



Regional: Strengthening Institutional Capacity for Fiscal Management

Project Name	Strengthening Institutional Capacity for Fiscal Management					
Project Number	56222-001					
Country / Economy	Regional Kiribati Nepal Samoa					
Project Status	Active					
Project Type / Modality of Assistance	Technical Assistance					
Source of Funding / Amount	<table border="1"> <tr> <td>TA 10044-REG: Strengthening Institutional Capacity for Fiscal Management</td> <td></td> </tr> <tr> <td>Republic of Korea e-Asia and Knowledge Partnership Fund</td> <td>US\$ 750,000.00</td> </tr> </table>		TA 10044-REG: Strengthening Institutional Capacity for Fiscal Management		Republic of Korea e-Asia and Knowledge Partnership Fund	US\$ 750,000.00
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Republic of Korea e-Asia and Knowledge Partnership Fund	US\$ 750,000.00					
Strategic Agendas	Inclusive economic growth					
Drivers of Change	Gender Equity and Mainstreaming Governance and capacity development Knowledge solutions Partnerships					
Sector / Subsector	Public sector management / Public expenditure and fiscal management					
Gender Equity and Mainstreaming	Some gender elements					
Description	<p>This knowledge and support technical assistance (TA) will strengthen the institutional capacity for fiscal management in Asian Development Bank's (ADB) developing member countries (DMCs), namely Kiribati, Nepal, and Samoa. The key outputs under the TA are: (i) strategic fiscal framework and fiscal risk management strengthened through the Medium-Term Expenditure Framework (MTEF); (ii) linkage between fiscal rules and MTEF enhanced and legislation for fiscal rules promoted; and (iii) utilization of financial management information system (FMIS) and access to fiscal information improved.</p>					
Project Rationale and Linkage to Country/Regional Strategy	<p>The economies have been affected by a series of natural disasters and economic downturns, including the coronavirus disease (COVID-19) pandemic which resulted in a contraction of the gross domestic product (GDP). The macroeconomic framework before the pandemic was satisfactory in Nepal, but its GDP growth contracted in 2020 and will remain below its potential while the debt-to-GDP ratio continues to rise. Kiribati and Samoa's GDP growth has also contracted. Prior to the pandemic, they used to present lower growth performance than the regional average of Pacific countries.</p> <p>The COVID-19 inflicted a large shock to the fiscal space. Excluding grants from development partners, Samoa's fiscal balance dropped to -3.2% in 2020. Kiribati's fiscal deficit was projected at anywhere between 10.8% to 16.5% during 2021 to 2026. A large increase in public spending has increased total government spending since 2016 in Nepal. Public expenditure increased from 14.2% of GDP in 2016 to 20% of GDP in 2021, and this trend will result in widened fiscal deficit. Regarding debt sustainability, the debt-to-GDP ratio of Samoa was higher than the regional average by 12.3% in 2021. Meanwhile, Kiribati's debt-to-GDP ratio is projected to rise by 32.6% during 2021 to 2026, and that of Nepal will increase more rapidly compared to regional average in South Asia. This demonstrates how weak fiscal sustainability and inappropriate responses increases vulnerability to exogenous shocks and risks.</p> <p>The public financial management (PFM) reforms of Pacific Islands Countries were implemented prior to and consistent with the PFM roadmaps during 2011 to 2017. The PFM roadmaps have contributed to enhancing the fiscal management but there have been low performances in some reform areas. For example, Samoa's reforms have improved accounting, reporting, and fiscal risk analysis. However, some indicators such as budget reliability, fiscal strategy and budgeting, and transparency of public finances remain lower than the average of low-income developing countries and Pacific Islands Countries during 2015 to 2019 in the public expenditure and financial accountability assessments (PEFA). Nepal has made efforts to improve fiscal efficiency, transparency, and accountability through the PFM reform programs. Nevertheless, the reform program needs to be assessed to identify remaining gaps and draft an effective reform action plan for sound fiscal sustainability.</p> <p>The governments of Kiribati, Nepal, and Samoa have improved strategic and efficient use of resources for services delivery through the MTEF. Despite the efforts, weak fiscal management was demonstrated in the budgetary outcomes. The large increase in expenditure amidst revenue stagnation and COVID-19 has widened the fiscal deficit and identified the necessity of reforms focused on the MTEF. Enforcing fiscal rules is crucial to mitigate fiscal risks and improve fiscal soundness under the medium-term fiscal management. The weak linkage between fiscal rules and MTEF and fiscal rules not explicitly linked to PFM legislation may result in poor budget delivery over the short term and worsen debt sustainability over the medium term. Kiribati, Nepal, and Samoa have used FMIS for efficient governments operations in PFM and fiscal transparency and accountability. Despite the FMIS, the information on public resources provided to service delivery units remains insufficient. Public access to fiscal information is also limited in annual executive budget proposal documentation and enacted budget. There are existing reform efforts to strengthen the capacity building of fiscal management in the three DMCs, but additional capacity is needed to set strategy and programs to improve fiscal consolidation and institutional capacity to respond to fiscal risks.</p>					
Impact	Governance and institutional capacity strengthened (Strategy 2030 Operational Priority 6)					
Project Outcome	Institutional capacity of MOF (MFED) for fiscal management strengthened					
Description of Outcome	Institutional capacity of MOF (MFED) for fiscal management strengthened					
Progress Toward Outcome						
Implementation Progress						
Description of Project Outputs	<p>Strategic fiscal framework and fiscal risk management improved Links between fiscal rules and MTEF improved and legislation for fiscal rules promoted Use of IFMIS and accessibility of fiscal information improved</p>					
Status of Implementation Progress (Outputs, Activities, and Issues)						

Summary of Environmental and Social Aspects	
Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	
Stakeholder Communication, Participation, and Consultation	
During Project Design	
During Project Implementation	
Responsible ADB Officer	Park, Hyun Chang
Responsible ADB Department	Sustainable Development and Climate Change Department
Responsible ADB Division	SDTC-GOV
Executing Agencies	Asian Development Bank
Timetable	
Concept Clearance	25 Nov 2022
Fact Finding	-
MRM	-
Approval	13 Dec 2022
Last Review Mission	-
Last PDS Update	14 Dec 2022

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Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
0.00	750,000.00	0.00	0.00	0.00	0.00	750,000.00	-	0.00

Project Page	https://www.adb.org/projects/56222-001/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=56222-001
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