. The FCO should assign responsibility to

a staff member, with suitable back up, for the preparation and presentation of monthly and quarterly data.

22. **At the same time, the FCO should, in consultation with MMA, design a system to reconcile this data with data maintained by the MMA.** The template and the methodology for this reconciliation should be prepared by the end-October 2009. The cumulative budget out-turn data up to end-November should be reconciled with the MMA using the reconciliation template and methodology developed during October. Both the FCO and the MMA should identify two staff each from their offices to develop the system for reconciliation of the budget data. The team should document this methodology (with two or three hypothetical examples) for such reconciliation and train suitable number of staff both within the FCO and the MMA to use the system. Active help from the consultants currently assisting the FCO with the roll out of the PAS system should be taken in this task. The budget reports to be presented by the 15th of the month following the month of operation should be based on reconciled data.

Prepare a plan for timely preparation of annual financial statements

23. **The annual financial statements are critical elements of credible budget reporting and the deadlines must be enforced firmly, under penalty for noncompliance if necessary.** Under the law on public finance 2006, the FCO is required to finalize the annual financial statements (AFS) and submit these to the AG for audit within three months of the end of the fiscal year, that is by end-March. The AG is to complete the audit within two months or by end-May for presentation of the AFS to the Majlis.

24. **Even though the PAS system is not yet rolled out, the mission understands that this should not cause serious problems in the preparation of AFS.** The FCO should prepare a plan for completing the AFS on time, with the assistance of the consulting team involved in PAS roll out, and submit this plan to the AG and the minister.

25. **The "carryover" period of one month for payments that can be made from the previous year's budget by the line agencies makes the timely completion of the accounts more complicated.** This was even worse in the past, when the carryover period was longer, and in practice seemed to be almost open-ended.

26. **One solution would be to eliminate the complementary period completely.** This would create some practical challenges in the transition year, and necessitate some procedural changes. However, this would greatly facilitate the timely completion of the accounts, effectively remove the scope for manipulation and eliminate much of the uncertainty regarding the validity of the reported budget figures.

27. **If it is deemed impossible to eliminate the practice completely in the short term, the MOFT should require prior notification of the line ministries' plans to make payments during the carryover period.** The FCO should issue instructions to the line

agencies and ask them to provide itemized information on all payments—with amounts and names of payees—that they plan. Any payment not mentioned in the forecast should be charged against the following year's budget (FY 2010). Provisional accounts can be prepared using the forecast numbers for the carryover period and revised later for adjustment which should be minor.

C. New High-Priority Reform Areas

28. **In addition to the ongoing reforms discussed in the preceding section, the government should initiate work in some new areas.** Some of this work could start in 2009 or early-2010, but will generally require sustained efforts over the medium term. These tasks are often more challenging, require greater expertise and will take a longer time to institutionalize.

Prepare a comprehensive framework for assessment and management of fiscal risks

29. **The Maldives are subject to a number of significant fiscal risks.** These are risks that undermine the credibility of the budget and the sustainability of fiscal policies, and have been clearly demonstrated by the negative fiscal developments over the last years. Important fiscal risks include the failure to mobilize donor financing, cost overruns in government projects, over-spending on wages and other staff-related expenditure, uncertain costs of political decisions (such as the decision to decentralize government in seven regions), calls on government guarantees, changes in the terms of commercial borrowings, and exogenous shocks to the economy.

30. **The government should develop a comprehensive framework for assessing, monitoring and managing these fiscal risks.** This framework should identify the key risks and the possible outcomes, and include strategies to mitigate the consequences when negative outcomes occur. Correlations between different types of risks should also be identified. There appears to be little capacity at this stage to prepare a systematic risk assessment and management strategy, and the authorities will probably require considerable technical assistance in this task. Consideration could be given to involving the MMA in this work, since it seems to have greater resources than the MOFT.

31. **Some countries have found that a fiscal responsibility law or similar instrument can play a useful role in managing fiscal risks.** The government has requested assistance from the IMF in preparing such a law. The specific design of such laws varies greatly across countries. Many laws provide a commitment to specific fiscal rules, for instance related to the size of the deficit, government borrowing or other fiscal aggregates. The law may also include directions for how to initiate changes in the fiscal stance if fiscal risks materialize. The laws will often have extensive provisions for monitoring and reporting of fiscal data. The laws facilitate agreements between the executive and the parliament on how to handle fiscal risks and negative developments, and in some cases constrain the two sides in how to

formulate fiscal policies, for instance by requiring that all proposals for expenditure increases must be matched by commensurate reductions in other areas or revenue increases.

Strengthen cash planning and cash management

32. **The completion of the TSA and the roll-out of the PAS system will significantly contribute to improved cash planning and management.** These capacities are particularly important in the current difficult fiscal situation. Realistic cash planning and tight management of available cash resources will be critically important for successful completion of the IMF-supported program. As the capacity is developed, effective coordination and integration with debt management will also become very important.

33. **Meaningful cash planning must be based on realistic budgeting, for both revenue projections and expenditure forecasts**. The efforts to prepare more realistic budgets, for instance through more comprehensive medium-term fiscal frameworks, will also be critical for the quality of cash planning and management.

34. **There are two major aspects of cash planning and management: forecasting of cash flows and decisions on cash allocation to manage the fluctuations in the cash flows.** The Fund has assigned a peripatetic expert to assist the government in these areas:

- The authorities should prepare a cash forecasting model during the first visit of the expert, and start training the staff from the FCO in using the model to prepare cash forecasts annually, quarterly, and monthly on a rolling basis.

- Cash allocation decisions may have impacts on budget priorities. Cash shortages and cash rationing may entail different treatment of different budget areas, and may effectively undermine the overall composition of spending. For this reason, the budget department should be consulted when cash allocations are likely to deviate significantly from the cash requirements of the line ministries for a given time period. If it is necessary to adjust budget priorities, this should be done through explicit political decisions, not as a result of ad hoc cash rationing

Strengthen debt management

35. **The WB is planning a detailed assessment of government debt management in the Maldives, based on the DMPA methodology.** This assessment, which is scheduled for October 2009, will provide the basis for a comprehensive debt management strategy and an action plan for strengthening capacity in this area. Strengthening of debt management is important to enable the government to finance its budget deficits in the short term and ensure the sustainability of fiscal policies in the longer term.

Create a comprehensive database of public employees and fast-track new payroll system

36. **The authorities' strategy for fiscal consolidation is anchored in expenditure reduction, which in turn is led by reduction in the payroll.** Hence, it is important to ensure that the authorities have complete and accurate information about public employment and the public sector wage bill:

- The WB is assisting the authorities in establishing a complete database of public employees and their remunerations. The civil service commission maintains a record of regular civil servants, but their database omits other important groups of public employees. There is also incomplete information about the total remuneration that these employees receive.

- The updated public employee database will be included in the payroll module of the PAS. The expert team working on rolling out the PAS could be asked to provide a timeframe, with precise deliverables, for fast tracking the payroll module and various tasks which are pre-requisites for the roll-out.

D. Longer-Term Priorities

37. **In addition to the short- and medium-term priorities discussed above, the PFM-PR identifies a number of areas where there are substantial needs for strengthening more advanced capacities in the longer term.** In some of these areas there has already been some initial work. However, given the many immediate priorities, it is not advisable to put too many resources into these areas at this stage. Advanced reforms will generally not produce any significant results before more basic elements of the PFM system are in place. For instance, program budgets will not serve any meaningful purpose in the absence of timely and reliable budget reporting.

Medium-term budget frameworks

38. **The MOFT took an important, first step towards a more medium-term oriented budget system in 2009.** The 2009–11 budget estimates were based on a medium-term fiscal outlook, and provided indicative allocations of future spending. However, given the current fiscal situation and the many weaknesses in the PFM system, these indicative allocations have very limited credibility.

39. **There is significant scope for gradually strengthening the quality of the medium-term budget estimates over time.** The preparation of the medium-term fiscal framework and the related spending estimates requires reliable financial information. Successful rollout of the PAS system will enhance the availability of reliable and timely budget data.

Internal audit (IA) function in all budget entities within the government

40. **In 2002, the ADB supported the preparation of a "strategic management plan establishing an internal audit function" within the government.** However, the assessment of internal audit in the PEFA report has been rated as a D plus, noting that "internal audit function has hardly developed in the Maldives."

41. **Establishment of effective, modern internal audit is an advanced and very demanding reform.** In the mission's view, this should not be a high priority in the Maldives at the moment. Given the many other, more fundamental weaknesses in PFM, it is also highly unlikely that attempts to establish internal audit would be effective.

42. **In the longer term, a basic internal audit function could be a useful instrument to support internal control and financial management functions in government.** Functioning internal audit would also support the work of the AG, and help clarify the relative roles and responsibilities of the government and the AG, helping to strengthen ownership of PFM reforms and the integrity of the systems.

43. **As a first step, the MOFT could establish a nucleus of an internal audit function, for instance with two competent staff**. Their task would be to engage in basic internal audit activities on a very selective basis, to gain experience for the development of a more substantive internal audit function over time. For this to work, the staff would need to be fairly experienced, and they should not be reallocated to carry out regular financial management functions for the MOFT. The internal audit function should report to the minister of the permanent secretary of the MOFT and should not be a part of any department. The development of internal audit should be closely coordinated with the AG.

Moving to a program structure in the budget

44. **The PAS system has the capacity to prepare the budget in a program structure and to provide outturn reports accordingly**. However, before that can be done, the government has to determine the structure and substructure of various programs. This should not be a priority in the near term, but could prove useful once the more pressing weaknesses in PFM have been addressed.

45. **At that stage, the mission suggests that an expert group, comprising the budget department and representatives of major service providing departments, such as health and education, should be constituted to determine the structure of the programs.** The group will need the support of a permanent staff in the MOF. It would also require significant technical assistance from external agencies with experience in transitioning to program budgeting.

III. Creating an Enabling Environment and Ensuring Necessary Support

46. **Given the demanding reform agenda, the MOFT must ensure clear, transparent, and systematic governance of the PFM reform process.** Many countries have found it useful to establish a high-level committee to oversee such reform processes. This committee should have members from the different stakeholders, to ensure effective coordination and realization of synergies between different reform areas. In addition to the MOFT, there could be members from the president's office, the AG, the MMA, and some of the major line ministries. The committee should be technical, not political, and there should be procedures to avoid delays due to unavailability of members. Given the close connection between the PFM reforms and the capacities for fiscal policy-making, the committee could also play a role in monitoring implementation of benchmarks under the IMF-supported program.

47. **In addition to the high-level committee, there must be separate management arrangements for the different reform components.** Some of them may be organized as projects, and others may be fully integrated in line management responsibilities. The efforts should be driven by clear responsibilities, objectives, and timetables. Plans, procedures, and systems must be documented, and timetables systematically monitored and reported on. Ad hoc decisions linked solely to IT system concerns should be avoided.

48. **Capacity building in the MOFT is arguably the single most important prerequisite for sustainable PFM reforms.** This would include not just the number of staff but staff with the necessary skills. The mission suggests that the government consider appointment of a small group to analyze this issue considering the long-term capacity building needs of the MOFT, and a plan to meet these needs.

49. **Training of line ministry staff will also be essential in the longer term.** The plan is to gradually give the ministries more responsibilities for entering data in the PAS. Currently, the capacity for robust financial management is quite low in many ministries and agencies. If the MOFT sets up a small group to assess capacity building needs within the ministry, a second step could be to expand this to include representatives for other ministries, and to establish standards and assess training needs for their financial management staff.

50. **The Maldives is already benefiting from substantial technical assistance in the PFM area, and this is likely to continue.**

- The IMF is providing a peripatetic advisor to assist on cash forecasting and management and is planning a mission on revenue management. The government has requested assistance to develop a fiscal responsibility law, which could be done within a broader fiscal risk management framework.
- The WB is supporting reforms in accounting, external audit, and procurement, and is planning new activities to support debt management and payroll reform.

- The ADB supports reforms in revenue management and in accounting.
- The UNDP is undertaking a costing of the government's manifesto (long-term development plan).

Table 2. Draft Action Plan

Actions	Who is Responsible	Completion Date
A. Immediate Priorities		
1. Complete the TSA	FC (consult MMA/BD)	1/1/2011
(i) Prepare a conceptual plan of the TSA	FC(consult MMA/BD)	12/1/2009
(ii) Issue instructions on the operation of commercial bank accounts	FC	12/1/2009
(iii) Prepare an inventory of all bank accounts and schedule for TSA inclusion	FC (with MMA)	12/1/2009
2. Complete the PAS project	FC	12/31/2011
(i) Prepare and publish PERT/GANTT or similar chart for monitoring the project	FC	12/1/2009
(ii) Finalize and implement new financial regulations	FC	3/1/2010
(iii) AG to complete performance audit of PAS	AG	4/1/2010
3. Budget outturn and fiscal reports		
(i) Submit monthly cumulative budget outturn report	FC	12/15/2009
(ii) Design a methodology and system to reconcile budget data with MMA	FC with MMA	11/31/2009
4. Annual financial statements (AFS)		
(i) Issue AFS for fiscal year 2009	FC	6/1/2010
(ii) Issue instructions to the line agencies on payments to be made during the carryover period	FC	1/11/2009
B. New High-Priority Areas		
1. Fiscal risks		
(i) Prepare a comprehensive framework for assessment and management of fiscal risks	BD with MMA	6/31/2010
(ii) Prepare a fiscal responsibility framework	BD	6/31/2010
2. Cash management		
(i) Prepare a cash forecasting model	BD with FC, MMA and revenue department	12/31/2009
(ii) Prepare procedures for decisions on cash management	BD with FC	4/1/2009
3. New payroll module in PAS	FC	
(i) Commit to a date to complete the payroll module	FC	9/31/2009
(ii) Update public employee database	FC	3/1/2010
(iii) Integrate database in PAS	FC	7/1/2010
C. Longer-Term Priorities		
1. Medium-term frameworks		
(i) Prepare conceptual framework and plan to move to medium term budgeting	BD	3/1/2011
2. Internal audit		
(i) Start internal audit in a nuclear form	FC	1/1/2010
(ii) Update internal audit strategy	FC	4/1/2011
3. Program budgeting		
(i) Prepare conceptual framework and plan to move to program budgeting	BD	7/31/2011

D. Creating Enabling Environment		
(i) Prepare an assessment of training needs of MOF, budget and accounting staff	MOF	1/31/2010
(ii) Review and evaluate the organizational structure and effectiveness of the MOF	MOF	4/31/2010
(iii) Implement changes needed in organizational structure based on the organizational review	MOF	12/31/2010
(iv) Prepare an assessment of training needs of line ministry budget and accounting staff	MOF	1/31/2011