Tuvalu

PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY (PEFA) PERFORMANCE ASSESSMENT REPORT (2024)

Final Report

January 2025

PEFA Check endorsement.

Tuvalu

Agile Public Expenditure and Financial Accountability (*Agile*PEFA)

January 2025

The PEFA Secretariat confirms that this report meets the PEFA quality assurance requirements and is hereby awarded the '**PEFA CHECK'**.

PEFA Secretariat
January 24, 2025

Assessment management and quality assurance

Oversight and management

The Tuvalu Government through the Ministry of Finance and Economic Development (MFED) requested PFTAC to undertake an *Agile*PEFA assessment to determine current levels of performance, strengths, and weaknesses, and to inform the development of an updated Public Financial Management (PFM) Reform Roadmap. This has been in the pipeline for the past couple of years but competing PFM activities proved a challenge, but the authorities have now agreed to expedite the assessment.[1]

The assessment is a joint effort between the Oversight Team and the Assessment Team. The Oversight Team comprised: Dr Tauisi M Taupo, Permanent Secretary (chairing), MFED; Mr Asau Leauma, Deputy Secretary; Mrs Loisi Seluka, Assistant Secretary; Mrs Kelena Tapa, Ag. Director Planning and Budget; Mrs Seipua Scott, Ag Government Accountant. Meetings were held with a large number of stakeholder departments and agencies covering all indicators and dimensions (Annex 4 lists the agencies with which the assessment team held meetings). These meetings were ably facilitated by the Oversight Team, with counterpart members participating in the meetings.

The assessment team was led by Mr. Paul Seeds (PFM Advisor; PFTAC) and included Mr. Iulai Lavea (PFM Advisor; PFTAC), Mrs. Chita Marzan (IMF FAD expert), and Mr. Richard Emery (IMF FAD Expert).

The Peer Reviewers included the government oversight team, the PEFA Secretariat, Mr. Matthew Fehre, Australian Department of Foreign Affairs and Trade (DFAT), and Mrs Lilly Homasi, Asian Development Bank. The assessment followed the PEFA Secretariat QA process.

Further details on the assessment management and quality assurance arrangements are presented in Annex 1.

Methodology

Type of assessment:

The assessment was conducted in accordance with the PEFA 2016 methodology using the '*Agile*PEFA' approach and the standard *Agile*PEFA Report template.

Number of indicators used:

Under the PEFA 2016 methodology and *Agile*PEFA approach a total of 31 indicators and 94 dimensions were covered and there was no divergence from the standard application of assessment of the indicators and dimensions.

Scope and coverage:

The assessment focused on the PFM systems for Central Government, including any transfers that are made from central government to public corporations and extrabudgetary units. The assessment examined financial reporting from the public corporations and extrabudgetary units to the Central Government but did not include a detailed review of all the aspects of the PFM systems for those entities.

[1] With support from Asian Development Bank technical assistance, Tuvalu undertook a PEFA assessment in 2011 using the earlier 2011 methodology but the assessment predated the "PEFA check" process.

The report presents the strengths and weaknesses of Tuvalu's PFM processes and practices, and includes an overview of the PFM system and evidence-based measurement of 31 performance indicators, further disaggregated into 94 dimensions, and allocated across seven pillars of PFM performance.

A list of the public sector entities of the Government of Tuvalu are set out in Annex 2 of this report.

Timelines:

In-country field work:	16th – 27th September 2024
Country fiscal year:	Until 31 December 2023: Jan-Dec. For 2024-2025 financial year (1 July to 30 June 2025) Transitioned with a half year budget 1 January to 30 June 2024 followed by annual budget 1 July 2024 to 30 June 2025.
Last three fiscal years covered:	2021; 2022; 2023
Latest budget submitted to legislature:	FY 2024.25
Time of assessment (cut-off):	31 August 2024

Sources of information:

The assessment team accessed a wide range of documents obtained from Tuvalu Government websites. as well as directly from MFED officials. The evidence utilized by the team is highlighted in the assessment narrative for each indicator and dimension and referenced as "source" in the footnotes to the tables. Where information is available publicly on government websites the relevant link is also referenced. A consolidated list of documents used for this assessment, including by indicator, can be found in Annex 3. The names of all persons interviewed and consulted are listed in Annex 4.

The Official Currency of Tuvalu is the Australian dollar.

Exchange Rate as at 29 December 2023: 1 AUD = USD$0.684

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Abbreviations and Acronyms

ADB	Asian Development Bank
ANS	(Australian) Assessment of National Systems
ASYCUDA	Automated System for Customs Data
AWP	Annual Work Plan
BCG	Budgetary Central Government
CDA	Community Development Assistance
CG	Central Government
CIF	Consolidated Investment Fund
CIP	Compliance Improvement Plan
CoA	Chart of Accounts
COFOG	Classification of Functions of Government
CPI	Consumer Price Index
CPU	Central Procurement Unit
CSO	Community Service Obligations
DC	Direct Contracting
EBU	Extra-Budgetary Unit
FFA	Forum Fisheries Association
FMIS	Financial Management Information System
FRR	Fiscal Risk Report
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAC	Government Advisory Committee
GDP	Gross Domestic Product
GFS	Government Finance Statistics
HRM	Human Resources Management
IA	Internal Audit
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
LS	Limited Shopping
MEHRD	Ministry of Education and Human Resources Development
MHACCE	Ministry of Home Affairs, Climate Change and Environment

MHSW	Ministry of Health and Social Welfare
MFED	Ministry of Finance and Economic Development
MNRD	Ministry of Natural Resources Development
MPWIDW	Ministry of Public Works and Infrastructure Development and Water
MTECI	Ministry of Transport, Energy, Communications, and Innovation
MTFF	Medium Term Fiscal Framework
MTFS	Medium Term Fiscal Strategy
OAG	Office of the Auditor General
OCB	Open Competitive Bidding
OS	Open Shopping
PAC	Public Accounts Committee
PASAI	Pacific Association of Supreme Audit Institutions
PEFA	Public Expenditure and Financial Accountability
PERMU	Public Enterprise Reform Monitoring Unit
PFM	Public Financial Management
PNA	Parties to The Nauru Agreement
PO	Purchase Order
PPP	Public Private Partnership
SDG	Sustainable Development Goals
SNG	Sub-National Government
SOE	State Owned Enterprise
TDF	Tuvalu Development Fund
TISIP	Tuvalu Infrastructure Strategy and Investment Plan
TPS	Tuvalu Police Services
TRCD	Tuvalu Revenue and Customs Department
TSA	Treasury Single Account
TTF	Tuvalu Trust Fund
VAT	Value Added Tax
VDS	Vessel Day Scheme
WB	World Bank
WOG	Whole of Government

1. INTRODUCTION

The Tuvalu Government requested PFTAC to undertake an *Agile*PEFA assessment to determine current levels of performance, strengths, and weaknesses, and to inform the development of an updated PFM Roadmap. Tuvalu undertook a PEFA assessment in 2011 (with support from Asian Development Bank technical assistance) using the earlier 2011 methodology—however the assessment predated the "PEFA check" process.

The assessment reflected a mixture of strengths and weaknesses, with 39% of dimensions scoring an A or B rating, 24% a C rating, and 37% a D rating. Assessment at aggregate indicator level, resulted in 21% indicators scoring A, B and B+; 36% indicators scoring C and C+; and 43% indicators scoring D and D+. This 2024 *Agile*PEFA will use comparators from the 2011 assessment to track performance changes since the 2011 assessment.

This assessment was undertaken in full compliance with the PEFA 2016 methodology, requirements, and standards, using the *Agile*PEFA approach in accordance with the November 2023 AgilePEFA Guidance. This report uses the most recent *Agile*PEFA Report Template (dated 04/04/2024). It includes all 31 indicators and 94 dimensions. Due to the elapsed time since the previous assessment in 2011 and the different methodology used, it was agreed not to make a comparison between the two assessments. The Tuvalu Oversight Team assisted the assessment throughout, facilitating meetings and the collation of data. The Oversight Team participated in the presentation of preliminary findings and provided feedback accordingly.

Economic context

Economic growth during the COVID period has been modest, although estimates projected GDP (table below) growth of 3.9% in 2023 (no updated, firm actual GDP figures are currently available for 2022 and 2023). As with most countries during the COVID (and COVID recovery) period, Tuvalu has experienced inflation higher than historic norms.

Tuvalu has a stated policy of paying off existing debt early and not entering into any new borrowing. Public Debt in Tuvalu is low relative to other countries in the region, with Debt to GDP of 11.5% in 2021 which is projected to reduce to 8% by 2023.

Table 1: Selected key economic indicators

	2021	2022 Estimated	2023 Projected
GDP (millions Australian dollars)	80.1	85.2	93.8
GDP per capita (Australian dollars)	$7,152	N/A	N/A
Real GDP growth (%)	1.8%	0.7%	3.9%
CPI (annual average change) (%)	6.2%	11.5%	5.9%
Gross government debt (% of GDP)	11.5%	10.1%	8%

Source: IMF Article IV Staff Report, June 2023. CPI = Consumer Price Index

Fiscal trends

Tuvalu is a small economy which has a heavy reliance on fisheries revenues and grants which are significantly volatile, whilst tax revenues appear to be more predictable. FY 2023 saw an upswing in revenues from commercial contracts due to a new deal on the use of the dot.tv internet domain. This remains a potentially volatile revenue source. "Other Income" has also been volatile over the years, as

situation which is exacerbated by the opaque budgeting and accounting for the revenues, with significantly material amounts simply classified as "miscellaneous" or "other", without clear identification of the nature and source of these revenues.

In two of the three assessment years, Tuvalu realized small surpluses, but in 2022 returned a $11.4 million deficit (12.7% of total expenditure for that year. This is largely attributable to the Government maintaining spending to support recovery from the negative impacts of COVID, whilst over optimistic budgets for interest, dividends, and rents failed to materialize. The deficit was ultimately financed from cash reserves without resorting to additional borrowing.

Table 2: Aggregate fiscal data

	2021 ($'000s)	2022 ($'000s)	2023 ($'000s)
Total revenue	**93,384**	**78,685**	**110,887**
Own revenue	69,266	64,076	70,797
Grants	24,118	14,609	40,090
Total Expenditure	**93,102**	**90,118**	**108,613**
Non-interest expenditure	93,034	90,073	108,573
Interest Expenditure	68	45	40
Aggregate surplus/(deficit) (incl. grants)	282	(11,433)	2,274
Primary deficit	350	11,388	2,314
Net financing	(282)	11,433	(2,274)

Source: MFED Data per PI-1, PI-2, and PI-3

PFM legal framework

The legislative framework support effective PFM includes (amongst others) the following laws:

(i) **The Constitution of Tuvalu Act (updated 2023).** As well as providing overarching legislative support to PFM, being the highest legislation in the land, specifically Section 169 of the Constitution mandates Parliament to formulate a national budget for each financial year. It also stipulates the independence of the Office of the Auditor General that it shall be free from control of another entity or person.

(i) **Public Finance Act 2008 (Amended 2022).** This Act prescribes the powers and duties of the Minister; the management of the Consolidated Fund and associated PFM processes (revenues; payments; banking and investment arrangements; the warranting process; restrictions on borrowing, etc.); Development and Special Funds; Role of Auditor General, and examination of the public accounts and accounts of statutory bodies. The Act also provides authority to the issuing of regulations.

(ii) **Audit Act 2016 (Amended 2022)** sets out the role and tenure of the Auditor General as well as the administrative arrangements of the office and the mandate for auditing the public accounts and public sector entities. It also empowers the Audit Office to undertake performance and compliance audits as well as the financial audits.

(iii) **Public Procurement Act 2013.** This Act is supported by the Procurement Regulations 2021, which sets out updated thresholds, although these are not enforced, and compliance is effectively absent.

(iv) **Public Enterprises Act 2009 (amended 2022).** This sets out the objectives and ownership arrangements for public enterprises. It also includes:

- A definition Community Service Obligations and how they may be ascribed to the entities.
- Appointment and role of Directors.
- Accountability arrangements, including the submission of Corporate Plans, reporting obligations.
- Establishment of the Public Enterprise Monitoring Unit including its oversight role

(v) **Government Borrowing and Guarantees Act 2008.** This sets out the authority of the Minister (in Cabinet) to enter into borrowing and guarantee loans on behalf of the Government.

(vi) **Falekaupule Act 1999 (amended 2022).** This Act concerns the establishment and functioning of the traditional assembly in each island of Tuvalu.

(vii) Additionally, there are various Revenue Acts, including Border Protection Act 2014; Income Tax Act 2008.

2.SUMMARY OF FINDINGS

2.1 PFM strengths and weaknesses

The assessment recognized solid performance in a number of areas. Budget documentation (PI-5) is comprehensive and well presented with a useful mix of narrative, tables, and charts. The documentation clearly presents the fiscal aggregates a summary of the economic outlook and basic macroeconomic assumptions underpinning the data. The budget is formulated on a solid Medium Term Fiscal Strategy (MFTS) and Medium-Term Fiscal Framework (MTFF) (PI-15 and PI-16). The Medium-Term Fiscal Strategy (MTFS) and MTFF integrate fiscal ratios and estimates revenues and expenditures for the budget year and two outer years.

There is a strong and effective Chart of Accounts (CoA) which includes segments for Administrative Head (Ministry); Department and Program; Fund Source/Project; Type/Location; and Natural Account (economic item). The CoA meets Government Finance Statistics (GFS), Classification of Functions Of Government (COFOG); and International Public Sector Accounting Standards (IPSAS). The CoA is used for budget formulation, execution, and reporting (PI-4).

Internal controls for non-salary expenditures (PI-25) performed reasonably well, except that this scoring was reduced due a lack of system-based commitment controls with that functionality yet to be implemented in the Financial Management Information System (FMIS). Despite the payroll controls being largely manual PI-23 scored reasonably well, except that no dedicated payroll audit has been undertaken in the past three years.

There were some good elements (dimensions) under Asset Management (PI-12), Debt Management (PI-13), Fiscal Strategy (PI-15), and Parliamentary Scrutiny of Budgets (PI-18). There is strong monitoring of Financial Assets, with PI-12.1 scoring A, although monitoring of nonfinancial assets and transparency of asset disposal, PI-12.2 and PI_12.3 were lacking assessed at D. Approval of Debt and Guarantees, PI-13.2 was positive, scoring A, and PI-13.1, Recording and Reporting of Debt and Guarantees scored C. However, PI-13.3 was rated D as there was no Debt Management Strategy (although government has a stated policy not to incur any new borrowing. PI-15.1 and PI-15.2, Fiscal Impact of Policy Proposals and Fiscal Strategy Adoption each scored A. Three dimensions under PI-18 scored A, but the overall rating for the indicator was C+ (M1 weakest link method) due to dimension PI_18.2, which scored only C due to there being no public consultation, and the legislature having less than 3 weeks to debate the budget. Additionally, strong performance was noted on the medium-term perspective in Budget Estimates (PI-16.1) and provision of clear guidance through budget circulars on budget preparation (PI-17.2) with each of these dimensions scoring A.

Revenue Administration (PI-19) and Revenue Accounting (PI-20) were a mixed bag, with clearly defined rights and obligations, but primarily due to the strict rules under Parties to the Nauru Agreement (PNA) and Vessel Day Scheme (VDS); all collections paid directly into accounts held and controlled by the Treasury – effectively operating as a Treasury Single Account (TSA) (PI-21.1)

The assessment identified many weaknesses under Pillars Six and Seven (Accounting and Reporting; and External Scrutiny and Audit) – PIs-27 to 31. COVID may have some part to play in the late submission of annual audited statements—however there appears to be a broader governance/compliance issue. PI-6 and PI-10 reflect similar challenges with no public corporations, extrabudgetary units, and subnational governments preparing and submitting annual financial statements for Audit.

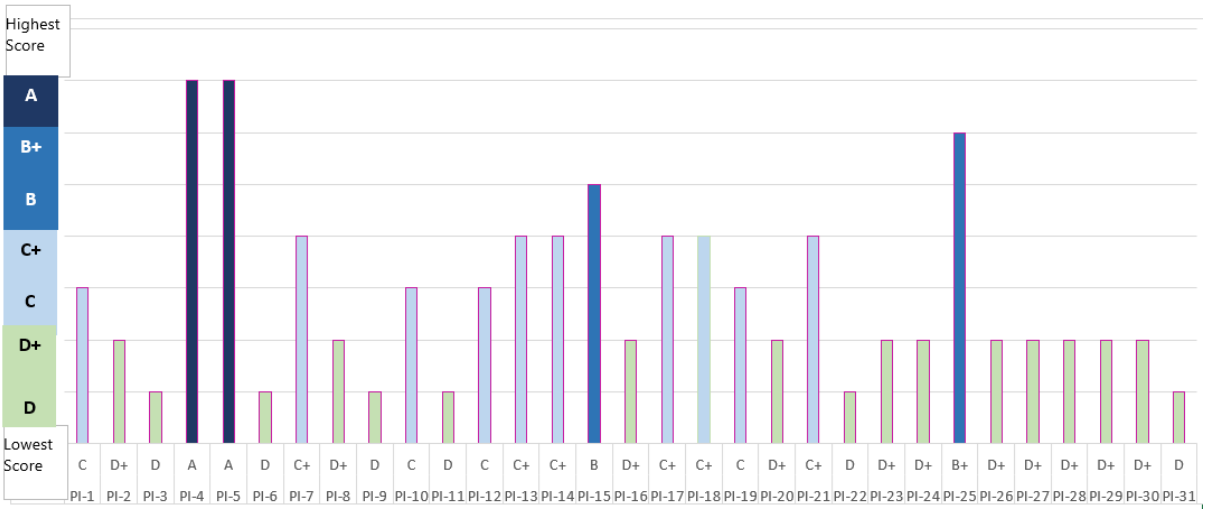
Procurement (PI-24) reflected a score of D across the indicator. Open and competitive procurement is completely absent, with a total lack of compliance with the prescribed procurement laws and regulations. Not one single procurement was subjected to any competitive tendering process.

Previously, MFED had an operational Internal Audit function, but this has not been operational for some years. This reflected in a lack of payroll and procurement audit as well as inadequate ex-post audit of investment project implementation.

Whilst anecdotally, expenditure arrears are purported as being low, there is no data available, nor is there any ongoing monitoring and analysis of arrears.

Annex 5 sets out observations on Internal; Control, with cross reference made to the ratings against the relevant dimensions.

Figure 2.1: Summary of PEFA scores by indicators – PEFA 2016 framework



2.2 Impact of PFM performance on three main fiscal and budgetary outcomes

1. Aggregate fiscal discipline

Despite the challenges highlighted above Tuvalu has maintained fiscal stability with just one year reflecting a budget deficit, which was ultimately financed from surplus (previously accumulated) cash reserves. The budget is relatively small, as is the supporting administration, and due to the small size, it has been possible to manage and control budget execution manually where systems are still not yet fully operational (for example commitment and payroll controls). Effective fiscal discipline has also been facilitated by a strong medium-term orientation in planning and budgeting (as evidenced in PI-16). Anecdotally, expenditure arrears are small highlighting good fiscal discipline, and a policy decision has been made not to incur any new public debt. Fiscal discipline is underpinned by sound macroeconomic and macrofiscal forecasting and fiscal strategy (PI-16 and PI-17).

Government has a stated policy to not incur new borrowing, and public debt is already very low compared to peer countries. This has resulted in minimal debt servicing costs thereby reducing fiscal pressure on the budget and freeing up monies for policy implementation and service delivery.

Aggregate fiscal discipline over the past three years has been impacted by lack of credible budgets, with two of the years reflecting optimism bias in revenue projections and the third year under-projecting revenues. On the positive side, MFED, through a sound internal control framework, has been able to constrain spending to revenues collected, avoiding large expenditure arrears, maintaining sustainable fiscal balances.

2. Strategic allocation of resources

Tuvalu has a well-defined budget process, with clear guidelines which include the specific requirement to align budgets to Tuvalu's national development plan "Te Kete" which clearly articulates the national priorities, which are reflected in the Ministries' Corporate Plans and Annual Workplans. For infrastructure, a medium-term infrastructure plan (2020-25) was formulated in 2020 under the auspices of the National Infrastructure Steering Committee—titled the Tuvalu Infrastructure Strategic Investments Plan (TISIP). This plan listed and prioritized the new and proposed infrastructure projects seeking funding in line with the Tuvalu's Te Kete National Strategy for Sustainable Development (2021-2030).

Tuvalu has a strong planning and budgeting framework with strong linkages between policy based planning and medium-term budgeting. Ministries are provided clear guidance on budget preparation via robust budget circulars. Budgets have a strong policy focus, highlighting the impact of proposed policy changes. This is underpinned by a strategy with detailed objective and targets, against which performance can be measured; medium-term expenditure estimates; and robust legislative scrutiny of budgets.

3. Efficient use of resources for service delivery

Ministries are producing Corporate Plans and Annual Work Plans annually specifying objectives by department and program, including service delivery. Information is published annually on policy or program objectives, outputs to be produced and outcomes planned for most ministries, and this is disaggregated by Department and program. Information on resources received by frontline service delivery units is collected and recorded for at least one large ministry, and a report compiling that information is produced at least annually. Evaluations of the efficiency or effectiveness of service delivery has been carried out within the last three years, including one large ministry.

However, monitoring of actual performance achieved is limited impacting effective performance management decision making.

2.3 Performance change since previous assessment

Given the elapsed time since the previous assessment and the different methodology used, it was decided that there was little comparability between the ratings from the two assessments. It was therefore agreed that no comparison would be undertaken and presented. Annex 6 is therefore removed accordingly.

2.4 Progress in Government PFM reform program

A significant recent reform has been the implementation of the new FMIS, with initial design and configuration commencing in 2020, go-live taking place April 2021, and first full year's operation for core modules in 2022. The FMIS is based on the TechOne package solution, replacing the previous ACCPAC Sage 3000 solution. As part of the FMIS implementation, a new CoA and budget classification was developed and implemented. It should be noted that implementation commenced during the period of COVID lockdown, and levels of vendor support were not optimal. Not all modules were implemented most notably the Purchase Orders module, which could have been configured for automating budgetary commitment controls—currently this control is undertaken outside of the system. Similarly, work on completing bank reconciliation functionality is still ongoing. Furthermore, work is currently ongoing on the implementation of the HRM and Payroll modules and transitioning to the new TechOne cloud-based model.

Other system reforms include the implementation of the Automated System for Customs Data (ASYCUDA) system in 2022, aimed at improving trade facilitation and strengthening customs clearance processes, and the strengthening of the customs trade portal for importers to process their goods.

Several laws have been updated relating to the PFM cycle, including the constitution in 2023, the Public Finance Act, and Audit Act both updated in 2022, and Public Procurement Regulations were updated in 2021. These updates and amendments are designed to strengthen the legislative, regulatory, and control frameworks. However, governance and compliance will need to be strengthened if these reforms are to be effective—for example, despite very clear guidance on procurement, and reporting requirements (from budgetary central government, extrabudgetary units, public corporations, and subnational governments), compliance is extremely low and non-existent in some instances.

As part of strengthening policy-based budgeting, Tuvalu's national development plan "Te Kete" clearly articulates the national priorities, against which budget spending must be aligned. Resource allocation is dictated by how strong projects are linked to these national priorities. Additionally, Ministries are producing Corporate Plans and Annual Work Plans annually specifying objectives by department and program. However, performance reports against those plans are not currently produced.

Fiscal risk is now being analyzed and reviewed. In 2023 MFED published its first fiscal risk report, which will be updated every two years in future. Tools have been developed with support from development partners for GDP and macro-fiscal modeling, providing the framework for improve forecasting and planning.

Capacity Development remains a priority to address acute capacity constraints. Specifically, The Ministry of Home Affairs, Climate Change and Environment (MHACCE) is working with the Kaupules (local governments) to strengthen their financial management skills, and the Office of the Auditor General (OAG) with support from the Pacific Association of Supreme Audit Institutions (PASAI) has embarked on capacity-development for its staff in improving audit work. The OAG has also conducted some performance audits on key areas relevant to the government.

The Ministry of Finance and Economic Development (MFED) formulated the PFM Reform Roadmap 2020-2024 in December 2020 (updated from the 2017-2022 roadmap), which built upon findings from the (Australian) Assessment of National Systems (ANS) 2018.

A significant recent reform was the implementation of the new FMIS going live April 2021 - based on the FinanceOne package solution, which replaced the previous ACCPAC Sage 3000 solution. Currently, work is ongoing with regard to implementing the Human Resource and Payroll modules and transitioning to the new cloud-based model. The FMIS implementation involved the development of a new CoA. However, it is understood that selected modules only were implemented and automated functionality does not cover all elements of the PFM cycle. For example, the Purchase Orders and Accounts Receivable modules have not yet been implemented.

The MFED has been investigating modalities for Climate Budget Tagging and plans to commence implementation with the formulation of the FY2024/25 budget preparation. Government decided to change its financial year end from December to June. This was implemented with the passing of a 6 months' Budget in December 2023 for the period January to June 2024. For the purposed of this PEFA assessment, the last completed fiscal year will be deemed to be the year ended December 2023. Other reforms include the implementation of the ASYCUDA system in 2022, aimed at improving trade facilitation and strengthening customs clearance processes.

2.5 Summary of performance indicators

Table 2.1: Summary of performance indicators

PFM PERFORMANCE INDICATOR		SCORING METHOD	DIMENSION RATINGS				OVERALL RATING
			i	ii	iii	iv	
Pillar One: Budget reliability							
PI-1	Aggregate expenditure outturn	M1	C				**C**
PI-2	Expenditure composition outturn	M1	C	D	A		**D+**
PI-3	Revenue outturn	M2	D	D			**D**
Pillar Two: Transparency of public finances							
PI-4	Budget classification	M1	A				**A**
PI-5	Budget documentation	M1	A				**A**
PI-6	Central government operations outside financial reports	M2	D	D	D		**D**
PI-7	Transfers to subnational governments	M2	C	B			**C+**
PI-8	Performance information for service delivery	M2	C	D	B	C	**D+**
PI-9	Public access to fiscal information	M1	D				**D**
Pillar Three: Management of Assets and Liabilities							
PI-10	Fiscal risk reporting	M2	D	D	A		**C**
PI-11	Public investment management	M2	D*	D*	D	D	**D**
PI-12	Public asset management	M2	A	D	D		**C**
PI-13	Debt management	M2	C	A	D		**C+**
Pillar Four: Policy-based fiscal strategy and budgeting							
PI-14	Macroeconomic and fiscal forecasting	M2	C	B	C		**C+**
PI-15	Fiscal strategy	M2	B	A	D		**B**
PI-16	Medium-term perspective in expenditure budgeting	M2	B	D	C	D	**D+**
PI-17	Budget preparation process	M2	C	A	D		**C+**
PI-18	Parliamentary scrutiny of budgets	M1	A	C	A	A	**C+**
Pillar Five: Predictability and control in budget execution							
PI-19	Revenue administration	M2	B	B	D	D*	**C**
PI-20	Accounting for revenue	M1	C	A	D*		**D+**
PI-21	Predictability of in-year resource allocation	M2	A	C	B	D	**C+**
PI-22	Expenditure arrears	M1	D*	D			**D**
PI-23	Payroll controls	M1	B	A	C	D	**D+**
PI-24	Procurement management	M2	B	D	D	D	**D+**
PI-25	Internal controls on non-salary expenditure	M2	A	C	A		**B+**
PI-26	Internal audit	M1	D	N/A	N/A	N/A	**D+**
Pillar Six: Accounting and reporting							
PI-27	Financial data integrity	M2	B	D	C`	D	**D+**
PI-28	In-year budget reports	M1	D	B	D		**D+**
PI-29	Annual financial reports	M1	`C	D	D		**D+**
Pillar Seven: External scrutiny and audit							
PI-30	External audit	M1	A	D	C	A	**D+**
PI-31	Parliamentary scrutiny of audit reports	M2	D	D	D	D	**D**

3. ANALYSIS OF PFM PERFORMANCE – Pillars, indicators, and dimensions

This section provides an assessment of each of the 31 indicators and 94 dimensions that make up the PEFA framework. Each dimension score is calibrated to reflect a level of PFM practice as set out in the table below. Dimension scores are aggregated using PEFA Framework guidance to arrive at indicator-level scores.

SCORE	LEVEL OF PFM PRACTICE
A	High level of performance that meets good international practices.
B	Sound performance in line with many elements of good international practices.
C	Basic level of performance.
D	Either less than the basic level of performance or insufficient information to score (D*).

PILLAR ONE: Budget Reliability

Pillar one includes three indicators which assess whether the government budget is realistic and is implemented as intended**.** This is measured by comparing actual revenues and expenditures (the immediate results of the PFM system) with the original approved budget.

Overall performance

Budget reliability for aggregates, spending and revenues has been below expectations for the past three years. Spending caution during the period of uncertainty following the COVID and global unrest resulted in a larger gap between the budget and actuals during 2021 and 2022. Investment supported by donor contributions and unanticipated revenue surpluses resulted in actual spending exceeding original budget estimates in 2023. Composition changes from individual programs like the Tuvalu Medical Scheme and investment projects changed original budget composition substantially. In a larger economy these changes would not have affected the aggregates or composition as significantly. Actual revenues underperformed budget estimates in 2021 and 2022 and substantially exceeded the original budget in 2023.

Figure 3.1. Pillar One: Budget reliability

Recent and ongoing reform activity

The PFM Reform agenda for 2017-2021 included three reforms that potentially address budget reliability: improved revenue forecasting, incorporating known costs in the Medium Term Fiscal Strategy (MTFS), and improving linkages between planning and the budget process. All of these initiatives are works in progress. The disconnect between the original budget revenue estimates and actual revenues resulted largely from changes in the world economy in 2021 and 2022 and from unanticipated donor grants in 2023. Spending estimates would improve from better outyear estimates and from more focus on outyear spending plans, but those improvements take time to implement.

PI-1 Aggregate expenditure outturn[2]

This indicator measures the extent to which aggregate budget expenditure outturn reflects the amount originally approved, as defined in government budget documentation and fiscal reports. Coverage is Budgetary Central Government (BCG) for the last three completed fiscal years.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
PI-1: Aggregate expenditure outturn (M1)		**C**
1.1 Aggregate expenditure outturn	Aggregate spending was 15% or closer to the original budget for two of the past three years.	C

Evidence for score

Aggregate spending was significantly below the budget in both 2021 and 2022. The uncertainty created by the COVID epidemic and global unrest led to restraint on the part of the Tuvalu government in implementing budgeted programs. This restraint resulted in the underperformance of the budget in these two years. Following enactment of the original budget in 2023, the government proposed a substantial supplementary appropriation to cover some financing shortfalls and investment needs. The enacted bill added $22.1 million to the approved budget. The supplementary appropriation supported $5.3 million in recurrent expenditures, $14.4 million in one-off costs, and $1.2 million investment in extending the internet to the outer islands. The proposal was financed by $2.4 million in unanticipated surplus fishing revenue, $2.5 million from a commercial contract for use of the dot.tv internet domain, and over $15 million in increased donor assistance and grants. The net impact on the budget deficit was going to be very small. The impact on the budget outturn comparing the original 2023 budget to actual expenditures was to show spending exceeding the original budget by almost 16%.

Table 1.1: Aggregate expenditure outturn (Last three completed fiscal years)

Aggregate expenditure (amount)	2021	2022	2023
Original approved budget	108,289	101,266	94,392
Outturn	94,731	90,969	109,442
Outturn as a percentage of original approved budget (%)	**87.5%**	**89.8%**	**115.9%**

Data source: *FMIS extract provided by MFED: Head 2021-2023 Whole of Government (WoG) dataset. FMIS extract provided by MFED: Head 2021-2023 WoG dataset. WoG dataset2023.*

[2] The calculations for PI-1, PI-2 and PI-3 include development partners' contributions to budget resources (i.e. general budget support and development funds) and expenditures of these funds. However, it excludes 'in-kind' resources paid for by development partners which is included in the budget estimates document but not the annual financial statements or unaudited budget execution reports provided to the assessment team.

PI-2. Expenditure composition outturn

This indicator measures the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition. Coverage is BCG for the last three completed fiscal years.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
PI-2. Expenditure composition outturn (M1)		**D+**
2.1 Expenditure composition outturn by function	Variance in expenditure composition by budget administrative units was 15% or less in two of the past last three years: • 2021 – 9.6% • 2022 – 12.8% • 2023 – 29.6%	C
2.2 Expenditure composition outturn by economic type	Variance in expenditure composition by economic type was over 15% each of the past three years: • 2021 – 18.7% • 2022 – 17.9% • 2023 – 27.7%	D
2.3 Expenditure from contingency reserves	Expenditure from contingency reserves is restricted to costs that were not reasonably foreseeable when the budget was approved. Contingency expenditures averaged 1.1% of expenditures over the past three years: • 2021 – 1.5% • 2022 – 0.8% • 2023 – 0.9%	A

Evidence for score

Expenditure composition by Administrative Head over the past three years has varied among the ministries, some for easier to identify reasons. Spending on the Tuvalu medical care scheme provides care to people of Tuvalu whose medical needs go beyond the medical resources available in Tuvalu, primarily by providing medical care in other places, like Fiji, New Zealand, and Australia. Amounts in the original budget for this purpose have been inadequate in each of the past three years. The Ministry of Health and Social Welfare (MHSW) has as a result experienced substantial composition changes as its spending exceeds the original budget. Similarly, the Ministry of Public Works and Infrastructure Development and Water (MPWIDW) and the MHACCE's local government programs have varied significantly from the original budget, again resulting in composition changes. Substantial changes in budget composition involving other Administrative Heads like the Governor General and the Parliament are more difficult to understand.

Expenditure composition by economic type or natural account is more difficult to explain than spending by administrative head. On average over the past three years actual spending has varied by 21.4% by economic type. The Tuvalu medical care scheme is identified in the budget classification as a separate economic type. It has had a 90% variance between its original budget and actual spending over the period. Budgets of approximately $15 million over the three years have resulted in actual spending for this category of almost $30 million. Another very small category of spending, training, has had an average variation of 30%. Capital expenditures which are a relatively large economic category have varied 32% from the original budget. The largest economic type is staffing where actual spending has varied from the original budget by 16%. There is no apparent explanation of why spending composition by economic type has varied to this degree. The composition of spending by economic type appears in Annex 7 of this document.

Contingency spending occurs in the event of there is no appropriated funding source for spending for a purpose that would prevent lives or property being endangered. In the event of such a need the Minister of Finance can issue a contingency warrant authorizing spending from the consolidated fund

in advance of appropriations. Contingent amounts can then be advanced to provide necessary funding. Upon issuance of the contingency warrant the Minister must submit a request for a supplementary appropriation for the contingent amount. Once enacted the supplementary appropriation replaces the amount provided under the contingency warrant. See pages 20 – 22 of the Financial Instructions for references to the procedure.

Table 2.1, 2.2 and 2.3: Expenditure composition outturn compared to original approved budget and expenditure from contingency reserves (last three completed fiscal years)

	2021 (%)	**2022** (%)	**2023** (%)
Administrative / Program	9.6%	12.8%	29.6%
Economic classification	18.7%	17.9%	27.7%
Actual expenditure charged to a contingency vote	1.5%	0.8%	0.9%

Data source: *FMIS extract provided by MFED: Head 2021-2023 WoG dataset. For contingencies FMIS extract provided by MFED: Econ Class 2021-2023 WoG dataset, see economic class 2840. "Financial Instructions made under section 5 of the Public Finance Act", 23 April 2018.*

PI-3. Revenue outturn

This indicator measures the change in revenue between the original approved budget and end-of-year outturn. Coverage is BCG for the last three completed fiscal years.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
PI-3. Revenue outturn (M2)		**D**
3.1 Aggregate revenue outturn	Actual revenues were outside of the range of 92% to 116% of original budget revenue estimates each of the past three years: • 2021 – 86.4% of the Original Budget • 2022 - 84.1% of the Original Budget • 2023 - 127.6% of the Original Budget	D
3.2 Revenue composition outturn	Revenue composition varied substantially each of the past three years: • 2021 – 23.2% of the original budget • 2022 – 33.0% of the original budget • 2023 – 17.5% of the original budget	D

Evidence for score

The largest source of revenue in Tuvalu is Fisheries license fees. Fisheries revenues have exceeded the budget in each of these three years. The increase above the budget was approximately $3.5 million in 2022 which resulted in a composition impact of 31%. External assistance and grants are the next largest source of income. In 2021 and 2022, external assistance and grant actual revenues were below budget estimates. In 2023, actual revenues in this category exceeded the budget by over 60%. This resulted in a composition change of 28%. Taxes are a relatively smaller source of revenue to Tuvalu. Taxes have exceeded the original budget estimates each of the past three years. This change has affected the composition of revenues as well. The most volatile revenue source in Tuvalu has been interest, dividends, and rents. In 2021, actual income exceeded the original budget for interest, dividends and rents by over 290%. The next year's budget estimate was much higher, interest, dividends, and rent revenues were substantially below the budget estimate contributing to the relatively high change in composition. Annex 7 table on revenues shows revenues by economic category.

Table 3.1 and 3.2: Aggregate outturn and composition of revenue

Total revenue (amount)	**2021**	**2022**	**2023**
Original approved budget	108,101	93,581	86,868
Outturn	93,384	78,685	110,887
Outturn as a percentage of the original approved budget (%)	86.4%	84.1%	127.6%
Composition Variance (%)	23.2%	33.0%	17.5%

Data source: *FMIS extract provided by MFED - Econ Class 2021-2023 WoG dataset. 2021 Financial Statement. 2022 Financial Statement. 2023 Corrected Statement of Comprehensive Income provided by MFED.*

PILLAR TWO: Transparency of Public Finances

Pillar two includes six indicators which assess whether information on public financial management is comprehensive, consistent and accessible to users. This is achieved through comprehensive budget classification, transparency of all government revenue and expenditure including intergovernmental transfers, published information on service delivery performance and ready access to fiscal and budget documentation.

Overall performance

Budget classification has been significantly strengthened over the past few years through improvements to the chart of accounts and a strengthened FMIS. Those reforms have been implemented in stages as MFED staff and ministry finance staff have been trained in using the revised systems. The new system is now operational and is effective.

Budget documentation also meets high standards with 11 of 12 elements presented in the budget document. No information is presented on tax expenditures in the budget but given the small contribution of tax revenues to overall revenues it is not clear that there are significant tax preferences in the current tax structure.

There was limited information available on extrabudgetary operations of the government of Tuvalu. special funds, investment funds and the Tuvalu Development Fund have limited information included in budget documents and financial reports. The Tuvalu Development Fund budget is presented in a separate budget volume and appropriated separately from the national budget. Other funds appear in budget documents only for direct transfers. Information was not available to provide an assessment on the finances of these activities.

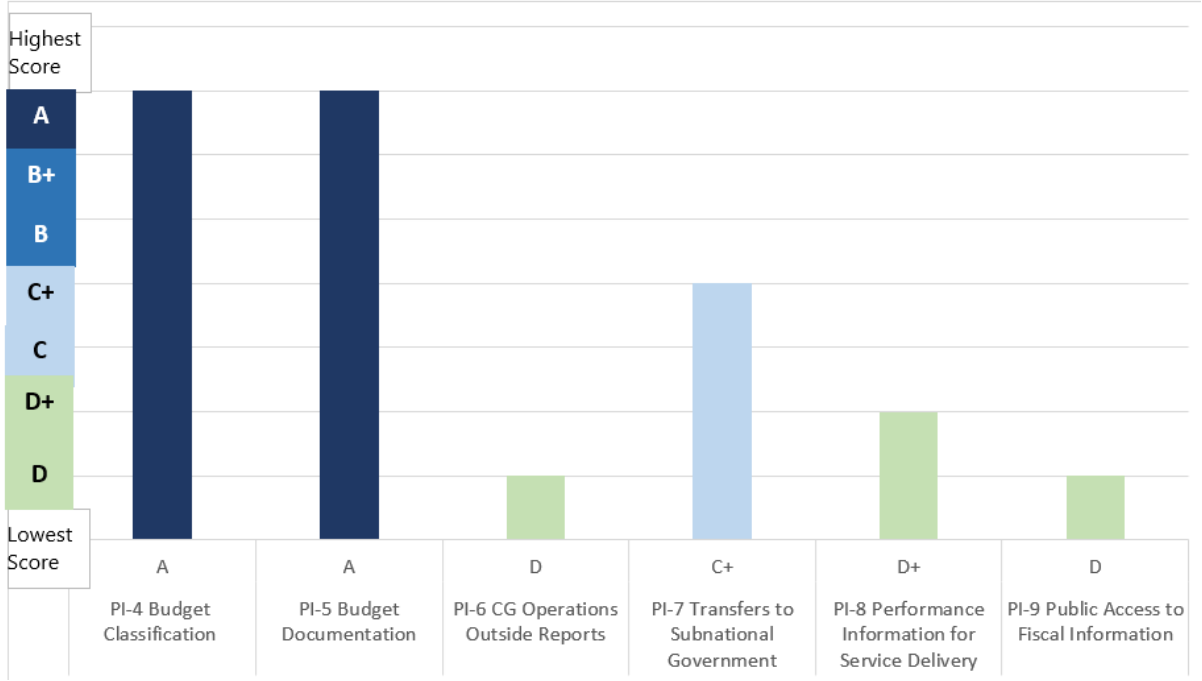
Most transfers to sub-national governments are transparent and rules based. Local councils received needed information on their approved allocations at least four weeks before they finalized local budget plans. Higher scores would have been achieved if all transfers were rules based and if allocations were at least six weeks before local councils finalized their budgets.

All ministries are preparing performance plans for service delivery. Performance reports providing results on quantifiable objectives are not being produced for a majority of ministries. The Ministry of Education and Human Resources Development (MEHRD)[3] has information on the allocation of resources to schools, its service delivery units. MEHRD has implemented a formal independent evaluation of the effectiveness of its reading program for elementary school students.

Tuvalu does not provide information on its finances to the public effectively. The budget document is comprehensive but is the only document among nine recommended budget documents that is provided to the public. A score of C would require four of these documents to be publicly available.

[3] Previously the Ministry of Education, Youth and Sports, reorganized and changed name in FY2024/25.

Figure 3.2. Pillar Two: Transparency of Public Finances



Recent and ongoing reform activity

Budget classification and budget and financial reporting have been significantly strengthened by recent reforms. The enhanced FMIS introduction began in 2020. The FMIS is being further enhanced by integrating an HR application into the system. The budget classification system reform began in 2022 with the introduction of a revised CoA). The new CoA more closely relates to GFS structure and has introduced functional coding for all accounts. These changes have strengthened real sector statistics for national accounts. The systems improvements are being used in budget formulation, budget execution and budget reporting. The goal of implementing monthly and quarterly Treasury reports on budget activity have not yet been fully implemented. MHACCE is working with the Kaupules (local governments) to strengthen their financial management skills. This is also a work in progress. The integration of planning and budgeting is in progress. All ministries are developing Corporate Plans and annual work plans specifying objectives by department and program. Planned performance reports are not yet being produced.

PI-4. Budget classification

This indicator assesses the extent to which the government budget and accounts classification is consistent with international standards. Coverage is BCG for the last completed fiscal year.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
PI-4. Budget classification		**A**
4.1 Budget classification	Tuvalu adopted a new budget classification system in 2022 in conjunction with the establishment of a new FMIS in 2021. That system includes a comprehensive CoA that meets COFOG, GFS and IPSAS standards and support budget formulation, budget presentation, budget execution and financial reporting.	A

Evidence for score

The current budget classification system was developed in conjunction with the FMIS that was introduced in April 2021. The CoA was introduced in in a memorandum from the Secretary of Finance on 15 March 2022. The new system was introduced in stages, but the core modules have now been implemented so that all financial information functions are supported by the system: policy formulation, fiscal planning, budget analysis, budget formulation, day-to-day financial transactions, financial reporting, and international comparisons. All transactions are coded for administrative unit, program, function, and economic object. The coding structure is as follows:

Category	Description	Coding
Administrative Head	15 Ministries	Alpha code A-O
Department and program	Department and program responsible for delivering the service	First 2 digits – department Second 2 digits - program
Fund / project	Source of funds: General account Tuvalu Development Fund Tuvalu Survival Fund Name of Donor – 67 listed Project designation	First digit - source Middle digit - donor Last 2 digits – project
Type / Location	Operations or Capital Location – 8 islands + overseas – location in which activity is taking place	First digit – operations or capital Second digit - location
Function	10 functions of government	2 digit - COFOG
Natural Account	Economic classification – GFS for revenues, expenditures, assets, liabilities, and equity: Revenues – 11 categories and 56 subcategories Expenditures – 9 categories and 73 subcategories Assets – 3 categories Liabilities – 8 categories	 1000 - 1695 2000 – 2995 3000 – 3995 4000 - 4995

The budget presents tables by Administrative Head and Program showing allocations by economic classification. In the 2023 Budget, MEHRD had nine programs, MHSW 7 programs, and the Ministry of Transport, Energy, Communication and Innovation (MTECI) 5 programs. Allocations by economic classification are divided among the ministries and all of their programs. The Administrative / program structure is equally comprehensive and detailed as a functional sub-functional structure. Tables are also provided that show summary data by economic classification. No data are presented by budget function, but FMIS extracts by function come to totals equal to budget totals showing that coding of accounts by function is comprehensive. Financial statements also provide tables showing both administrative structure and economic classification. The Government Unified Chart of Accounts Manual includes tables showing the bridge between natural accounts and GFS (see Table 1.7, pp. 25 – 30) and ministries and departments to the COFOG framework (see Annex 1, pp31-32). Budget data used in PI-1, PI-2 and PI-3 were extracted from the FMIS. All totals were consistent. Data showing allocation by school used CoA location codes. The system appears to be working effectively.

Table 4.1: Budget classification and chart of accounts (Last completed fiscal year)

Element	**Classification structure**				
	Admin (Y/N)	**Economic: Number of digits and GFS compliance** (Y/N)	**Function** (Y/N)	**Subfunction/ Program**	**COFOG** (or comparable)

		Revenue	Recurrent	Capital		(S/P/N) *	(Y/N)
Chart of accounts	Y	4/Y	4/Y	4/Y	Y	P	Y
Budget formulation	Y	4/Y	4/Y	4/Y	Y	P	Y
Budget execution	Y	4/Y	4/Y	4/Y	Y	P	Y
Reporting	Y	4/Y	4/Y	4/Y	Y	P	Y

**** Note:*** *S = Subfunction; P = Program; Y=Yes and N = No*

Data source: *Government Unified Chart of Accounts Manual, 15 March 2022, GoT CoA & Dept Code.*

PI-5. Budget documentation

This indicator assesses the comprehensiveness of the information provided in the annual budget documentation, as measured against a specified list of four basic and eight additional elements. Coverage is BCG for the last budget submitted to the legislature.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
PI-5. Budget documentation		**A**
5.1 Budget documentation	Tuvalu's Budget for 2024 is a clearly presented budgetary document that provides information on eleven of the twelve elements discussed. Most tables in the document present data consistently for the prior year, current year, budget year, and two out-years. Narrative is limited, but appropriate to explain the nature of the country's finances, its policies and its priorities.	A

Evidence for score

The budget of Tuvalu is comprehensive and generally provides a useful mix of narrative, tables, charts and graphs. Following an introductory message, the first table provides budget aggregates and the financial condition of major assets. A summary table like this should be at the beginning of all budgets. The budget then presents the economic outlook through several pages of text and graphs. This presentation would be strengthened by including a summary table on macro-economic assumptions showing prior, current, budget and outyear assumptions. The next section addresses fiscal strategy and an overview of key economic and financial aspects of Tuvalu. This section concludes with tables showing details of Asia Development Bank and World Bank development projects, two of Tuvalu's major development partners. The budget then provides summary tables showing the allocation of budget revenues and expenses by economic classification and by Administrative Head. The budget next describes the budget implications of policy priorities and presents a summary medium-term fiscal framework. The policy overview concludes with detailed tables showing the breakdown of the budget among economic classification categories.

The next major section of the budget presents the budgets of Administrative Heads. The presentations provide summary tables by economic classification showing five years of estimates, and provide the ministry's targeted outcomes, climate change commitments, and service delivery outputs. The statements of objectives are appropriately brief and targeted for a budget overview. This information would be improved by inclusion of more quantifiable targets and measurable outcomes. The budget overview by head is followed a section presented detailed information by Head. This includes detailed allocations of budgets among economic classes and allocations among ministry departments. It may make sense to consolidate presentations by head.

The budget includes a presentation on debt and guarantees. In Tuvalu, debt is limited to two external loans, both at concessional rates. The debt service payments are shown through the budget period. An earlier section dealt briefly with fiscal risk. In 2024, Tuvalu produced an initial version of the Tuvalu Fiscal Risk Report, a comprehensive assessment of risks. It does address economic risks and risks raised by debt and guarantees. It also highlights the issues raised by public enterprises and payments to them as community service obligations. The budget and future fiscal risk reports need to make

these issues more transparent. The 2024 – 2025 National Budget for the Government of Tuvalu is the source for the PI-5 review. That budget was released on the 24th of June 2024.

Table 5.1 Budget documentation (Last budget submitted to the legislature)

Item		Included (Y/N)	Source of evidence and comments
Basic elements			
1	Forecast of the fiscal deficit or surplus or accrual operating result.	Y	The first table in the 2024-2025 Budget shows aggregate revenues, expenditures and fiscal balance and assets of major investment funds for two prior years, the half-year for the first half of 2024, the budget year (2024-2025) and two outyears.
2	Previous year's budget outturn, presented in the same format as the budget proposal.	Y	All tables show the prior year, current year, budget year and two outyears: summaries, allocations by head, and detail broken down by program.
3	Current fiscal year's budget presented in the same format as the budget proposal. This can be either the revised budget or the estimated outturn.	Y	All tables show the prior year, current year, budget year and two outyears: summaries, allocations by head, and detail broken down by program.
4	Aggregated budget data for both revenue and expenditure according to the main heads of the classifications used, including data for the current and previous year with a detailed breakdown of revenue and expenditure estimates.	Y	Revenue by Head is shown on page 23, Expenditure by Head on page 20. Both are followed by tables showing percentages of totals by Head. Distribution of spending by economic classification (natural account) is shown on pages 21 and 22. Detailed tables showing five years of data by economic classification are presented from page 27 – 35. Expenditures by Head and Department are further described from page 35 through page 57.
Additional elements			
5	Deficit financing, describing its anticipated composition.	Y	See the third paragraph on page 3 which describes financial reserves to cover the deficit without borrowing.
6	Macroeconomic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate.	Y	Macro-economic assumptions are presented from pages 4 to 8. This is a combination of text and graphs that addresses GDP, inflation and exchange rates. Interest rates are referred to in Part 5 on Public Debt and Guaranteed Debt. These presentations would be improved by a simple table showing macro-economic assumptions over the five-year budget horizon: prior year, current year, budget year, and two out-years.
7	Debt stock, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standard.	Y	Part 5 on Public Debt and Guaranteed Debt from page 82-84 includes data on all public debt, its maturity structure and debt service schedule. Most data is for the period 2021 – 2025. A graph shows the two existing external loans through their payment in full in 2037.
8	Financial assets, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standard.	Y	Financial assets are shown on page 10 to 13 of the Budget including explanations of the origins of the funds and market and maintained values for 2020 -2024.
9	Summary information of fiscal risks, including contingent liabilities such as guarantees, and contingent obligations embedded in structure financing instruments such as public-private partnership (PPP) contracts, and so on.	Y	Fiscal Risk and Fiscal Risk Management are presented on page 13. Publicly guaranteed debt is further described in the Public Debt section on page 84.
10	Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major revenue policy changes and/or major changes to expenditure programs.	Y	Fiscal priorities are itemized on page 9. These are generic fiscal rules rather than specific policies. Development partner priorities are presented on pages 14 – 16 including tabulations of Asian Development Bank (ADB) and World Bank (WB) projects. Spending and revenue policies are summarized on pages 24 and 25 including estimates of budget impact of proposals.
11	Documentation on the medium-term fiscal forecasts.	Y	The Medium-term fiscal framework is presented on pages 25 and 26. Expenditure by Head beginning 36 presents the budget proposal by economic class showing two outyears for all estimates.

12	Quantification of tax expenditures.	N	No information is provided on tax expenditures.

Data source: *2024-2025 National Budget for the Government of Tuvalu.*

PI-6. Central government operations outside financial reports

This indicator measures the extent to which government revenue and expenditure are reported outside central government financial reports. Coverage is Central Government (CG) for the last completed fiscal year.

The PEFA framework follows the GFS manual definition. Essentially, central government includes entities that operate under the significant control of the national government, and whose primary activities are non-commercial in nature. A complete picture of the central government is basic for fiscal discipline. Thus, the reporting of any extra-budgetary operations of central government entities is looked into.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
PI-6. Central government operations outside financial reports (M2)		**D**
6.1 Expenditure outside financial reports	The estimated expenditure outside of the consolidated financial reports for 2022 was 29%,	D
6.1 Revenue outside financial reports	The estimated revenues outside of the consolidated financial reports for 2022 was 49%.	D
6.3 Financial Reports of Extrabudgetary Units	Detailed financial reports of some special funds representing less than majority of the total estimated expenditures of extrabudgetary operations were made available to the government at year-end.	D

Evidence for score

As of this assessment, the latest available report was the draft 2022 financial statements that were completed but not yet submitted to audit. The 2023 reports are still being compiled. Nevertheless, the following information was shared by the Treasury Department:

Coverage of the Consolidated Financial Reports

The coverage of the consolidated annual financial statements includes only that of central budgetary government.

The term central budgetary government covers primarily the following:

- constitutional offices and ministries,
- the grants/subsidies and other transactions between the national government with state-owned enterprises, and the subnational governments,
- special funds that were authorized by legislations and regulations for specific purpose, and administered by MFED outside of the Consolidated Fund and the national government budget.

There is an integrated FMIS in government where financial transactions of central budgetary government entities that are charged to the Consolidated Fund are recorded. Transfers/payments from the central government to the grant recipients are also recorded in the FMIS. The recording of payment transactions in the FMIS is centrally done and administered by the Treasury. The Treasury prepares the consolidated financial reports out of data generated from the FMIS, including reports

from foreign missions and outer island offices as well as off-budget funds. Starting 2022, the government has gradually integrated the special funds transactions into the FMIS.

The government's fiscal framework and national budget cover the following:

Revenue	**Expenditure**
Recurrent domestic revenues including fishing licenses	Recurrent domestic expenditures including grants to other public entities
Interest revenue from the Tuvalu Trust Fund	Capital expenditures
General budget support from donors	One-off expenditures
All other revenues that accrue to the Consolidated Fund	Statutory expenditures

Source: 2023 Budget Document, MFED

The 2023 financial statements are still being compiled as of this assessment. The only available financial report for 2023 is the Cashflow Report; however, it did not cover the Special Funds. Thus, the reference used for PEFA assessment under this indicator is the draft 2022 financial statements that were completed but not yet submitted for audit as of the time of assessment. A copy of these draft reports was provided to the assessment team.

Table 6: Identification of Extrabudgetary Operations (Last completed fiscal year)

Existence of extrabudgetary operations	**Within budget documents** (Y/N)	**Within central government financial reports** (Y/N)	**Financial reporting to government** (Y/N)	**Any additional off-budget elements** (describe/N)
Budgetary Units funded from the Consolidated Fund	Y	Y	Y	N
Development Partners and Donors:				
1. Budget support	Y	Y	Y	N
Extrabudgetary Entities that are part of Central Government				
Special Funds				
1. Other Special Funds (with details in Table 6.1)	N	N; only as disclosure	Y	All are outside the budget
2. Investment Funds (see details in Table 6.1	N	N; only as disclosure	Y	All are outside the budget
3. Tuvalu Development Fund- development partner/donor funds for specific projects	Y= presented in a separate budget document, the TDF estimates.	N; only as disclosure	Y	Appropriated separately from the national budget;
Statutory Authorities				
Tuvalu Maritime Training Institute	Y- on the grants from national government	N, submitted separately	Y but latest available is for 2012	All other minor revenues and expenses
Tuvalu Post Office	Y- on the grants from national government	N, submitted separately	Y but latest available is for 2012	All other minor revenues and expenses

Tuvalu Telecommunication Office	Y- on the grants from national government	N, submitted separately	Y but latest available is for 2012	All other minor revenues and expenses
Tuvalu Broadcasting Corporation	Y- on the grants from national government	N,	No report so far	All other minor revenues and expenses
Social Security Funds *(depending on institutional coverage)- for purpose of this assessment, not part of central government (Tuvalu PEFA assessment concept note)*	N/A	N/A	N/A	N/A
Project funds managed by project implementation units outside country systems	N/A	N/A	N/A	N/A

***Data source**: 2023 budget document; Information provided by the Treasury. TDF: Tuvalu Development Fund.*

Extra-budgetary Operations

There are central government operations/activities that were not covered in the budget or what we call extra-budgetary and are also not integrated in the consolidated government financial reports. These are the Special Funds and the operations of Statutory Authorities except for the grants received from the national government.

Special funds

These are special funds that have been reserved for a specific purpose as authorized under a law or regulation and are not part of the fiscal and budget framework. Under the Public Finance Act, the Minister of Finance (through the Treasury) was given the authority to manage these funds. Their balances were reported in the National Government Statement of Financial Position as assets, but their revenues and expenditures were not part of the National Government Statement of Comprehensive Income. Rather, their beginning and ending balances and income earned are presented as disclosures in the Notes to the financial statements. These special funds are of two types:

1. Other Special Funds

Other small Special Revolving Funds authorized by different legislations- Examples are the IBD Rehabilitation and Insurance; Safety and Security Levy.

2. Investment Funds

2.1 Tuvalu Trust Fund (TTF)

This is where government's investment contributions to a joint investment fund (jointly with the governments of New Zealand and Australia are transferred. It is intended for long term stability. Management of the Fund is governed under an Agreement Concerning an International Trust Fund for Tuvalu. This Fund is invested offshore. Withdrawals from this Fund is made only as need arises, such as to fund a supplemental budget in a deficit year.

2.2 Consolidated Investment Fund (CIF)

Dividends from the TTF are credited to this Fund. It is intended to cover significant fluctuation in the revenue forecasts and also as a buffer for major economic shock.

2.3 Tuvalu Survival Fund Account

This is specifically for disaster risks due to climate change.

2.4 Tuvalu Development Fund (TDF) Investment

The TDF budget estimates is presented as Book 2 in the budget document. These are projects funded by the development partners and are appropriated automatically based on approved donor funding allocation.

Statutory Authorities

Operating under the policy supervision of the line ministries are non-commercial public entities or beneficiary bodies and are part of the central government classification. These bodies have their own charters and policy-making boards, but a significant portion of their expenditures is funded from national government grants. These grants are reflected in the ministry budgets. They have their own accounting system and are not using the FMIS.

For purposes of the PEFA assessment, some of the public entities are classified as statutory bodies consistent with the GFS classification of the IMF. These are the:

- Tuvalu Maritime Training Institute
- Tuvalu Post Office
- Tuvalu Telecommunication Office
- Tuvalu Broadcasting Corporation

Table 6.1 and 6.2: Expenditure and revenue outside financial reports (Last completed fiscal year)

Entity	**Type of revenue outside government financial reports** (Y/N)	**Estimated amount of revenue reported outside government financial reports** (Y/N)	**Type of expenditure reported outside government financial reports** (Y/N)	**Estimated amount of expenditure reported outside government financial reports** (Y/N)	**Evidence and reporting** (Y/N)
Budgetary units					
Budgetary Units Funded from the Consolidated Fund	None	0	None	0	2022 Financial Statements
Development Partners and Donors:					
Budget support	None	0	None	0	2022 Financial Statements
Extrabudgetary units					
2.Special Funds					
2.1 Other Special Funds					
IBD Rehabilitation/ Revolving Fund	Interest earnings	557		0	(Note 4 in the 2022 Financial Statements)
IBD Insurance Fund	Interest earnings	12,495		0	(Note 4 in the 2022 Financial Statements)
IBD NBT Insurance	Interest earnings	18,857		0	(Note 4 in the 2022 Financial Statements)
Tuvalu Japan Fuel CPF	Foreign Grant	364,785		0	(Note 4 in the 2022 Financial Statements)
Safety and Security Levy	Other fees	1,839		0	(Note 4 in the 2022 Financial Statements)
Government of Tuvalu Presumptive Tax	Tax revenue	25,767		0	(Note 4 in the 2022 Financial Statements)
Total Other Special Funds		**424,300**		**0**	
2.2 Investment Funds					
Guarantee Deposit Fiji Air	Net investments	1,429*			(Note 5 in the 2022 Financial Statements)

Tuvalu Survival Fund Investment		0	Net investments	286,995*	(Note 5 in the 2022 Financial Statements)
Tuvalu Trust Fund		0	Net investments	15,452,906*	(Note 5 in the 2022 Financial Statements)
Tuvalu Survival Fund		0	Net investments	49,609*	(Note 5 in the 2022 Financial Statements)
Consolidated Investment Fund		0	Net investments	3,589,176*	(Note 5 in the 2022 Financial Statements)
Infrastructure Fund Account	Receipts	3,631,487	Payments	7,328,696	(Note 11 in the 2022 Financial Statements)
Contractual Obligation Fund Account		0	Payments	2,332,323*	(Note 12 in the 2022 Financial Statements)
Total Investment Funds		**3,632,916**		**9,039,705**	
2.3 Tuvalu Development Fund (TDF)					
Tuvalu Development Fund	Receipts	15,831,587	Payments	10,522,447	(Note 10 in the 2022 Financial Statements)
IBD Tuvalu Development Fund	Receipts	5,669*		0	(Note 5 in the 2022 Financial Statements)
Total TDF		15,837,256		10,522,447	
Total Special Funds Outside the Consolidated Fund Budget		**19,894,472**		**39,562,152**	
Statutory Authorities					
1, Tuvalu Maritime Training Institute	Operating revenue	955,000	Operating cost	901,000	Estimate based on 2012 audit report
2.Tuvalu Post Office (TPO)	Operating revenue	75,000	Operating cost	119,000	Estimate based on 2012 audit report
3.Tuvalu Telecommunications Corporation (TTC)	Operating revenue	1,519,000	Operating cost	1,618,000	Estimate based on 2012 audit report
4. Tuvalu Broadcasting Corporation		0		0	No report
Total for Statutory Authorities		2,549,000		2,638,999	
Total Outside the Financial Report		22,443,472		42,200,152	
Total Actual Revenue and Expenditures Reported		**78,684,699**		**86,043,833**	2022 Statement of Comprehensive Income
% Outside of the Consolidated Fund Budget		29%		49%	
Social security funds *(depending on institutional coverage)*	N/A		N/A	N/A	N/A

***Data source**: 2022 Draft Unaudited financial statements of the National Government, as provided by the Treasury Department of MFED*

*In the absence of data on receipts and payments, the difference between the 2022 and 2021 balances was interpreted for this purpose as net receipt (positive difference) or net payment (negative difference).

Dimension 6.1- Expenditures outside financial reports

Based on Table 6.1, the estimated expenditure outside of the consolidated financial reports for 2022 was 29%, Hence the rating for dimension 6.1 is D.

Dimension 6.2- Revenue outside financial reports

Based on Table 6.2, the estimated revenues outside of the consolidated financial reports for 2022 was 49%. Hence the rating assigned for dimension 6.2 is D.

Dimension 6.3 – Financial Reports of Extra-budgetary Units

Table 6.3: Financial reports of extrabudgetary units (Last completed fiscal year)

Name of extrabudgetary unit	Date annual report received by CG	Content of annual financial report (Y/N):			Expenditure as a percentage of total *(or sampled)* extrabudgetary unit expenditure (estimated)
		Expenditures and revenues by economic classification	Financial and non-financial assets and liabilities	Guarantees and long-term obligations	
A. Special Funds					93.7%
2,1 Other Special Funds					
IBD Rehabilitation/Revolving Fund	Recording integrated with the FMIS and reporting integrated with the consolidated reports	N	N	N/A	0
IBD Insurance Fund	Recording integrated with the FMIS and reporting integrated with the consolidated reports	N	N	N/A	0
IBD NBT Insurance	Recording integrated with the FMIS and reporting integrated with the consolidated reports	N	N	N/A	0
Tuvalu Japan Fuel CPF	Recording integrated with the FMIS and reporting integrated with the consolidated reports	N	N	N/A	0
Safety and Security Levy	Recording integrated with the FMIS and reporting integrated with the consolidated reports	N	N	N/A	0
Government of Tuvalu Presumptive Tax	Recording integrated with the FMIS and reporting integrated with the consolidated reports	N	N	N/A	0
2,2 Investment Funds					
Guarantee Deposit Fiji Air	Recording integrated with the FMIS and reporting integrated with the consolidated reports	N	N	N/A	0
Tuvalu Survival Fund Investment	Recording integrated with the FMIS and reporting integrated with the consolidated reports	N	N	N/A	0.7%
Tuvalu Trust Fund	Recording integrated with the FMIS and reporting integrated with the consolidated reports	N	N	N/A	36.6%
Tuvalu Survival Fund	Recording integrated with the FMIS and reporting integrated with the consolidated reports	N	N	N/A	0.1%
Consolidated Investment Fund	Recording integrated with the FMIS and	N	N	N/A	8.5%

	reporting integrated with the consolidated reports				
Infrastructure Fund Account	Recording integrated with the FMIS and reporting integrated with the consolidated reports	Y	Y	N/A	17.4%
Contractual Obligation Fund Account	Recording integrated with the FMIS and reporting integrated with the consolidated reports	Y	Y	N/A	5.5%
2.3 Tuvalu Development Fund (TDF)					
Tuvalu Development Fund	Recording integrated with the FMIS and reporting integrated with the consolidated reports	Y	Y	N/A	24.9%
IBD Tuvalu Development Fund	Recording integrated with the FMIS and reporting integrated with the consolidated reports	Y	Y	N/A	0%
B. Statutory Authorities					6.3%
Tuvalu Maritime Training Institute	Latest report is 2012	N	N	NA	2%
Tuvalu Post Office	Latest report is 2012	N	N	NA	0
Tuvalu Telecommunication Office	Latest report is 2012	N	N	NA	4%
Tuvalu Broadcasting Corporation	No report yet	N	N	N	0
Total Extrabudgetary Operations					**100%**

Data source: *: Information provided by the Treasury; 2022 draft financial statements; 2012 audit report on statutory authorities.*

The recording of the Special Funds transactions is all done with government FMIS. Thus, preparation of their reports is simultaneously done with the preparation of the consolidated financial reports. The use of the FMIS by these special funds started in 2022. For statutory authorities, the latest reports submitted were as of 2012. The Tuvalu Broadcasting Corporation has not submitted any report.

Based on the draft 2022 financial reports, only the following special funds (with total expenditure share of 47.8%) presented the details of their revenues and expenditures including assets and liabilities:

- Infrastructure Fund Account- 17.4%
- Contractual Obligation Fund Account- 5.5%
- Tuvalu Development Fund- 24.9%
- IBRD Tuvalu Development Fund- 0% expenditure (but 0.03% on revenues)

The rest of the special funds presented only their balances at year-end, and deposits/withdrawals were not detailed by economic classification.

Detailed financial reports of extrabudgetary units, specifically some of the special funds, representing about 48% (less than majority) of the total estimated expenditures were made available to the government at year-end as they were integrated with the government FMIS and consolidated financial reporting. Hence the rating assigned for dimension 6.3 is D.

PI-7. Transfers to subnational governments

This indicator assesses the transparency and timeliness of transfers from central government to subnational governments with direct financial relationships to it. It considers the basis for transfers from the assessed government and whether subnational governments receive information on their allocations in time to facilitate budget planning. This covers CG and the subnational governments with direct financial relationships with CG for the last completed fiscal year.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
PI-7. Transfers to subnational governments (M2)		**C+**
7.1 System for allocating transfers	Based on the evidence presented, the horizontal allocation of 71% or majority of the grant budget from national government to subnational government was transparent and rules-based. There was no evidence of the rules or basis of the 2023 allocation on the other grants,	C
7.2. Timeliness of information on transfers	The local councils received the needed information on their approved allocation in advance- at least four weeks before they finalize their local budget plan and submit to their legislature on second week of March of the current year.	B

Evidence for score

Tuvalu has seven islands[4] called Falekaupules administered by island councils or Kaupules, and one town council (Funafuti), each consisting of 6 elected members. The Falekaupule Act provides for the governance of Kaupules.

On or before the second week of October each year, a statement covering the income and expenditure[5] is prescribed by the Kaupule Act to be submitted to the Failautusi ote Kaupule. On the basis of this report, a budget for the next financial year shall be submitted to the Committee on Budget Appropriations before second week of January for proper evaluation. The recommended budget is presented in the Fale Kaupule Assembly by first week of March for final deliberation and approval and for issuance of the appropriation authorization. A supplementary expenditure may also be proposed.

Dimension 7.1- System for allocating transfers

In Tuvalu, there are several grant funding available to Falekaupules.

Government Budget Grant

In 2023, it was the Ministry of Local Government and Agriculture in charge of administering the island councils in Tuvalu. The responsibility was transferred to the MHACCE in 2024.

The Ministry was given a budget ceiling which it allocated among its programs based on its strategic priorities consistent with that of the national development goals. Based on the ministry ceiling, the Ministry of Local Government and Agriculture allocated its budget among its programs/departments.

Recurrent Grant

For 2023, the approved budget of the Ministry includes a grant of $2,280,940, which is further programmed for the following purposes:

[4] Nanumaga; Nanumea; Niutao; Nui; Nukufetao; Nukulaelae; Vaitupu

[5] The period covered is for the previous year; the actual for the first half of the current year, and the estimates for the remaining half.

1) The $200,000 allocation per island council from the VDS grant (20% of the total grant) is specifically indicated in the published budget document.

2) Grants Falekaupule- divided equally.

3) Block Grants- for salaries not covered by the government based on actual requirement

The information on the actual fund transfers of the Grants Falekaupule, and block grants, is provided by the Treasury data, but there was no evidence of a transparent and documented allocation policy or rules.

Capital Grant

This grant is formula-based according to the Community Development Assistance (CDA) policy[6], The CDA is allocated based on Policy Guidelines dated February 2022 that was endorsed by the Cabinet as follows:

- 75% divided equally between/among the eight islands;
- 25% allocated based on population size- using census data- However, there was no evidence of a transparent calculation of the CDA share of each island in 2023 based on census data.

For 2023, the approved budget for capital grant was $5.6million, of which $4million was divided equally at $500,000 each council, and $1.6million according to the population size.

(1) Outer Islands Project- allocated according to population size and released based on annual work plan.

2) Community Development Assistance (CDA) – equally.

Aside from the budget support charged to the Consolidated Fund, there is a Falekaupule Trust Fund (FTF) which was established since 1999 and rules of fund management were formalized in a legislation under the Tupe Fakanaa A Falekaupule Act. There was no information provided on the amount of this Trust Fund.

Based on the evidence presented, the horizontal allocation of majority (71%) of the grant budget/transfers for subnational government was transparent and rules-based. These are the VDS and the CDA Grants. Hence the rating for this dimension is C.

Table 7.1: System for allocating transfers (Last completed fiscal year)

Type of transfer		**Budget**			**Actual**		
	Source of rules	**Amount**	**% of total**	**Transparent and rule-based** (Y/N)	**Amount**	**% of total**	**Transparent and rule-based** (Y/N)
Recurrent Grant:							
Grants-VDS to finance general grants for outer island developments at $200,000 for each island; transferred in two tranches	as indicated in the budget document	1,600,000	20%	Y	1,600,000	20%	Y
Grants Falekaupule- divided equally and paid quarterly	(no evidence of rules)	299,960	4%	N	299,960	4%	N
Grants block- for salaries	(no	380,980	5%	N	380,980	5%	N

[6] The purpose of the CDA is to enhance the welfare of the people in the communities by contributing to priority island development projects It is an initiative of the members of the Parliament.

not covered by the government based on actual requirement	evidence of rules)						
Total Recurrent Grant		**2,280,940**			**2,280,940**		
Capital Expenditures:							
Outer Islands Project-	no evidence of actual basis of allocation in 2023	1,600,000	20%	N	1,600,000	20%	Y
Community Development Assistance (CDA)- $500,000 per island	based on CDA policy	4,000,000	51%	Y	4,000,000	51%	Y
Total Capital Grant		**5,600,000**			**5,600,000**		
Total Grant Budget for Subnational Government		**7,880,940**	100%		**7,880,940**	100%	

***Data source**: 2023 budget- Based on the 2023 Budget Document; Information provided by the Treasury Department. 2023 Cash Flow Report; copy of the 2022 CDA policy provided by the Treasury Department.*

Dimension 7.2- Timeliness of information on transfers

The local councils' budget for the next financial year is supposed to be submitted to the Kaupule Committee on Budget Appropriations before second week of January for evaluation and deliberation. The recommended budget is presented in the Fale Kaupule Assembly by first week of March for final deliberation and approval and for issuance of the appropriation authorization. The fiscal year of island councils starts on April 1.

The budget preparation and fund transfers for all subnational governments is integrated into the regular budget timetable of the national government. The fiscal year in 2023 was January to December. Information on the budget levels was made available to budget entities and grant recipients during the Budget approval by Cabinet on the second week of October, giving more than two months advance information to the local councils as initial basis of their budget planning and submission to their Committee and Assembly. Final budget information is contained in the budget document, which was approved by the Parliament on December 16, 2022, and uploaded in the Ministry website on the third week of January 2023.

Once the budget was approved, warrants were distributed twice a year to the responsible ministry. Payment vouchers were created/submitted by the (then) Ministry of Local Government and Agriculture, and actual fund transfers was done by the Treasury. Funds are deposited directly to the local councils' bank accounts thus the local councils get first-hand information on the amounts of funds transferred.

Table 7.2: Timeliness of information on transfers (Last completed fiscal year)

Type of transfer	Date when advice regarding transfers is received by SNGs	Source of evidence - date of advice on transfers	Date of budget submission to SNG legislature
Recurrent Expenditures:			
Grants-VDS to finance general grants for outer island developments at $200,000 for each island; transferred in two tranches	Initial through the budget ceiling – Second week of October; Final- upon approval by Parliament and publication in website- 3rd week of January	Treasury Department	First week of March
Grants Falekaupule- divided equally	Initial through the budget ceiling – Second week of October; Final- upon approval by Parliament and publication in website- 3rd week of January.	Treasury Department	First week of March

Grants block- for salaries not covered by the government based on actual requirement	Initial through the budget ceiling – Second week of October; Final- upon approval by Parliament and publication in website- 3rd week of January	Treasury Department	First week of March
Capital Expenditures:			
Outer Islands Project- allocated according to population size, and released based on annual work plan	Initial through the budget ceiling – Second week of October; Final- upon approval by Parliament and publication in website- 3rd week of January.	Treasury Department	First week of March
Community Development Assistance (CDA)- $500,000 per island	Initial through the budget ceiling – Second week of October; Final- upon approval by Parliament and publication in website- 3rd week of January.	Treasury Department	First week of March

***Data source**: Date of publication of the budget document provided by the Budget and Planning Department; Dates of transfers provided by the Treasury Department; Falekaupule Act. SNG: Subnational Government.*

The local councils received the needed information on their approved allocation in advance- at least four weeks before they finalize their local budget plan to their legislature on second week of March of the current year. Thus, the rating assigned is a B.

PI-8. Performance information for service delivery

This indicator examines the service delivery performance information in the executive's budget proposal or its supporting documentation and in year-end reports. It determines whether performance audits or evaluations are carried out. It also assesses the extent to which information on resources received by service delivery units is collected and recorded. Coverage is CG for all four dimensions and for PI-8.1, performance indicators and planned outputs and outcomes for the next fiscal year; for PI-8.2, outputs and outcomes of the last completed fiscal year; and for PI-8.3 and 8.4, last three completed fiscal years.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
PI-8. Performance information for service delivery (M2)		**D+**
8.1. Performance plans for service delivery	Information is published annually on policy or program objectives, outputs to be produced and outcomes planned for the majority of ministries, disaggregated by Department and program.	C
8.2. Performance achieved for service delivery	Information is not reported annually for the majority of ministries on performance achieved.	D
8.3. Resources received by service delivery units	Information on resources received by frontline service delivery units is collected and recorded for at least one large ministry. A report compiling that information is produced at least annually.	B
8.4. Performance evaluation for service delivery	Evaluations of the efficiency or effectiveness of service delivery has been carried out for at least one ministry within the last three years. However, MEHRD accounted for only 24% by value, hence the score is D.	D

Evidence for score

Since 2015, Tuvalu has been implementing a program budgeting system that integrates planning and budgeting with the objective of improving public sector outcomes. The planning process includes four major components:

- Te Kete, a ten-year government-wide plan that establishes the major policy objectives for the government.
- Sector plans which set out priority objectives for a ten-year period, specifying outcome targets.
- Corporate Plans by Ministry with medium-term focus, usually three years.
- Annual work plans by Department within Ministry specifying specific activities, objectives, and in some case quantified measures of performance.

Implementation of program budgeting and its integration with planning is a work in progress. Plans are integrated with the budget process through the medium-term fiscal framework and the annual budget process. Most ministries have developed three-year Corporate Plans. Virtually all ministries and many departments within ministries have prepared annual work plans. The annual plans specify activities, objectives and in some cases quantifiable results to be achieved. Plans are not directed at service delivery, but at the operational goals of the organizations and programs. In some cases, like MEHRD and MHSW, service delivery is the primary function of the organization.

Table 8: Service delivery agencies

Name of service delivery ministry or other unit as appropriate	**Budget**		
	Total (amount)	**Service delivery** (amount)	**Percentage of service delivery (%)**
MEHRD	16,467	14,688	24
MHSW	14,123	12,586	21
MPWIDW	6,745	6,012	10
Ministry of Natural Resources Development (MNRD)	3,806	3,117	5
MHACCE	12,633	12,126	20
Tuvalu Police Service (TPS)	2,966	2,966	5
MTECI	14,291	9,535	16
MFED	9,327	0	0%

Data source: *2024-2025 Budget of Tuvalu, table3.0.2 Comparative Expenditure by Head, and Part 4: Expenditure by Head and by Department. (Eight of ten ministries shown.)*

To define the service delivery amount of the ministries shown in Table 8, headquarters functions of ministries have been excluded from total budgets of those organizations. Some ministries like MFED fulfill largely government management functions and are not viewed as service delivery organizations. MEHRD and Heath deliver their programs through schools, hospitals, and clinics, making virtually all of their functions service delivery. Both of these ministries have well developed plans that do specify some quantifiable measures. The National Strategic Plan for Health includes 32 target indicators, see page 48. The plan identifies six programs, specifying 50 activities and their output and outcome measures. The MEHRD strategic plan provides a four-year road map to its program objectives. The 2024-2025 MEHRD annual work plan includes both output and outcome measures. The MPWIDW annual work plan specifies major infrastructure projects and provides a 12-page matrix showing activities, goals, and objectives. MFED also has prepared work plans for its departments primarily with operational goals, rather than service delivery measures. The 2023 Budget guidance described the annual work plans as a mandatory requirement.

Table 8.1: Performance plans of the largest service delivery agencies (next fiscal year)

Name of service delivery ministry or other unit as appropriate	**Program objectives specified** (Y/N)	**Key performance indicator** (Y/N)	**Planned performance**	
			Planned outputs (Y/N)	**Planned outcomes** (Y/N)
MEHRD	Y	Y	Y	Y
MHSW	Y	Y	Y	Y
MTECI	Y	Y	Y	N
MPWIDW	Y	Y	Y	N
MHACCE	N/A	N/A	N/A	N/A
MNRD	N/A	N/A	N/A	N/A
TPS	N/A	N/A	N/A	N/A

Data source: *Corporate Plans and Annual Work Plans for identified ministries. (Plans for MHACCE, MNRD, and TPS were not made available.)*

Annual performance reports are required on the implementation of annual work plans. Reports are prepared at the end of the plan period, to prepare the next plan. Most agencies are not producing annual performance reports. MEHRD produces monthly updates on its work plan and did do an annual performance plan tracking on all components of its annual work plan in August 2024. Its report showed a traffic light scoring (red, yellow, and green) with notes highlighting results and or issues where appropriate. Most of the ministries are not reporting on performance achieved. There is no consolidated report on performance results.

Table 8.2: Performance reporting of the largest service delivery agencies (Last completed fiscal year)

Name of service delivery agency ministry or other unit as appropriate	**Data on actual outputs produced** (Y/N)	**Data on actual outcomes achieved** (Y/N)	**Information on activities undertaken (if no outputs or outcomes)** (Y/N)
MEHRD	Y	N	Y

Data source: *The only performance report available was from MEHRD.*

MEHRD records information on resources received by frontline service delivery units and produces automated reports showing that information. The information is by school, but also by location to one of Tuvalu's islands. Most islands have a single elementary school. There are only two public secondary schools in Tuvalu. MHACCE allocates most of its budget among the islands of Tuvalu. In 2024-2025, $10.1 million of the ministry's budget is allocated to local governments. The largest portion of that amount is to support infrastructure projects in the outer islands. The chart of accounts includes a code for location that is used to identify the allocation of funds to the 8 islands of Tuvalu. Reports can be generated showing the allocation. A portion of the MHSW budget is used to support health services that are distributed among the islands. The largest single budget allocation in MHSW is to support Tuvalu's Medical Care Scheme that provides resources to the citizens of Tuvalu who need health care that cannot be delivered within Tuvalu. Funding supports care in Fiji, New Zealand, and Australia. Those funds are not shown by location in the budget classification system.

Table 8.3: Resources received by service delivery units (Last three completed fiscal years)

Ministry or other unit as appropriate	**Annual estimates by service delivery unit** (Y/N)	**Actual resources received by service delivery unit** (Y/N)	**Annual report prepared** (Y/N)
MEHRD	Y	Y	Y
MHSW	N	N	N
MHACCE	Y	N	N

Data source: *MEHRD Annual Work Plan (AWP) 2024_2025_V3, see tabs: 5001, 5003, and 5004.*

MEHRD regularly uses standardized tests to monitor the education achievement of its students. In 2023, the Ministry working with support from the World Bank did a formal evaluation of what works and doesn't work in early grade reading: *Tuvalu Early Grade Reading Assessment, 2023*. The study reviewed the effectiveness of 10 primary schools and 593 students. It addressed nine areas of performance, for example: letter name knowledge, familiar word reading, and reading comprehension. The study provided comparisons between schools and historically to comparable evaluations completed in 2016 and 2021. MHSW had quantifiable measures that could have been evaluated, but no information was provided on any evaluation.

Table 8.4: Performance evaluation for service delivery (Last three completed fiscal years)

Ministry or other unit as appropriate	**Percentage of service delivery ministries or units** (%)	**Program or service evaluated within last 3 years** (Y/N)	**Type of evaluation**	**Independent** (Y/N)	**Efficiency assessed** (Y/N)	**Effectiveness assessed** (Y/N)
MEHRD	24	Y	WB – MEHRD collaboration	Y	N	Y

Data source: *Tuvalu Early Grade Reading Assessment 2023.*

PI-9. Public access to fiscal information

This indicator assesses the comprehensiveness of fiscal information available to the public based on nine specified elements (five basic and four additional elements) of information to which public access is considered critical. Coverage is BCG for the last completed fiscal year.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	**ASSESSMENT OF PERFORMANCE**	**SCORE**
PI-9. Public access to fiscal information		**D**
9.1 Public access to fiscal information	No Basic Elements and no Additional Elements were met.	**D**

Evidence for score

In Tuvalu, the Public Finance Act does not explicitly prescribe reporting to the general public. On the other hand, the 2018 Finance Instructions prescribed the Finance Secretary to arrange for the dissemination and publication of the national budget and monthly reporting to general public in digital form. Other than website- the use of radio and television (Tuvalu TV) as well as facebook is commonly used to reach out to the islands.

Table 9.1: Budget documentation (Last completed fiscal year)

Element/Requirement		**Criteria met** (Y/N)	**Within timefr ame** (Y/N)	**Explanation (including specification of the actual timeframe)**	**Source of evidence**
Basic elements					
1	**Annual executive budget proposal documentation.** A complete set of executive budget proposal documents (as presented by the country in PI-5) is available to the public within one week of the executive's submission of them to the legislature.	N	N	The Executive Budget proposal as approved by the Cabinet is not published by the MFED.	
2	**Enacted budget.** The annual budget law approved by the legislature is publicized within two weeks of passage of the law.	N	N	The 2023 Parliamentary appropriation was published on January 24, 2023. It was approved by the Parliament in December 16, 2022.	Copy of uploaded publication by the MFED (with dates)
3	**In-year budget execution reports.** The reports are routinely made available to the public within one month of their issuance, as assessed in PI- 28.	N	N	There are no published monthly reports from 2023 up to the time of assessment	
4	**Annual budget execution report.** The report is made available to the public within six months of the fiscal year's end.	N	N	The report is integrated into the annual financial statements	
5	**Audited annual financial report**, incorporating or accompanied by the external auditor's report, as assessed in PI-29 and PI-30. The reports are made available to the public within twelve months of the fiscal year's end.	N	N	The latest published audited annual financial report is for the year 2020 which was published in May 2022 .	OAG website (Audit-report-submitted-to-Speaker-2020.pdf

					(tuvaluaudit.tv)
Additional elements					
6	**Prebudget statement.** The broad parameters for the executive budget proposal regarding expenditure, planned revenue, and debt is made available to the public at least four months before the start of the fiscal year.	N	N	This is part of the Executive budget proposal which is not published.	
7	**Other external audit reports.** All nonconfidential reports on central government consolidated operations are made available to the public within six months of submission.	N	N	Other than the audited financial statements, No other audit reports are available in the Office of the Auditor General website as of this mission	
8	**Summary of the budget proposal.** A clear, simple summary of the executive budget proposal or the enacted budget accessible to the nonbudget experts, often referred to as a "citizens' budget," and where appropriate translated into the most commonly spoken local language, is publicly available within two weeks of the executive budget proposal's submission to the legislature and within one month of the budget's approval.	N	N	The MFED has not published a summary budget	
9	**Macroeconomic forecasts.** The forecasts, as assessed in PI-14.1, are available within one week of their endorsement.	N	N	Macroeconomic forecasts were published as part of the Budget document.	MFED website (National-Budget-2024-2025.pdf (gov.tv)

Data source: MFED website; OAG website; Confirmation from the Treasury and Budget Departments on dates of publication

PILLAR THREE: Management of Assets and Liabilities

Pillar three includes four indicators which assess the effectiveness of the government's management of assets and liabilities and the extent to which this ensures that public investments provide value for money, assets are recorded and managed, fiscal risks are identified, and debts and guarantees are prudently planned, approved, and monitored.

Overall performance

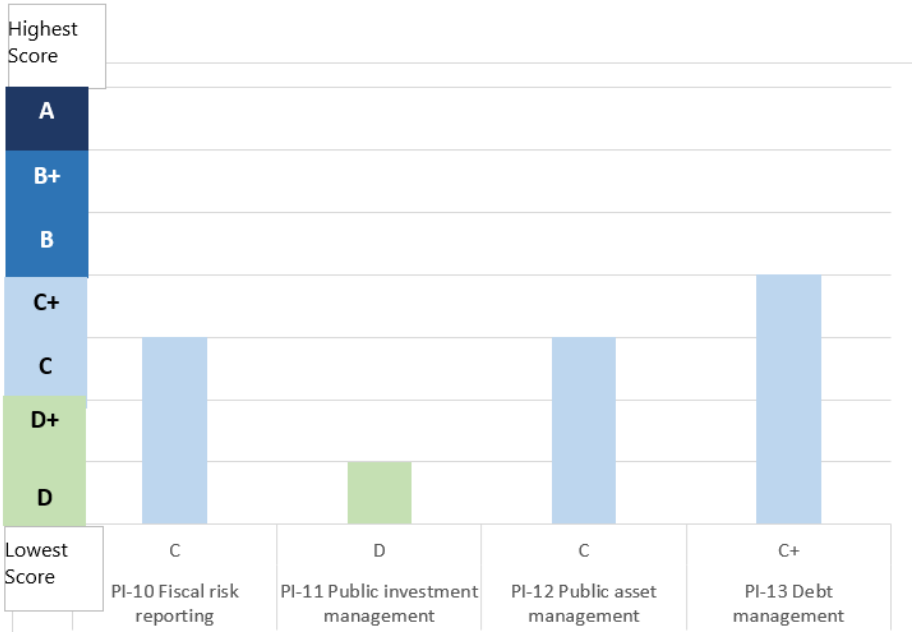
Public corporations are not incorporated in the Budget or financial statements of government. None of the five public corporations produce financial reports within the statutory time requirements. Sub-national governments do prepare financial reports and submit them to the Office of the Auditor General, but not in a timely manner. There is no consolidated report on either public corporation finances or finances of sub-national governments.

Public investment management is not effective. Proposals for major investment projects are not published. Decisions are made by a cabinet committee, but no information is available on the appraisal or scoring of these proposals. The budget only includes annual cost of approved projects. The Tuvalu Development Fund provides three-year estimates of project costs, but not the total cost or recurrent cost for these investments.

Public asset management has shown significant improvement over the past few years. Reporting on financial assets are comprehensive of all government holdings and are reported annually in the Budget and in financial statements. Non-financial asset registers are being maintained but are not reported in either the budget or the financial statements. Guidance for asset disposal is clearly established by the Financial Instructions, but transfers and disposals are not reported to the public regularly.

Tuvalu's debt policy and debt management are effective. There are very limited external debts and no domestic debts of the government. The last guarantee was paid off in 2018. Debt reports are included in the Budget and in the financial statements, but there are not monthly or quarterly updates. The debts of public corporations are a potential risk to government but are not reported. The legal structure for borrowing and guarantees is clear. Authority is centralized in the Minister of Finance within authority set in law. Tuvalu has clear policy of not taking on additional external debt or extending additional guarantees over the medium-term covered by the medium-term fiscal framework. It does not have a published debt management strategy.

Figure 3.3 PILLAR THREE: Management of Assets and Liabilities



Recent and ongoing reform activity

In 2023 the Minister of Finance initiated a requirement to develop a fiscal risk report. The first report under this order was issued in 2024. It is an excellent overview of risks facing Tuvalu. The government plans to update this report annually. The report identifies finances of public corporations as a significant fiscal risk. The plan to encourage more timely financial reporting by public corporations has not yet been realized. MFED is in the process of improving asset management for non-financial assets by improving asset inventories, stock taking, and reporting. Reports on non-financial assets are not currently being reported in the budget or financial reports.

PI-10: Fiscal risk reporting

This indicator measures the extent to which fiscal risks to central government are reported, including risks associated with subnational governments, public corporations, and contingent liabilities from the central government's own programs and activities, including extra-budgetary units. For the last completed fiscal year, this indicator covers CG-controlled public corporations for PI-10.1, subnational government entities that have direct fiscal relations with CG for PI-10.2, and CG for PI-10.3.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
PI-10: Fiscal risk reporting (M2)		**C**
10.1. Monitoring of public corporations	The government does not receive financial reports from most public corporations within nine months of the end of the fiscal year.	D
10.2. Monitoring of subnational governments	A majority of subnational government financial reports are prepared within nine months of the end of the fiscal year and are not published annually.	D
10.3. Contingent liabilities and other fiscal risks	The government publishes annual reports that quantify and consolidate information on all significant contingent liabilities and other fiscal risks.	A

Evidence for score

There are five public corporations in Tuvalu that are subject to the Public Enterprise Act of 2009. The only information included in the budget of Tuvalu on public enterprises is for appropriations for transfers for the cost of community service obligations. For example, in the 2023 supplementary appropriation of $2.9 million to MFED to cover a fuel subsidy to the Tuvalu Electricity Corporation, the only source of electricity in Tuvalu. The last consolidated financial statement to include information on public enterprises was in 2017. In 2017, Note 5 showed government investment in corporations, a table showing the equity of the public enterprises. At that time, all of these corporations were wholly owned by the government. Until 2018, the financial statement of assets and liabilities included an entry for the spending invested in these corporations. That entry was dropped in 2019. Over the period 2021, 2022, and 2023, no information was included in the budget or financial statements on public enterprise finances. The financial statements of four of the five entities are audited by independent auditors. The financial statements of the Development Bank of Tuvalu are audited by the Auditor General. None of the financial statements are current and none are published. The Auditor General's Register of Audits shows receipt of financial statements for three of the five institutions to be one year after the end of the financial year. Two institutions submitted their financial statements more than a year after the end of the fiscal year. More precise dates were not available. The Public Enterprise Act of 2009 established the Public Enterprise Monitoring Unit (PERMU) in the MFED to monitor the performance of public enterprises.

Table 10.1: Monitoring of public corporations (Last completed fiscal year)

Public corporations	Total expenditure (Amount)	Percentage of all *(or sample)* public corporations	Date of publication of audited financial report	Date financial report submitted to government	Financial report includes revenue, expenditure, assets, liabilities and	Consolidated report published annually (Y/N)

					long-term obligations (Y/N)	
National Bank of Tuvalu	NA		Audit incomplete	Approximately 1 year after end of budget year		N
Development Bank of Tuvalu	NA		2021	Approximately 1 year after end of budget year		N
Tuvalu National Provident Fund	NA		Audit incomplete	Approximately 1 year after end of budget year		N
Tuvalu Electric Corporation	NA		Audit incomplete	2020-2022 submitted in 2024		N
National Fisheries Corporation of Tuvalu	NA		2021	2019-2021 submitted in 2022		N
Total	NA					

Data source: *Source of dates for most recent audits: Tuvalu Office of the Auditor General Register of Audits 7/10/2024. Last financial statement to show assets of public corporations, 2017. No data has been available since 2017 on the overall finances of public corporations.*

The finances for most of the islands have been audited through 2022. No reports have been published either by the audit office or the MHACCE. The Office of the Auditor General register of audits shows financial statements for 2022 for all islands having been received in 2023. More precise dates were not available. As of July 2024, audited accounts for 2021 and 2022 had not been received for three of the eight islands. The Falekaupule Act, 2022 Revised Edition, established the legal framework for Tuvalu's sub-national governments. Tuvalu consists of 8 islands. Governance of these island governments is coordinated by MHACCE. Under the Falekaupule Act, the island governments are required to submit financial statements by the second week of October, nine- and one-half months after the end of the financial year. There are five sources of funding to the island governments, all of which is coded by location in the CoA. Allocations to the separate islands are not shown in the budget. No information was available on the expenditure by island or on total expenditure to subnational governments.

Table 10.2: Monitoring of subnational governments (Last completed fiscal year)

Subnational government	**Total expenditure**	**Percentage of all (or sample of) SNGs**	**Date of publication of audited financial report**	**Date financial report submitted to government**	**Consolidated report published annually** (Y/N)
Nanumea	Not available	Not available	Not available	Not available	N
Nanumaga	Not available	Not available	Not available	Not available	N
Niutao	Not available	Not available	Not available	Not available	N
Nui	Not available	Not available	Not available	Not available	N
Vaitupu	Not available	Not available	Not available	Not available	N
Nukufetau	Not available	Not available	Not available	Not available	N
Funafuti	Not available	Not available	Not available	Not available	N
Nukulaelae	Not available	Not available	Not available	Not available	N
Niulakita	Not available	Not available	Not available	Not available	N
Total					

Data source: *Falekaupule Act of 2022, Government Unified Chart of Accounts (CoA) 15 March 202.Tuvalu Office of the Auditor General_Register of Audits 7/10/2024.*

Contingent liabilities are effectively reported in the budget and the financial reports. Tuvalu is a very small nation. It has no outstanding explicit guarantees; the last guaranteed loan was fully repaid in 2018. Public debt is limited to two borrowers, the ADB and the Republic of China. Its current policy is to not increase external debt. There is no domestic borrowing. The budget includes a section on Public Debt which provides information on guaranteed borrowing. There are no PPPs and there is no State insurance scheme.

The Minister issued the Ministerial Order on Fiscal Risks on 26th of April, 2023. Pursuant to that order, the Ministry issued the 2024 Fiscal Risk Report, an outstanding addition to public information on contingent liabilities and other fiscal risks. The Fiscal Risk Report covers macro-economic risks, public debt portfolio, risks from state owned enterprises, climate change and natural disasters, and management of fiscal risks. The report does show the borrowing of State Owned Enterprises (SOEs) in the context of overall debt. Only one SOE has outstanding debt, i.e., Tuvalu Electricity Corporation. The government plans to produce the Fiscal Risk Report annually. The 2024 Fiscal Risk Report created by the Ministry highlighted the financial risks associated with public enterprises. That report showed SOE debt for 2021, 2022, and 2023. Tuvalu Electric Corporation had $1.1 million in outstanding debt as of 2023.

Table 10.3: Contingent liabilities and fiscal risk (Last completed fiscal year)

Coverage	Loan guarantees (Central Government)	State insurance scheme	PPPs	Included in financial report (Y/N)	Date published	Consolidated report (Y/N)
	(Quantify or "NE" if no evidence)					
Budgetary Units	None	None	None	Y		Y
Extrabudgetary Units	None	None	None	N		

Data source: *Ministerial Order on Fiscal Risks 2023, 2024 Fiscal Risk Report (assessing risk as at December 2023).*

PI-11 Public investment management

This indicator assesses the economic appraisal, selection, costing, and monitoring of public investment projects by the government. It also assesses the extent to which the government publishes information on the progress of the project, with an emphasis on the largest and most significant projects. Coverage is CG for the last completed fiscal year.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
PI-11 Public investment management (M2)		**D**
11.1 Economic analysis of investment proposals	There was a project proposal template that required socio-economic analysis; but no copy of an actual economic analysis for each of the major investment projects was provided	D*
11.2 Investment project selection	Prior to their inclusion in the budget, all major investment projects are prioritized by a central entity (Government Advisory Committee and the Cabinet). There was a published Appraisal Framework and Prioritization Criteria. But any documentation of the actual appraisal and scoring or discussions was not made available to this assessment.	D*
11.3 Investment project costing	The budget document presents only the budget year cost estimates of the approved projects to be funded from the Consolidated Fund. The Tuvalu Development Fund estimates on the other hand, present a three-year information of each proposed project, but not the total cost and recurrent cost.	D
11.4 Investment project monitoring	There was no evidence that monitoring of the total project cost and physical progress was done by the Planning and Budget Department and implementing agencies.	D

Evidence for score

In the government of Tuvalu, public investments planning is integrated with the annual planning and budgeting process, whether the funding source is from the Consolidated Fund or the Tuvalu

Development Fund (donor funded). The planning and review is led by the MFED through the Planning and Budgeting Department, in consultation with the implementing sector agencies and MPWIDW, with respect to infrastructure projects. At the subnational level, the Ministry of Local Government and Agriculture (in 2023) helped in coordinating with the island councils.

For infrastructure, a medium-term infrastructure plan (2020-25) was formulated in 2020 under the auspices of the National Infrastructure Steering Committee. The TISIP listed and prioritized the new and proposed infrastructure projects seeking funding in line with the Tuvalu's Te Kete National Strategy for Sustainable Development (2021-2030). The 2020-25 TISIP is an update of the 2016 plan.

The Budget Circular for the 2023 planning and budget process has defined the key frameworks, processes and timetable for the budget preparation, evaluation, and submission to the approving authorities. The key project planning frameworks include the TISIP; the National Development Strategy; the Statement of Priorities; Cabinet Decisions; and Corporate Plans.

For the 2023 budget, the MFED followed these processes:

1. Formulation and allocation of the annual budget ceiling at the program level of each Ministry
2. Preparation and submission of new project proposals including to be funded from the Tuvalu Development Fund (TDF)
3. Review by the Planning and Budgeting Division of the details of the project proposals based on the framework for evaluating One Off and Special Infrastructure Proposals
4. Budget consultations of priorities with the Ministry Heads
5. Finalization of the proposed priorities and budgets in consultation with Ministry Heads
6. Submission of recommendations to the Government Advisory Committee (GAC)
7. Final evaluation and approval by the Cabinet

The 2023 Budget Circular did not contain guidelines in the preparation and evaluation of capital grants proposals from the statutory authorities. The 2023 budget for capital expenditures funded by the national government, or the Tuvalu Development Fund did not include provisions for statutory authorities.

Table 11: Major investment proposals (Last completed fiscal year)

Major investment projects (>1% of BCG expenditure)	Total investment cost of project	As a % of the total cost of all listed projects
For Government Funding		
BCD Grade Funding	1,850,040	15%
Outer Islands Project	1,600,000	13%
CDA Project	4,000,000	33%
Sub-total	**7,450,040**	
Tuvalu Development Fund (development partners funding)		
1/2-Acre Initiative	4,500,000	38%
Sub-total	**4,500,000**	
Total/Coverage	**11,950,040**	**100%**

Data source: *2023 Budget Document. Note: Major investment includes only projects with total cost of more than 1% of total BCG expenditures of $94.3million (original budget)*

Dimension 11.1- Economic analysis of investment proposals

The line ministry sponsoring a particular project concept is required to prepare a standard project proposal/profile (following a template provided by the MFED, as outlined in the published Budget Appraisal Framework). The proposal template included social and economic analysis. Examples of

information included were project objectives; description and outputs; costs and benefits; viability; implementation and management; sustainability; climate resilience; financing mechanism.

The Planning and Budget Department informed that new project proposals/ profile that were reviewed and selected during the 2023 budget preparation were encoded in the FMIS Budget Module but were not published. No copy of the project proposals for the listed major investment projects was provided.

The infrastructure project profiles reviewed and evaluated as part of the TISIP were all published as part of the TISIP document (Appendix 4). However, this practice was not sustained.

Table 11.1: Economic analysis of investment proposals (Last completed fiscal year)

Major investment projects	**Completed** (Y/N)	**Consistent with national guidelines** (Y/N)	**Published** (Y/N)	**Reviewing entity**	**Is reviewing entity the sponsoring entity** (Y/N)
For Government Funding					
BCD Grade Funding	No evidence	No evidence	N	MFED/GAC/ Cabinet	N
Outer Islands Project	No evidence	No evidence	N	MFED/GAC/ Cabinet	N
CDA Project	No evidence	No evidence	N	MFED/GAC/ Cabinet	N
Tuvalu Development Fund (development partners funding)	No evidence	No evidence			
1/2-Acre Initiative	No evidence	No evidence	N	MFED/GAC/ Cabinet	N

Data source: *List of projects was extracted from the 2023 Budget Document; 2023 Budget Circular*

There was a project proposal template that required socio-economic analysis, and proposals were encoded in the FMIS; but no copy of an actual economic analysis for each of the major investment projects was provided as basis of assessment. Hence a rating of D*

Dimension 11.2- Investment project selection

In the 2023 Budget Circular, there was a standard appraisal framework with the following key dimensions/criteria:

- Linkage to Key Policies; Urgency
- Comprehensiveness of the Analysis and Readiness of the Implementing Agency
- Sustainability
- Climate Change Risk Assessment

The Planning and Budget Department appraisal framework also includes a scoring mechanism giving equal weight to each of the four dimensions/criteria as mentioned above. The scoring framework is basically consistent with the TISIP National Steering Committee Prioritization Criteria.

Based on the review, the Budget and Planning Department has proposed priority projects. The final evaluation and approval was made by the Cabinet upon recommendations of the MFED and then the Government Advisory Committee.

The budget document listed the new projects that were prioritized for government funding, and proposed projects to receive funding assistance from development partners.

Prior to their inclusion in the 2023 budget, all major investment projects were reviewed by the Planning and Budget Department and prioritized by a central entity (Government Advisory Committee and the Cabinet) on the basis of the published Appraisal Framework and Prioritization Criteria.

However, any documentation of the actual appraisal and scoring was not made available to this assessment. For these reasons, the rating for this dimension is D*.

Table 11.2: Investment project selection (Last completed fiscal year)

Major investment projects	**Prioritized by central entity** (Y/N)	**Consistent with standard selection criteria** (Y/N)
For Government Funding		
BCD Grade Funding	Y	Not known; no evidence
Outer Islands Project	Y	Not known; no evidence
CDA Project	Y	Not known; no evidence
Tuvalu Development Fund (development partners funding)		Not known; no evidence
1/2 acre Initiative	Y	Not known; no evidence

Data source: *2023 Budget Document; 2023 Budget Circular*

Dimension 11.3- Investment Project Costing

Sustainability was one of the foremost considerations in the analysis of project proposals. This criterion places emphasis on the integration of new outputs to existing work of the ministry. It also took into account the level of fiscal space and the sustainability of funding in the medium-term. Questions on project costing include the following:

- Have cost and breakdown been carefully prepared?
- Have all the activities explicitly determined every cost and factored in any recurring?

To improve links between investment planning and annual budgeting, the Planning and Budget Department designed an Annual Work Plan (AWP) template as part of the Budget Circular/budget preparation guidelines. The AWP presented the planned outputs, outcomes or results indicating the baseline and targets, activities, and estimated costs. The costing information in the AWP presents the total cost by output and by economic classification format.

The 2023 Consolidated Fund budget document included the following: (a) Table 6 Medium-Term Fiscal Framework that includes the total projection for Capital Expenditures for the budget year and the next two years, 2024-2025; and (b) Schedule 1 List of Capital Expenditures by Ministry but showing only the 2023 annual estimates.

On the other hand, the Tuvalu Development Fund budget document presents a three-year cost estimate information for each project in each implementing Ministry as shown:

Table 11.3: Investment project costing (Last completed fiscal year)

Major investment projects	**Life cycle cost in budget documents** (Y/N)	**Capital cost breakdown in budget documents** (Annual/ multi-year/N)	**Recurrent costs included in budget documents** (Annual/ multi-year/N)
For Government Funding			
BCD Grade Funding	N	Annual	N
Outer Islands Project	N	Annual	N
CDA Project	N	Annual	N
Tuvalu Development Fund (development partners funding)			
1/2 acre Initiative	N	Multi-year	N

Data source: *2023 Budget Document; Tuvalu Development Fund Budget Estimates*

The 2023 national government budget presented only the budget year cost estimates of the approved projects to be funded from the Consolidated Fund. The Tuvalu Development Fund estimates on the other hand, presented a three-year information of each proposed project, but not the total cost and recurrent cost. Thus, the rating for this dimension is D.

Earlier, the TISIP required the project profiles to include both the total capital cost and an annual maintenance cost. The TISIP recommended that the government's Infrastructure Plan needs to consider proper asset management and maintenance; thus, these post project costs must be integrated. This could have been a model for the budget documentation.

Table 11.4: Investment project monitoring (Last completed fiscal year)

Major investment project	Total cost (Y/N)	Physical progress (Y/N)	Standard rules and procedures exist (Y/N)	High level of compliance with procedures (Y/N)	Information on total cost and physical progress published annually (Y/N)
For Government Funding					
BCD Grade Funding	N	N	N	N	N
Outer Islands Project	N	N	N	N	N
CDA Project	N	N	N	N	N
Tuvalu Development Fund (development partners funding)					
½-Acre Initiative	N	N	N	N	N

Data source: *Statements from the Planning and Budget Department and selected ministries during the consultations on project monitoring in general.*

Dimension 11.4- Investment Project Monitoring

As indicated in the MFED Budget Manual, the budget utilization was monitored monthly by the Planning and Budget Department, but not the total cumulative project cost. A high-level update of the fiscal performance was submitted by MFED to the Cabinet on a quarterly basis, but not the performance for specific projects. The agencies submitted an annual progress report of the Te Kete priorities, but not on specific projects.

For donor-funded projects, implementing agencies indicated that they submitted progress reports to the donors as a matter of document requirement for fund release as prescribed in their respective project agreements. However, there was no evidence made available to this assessment.

There were no available M&E reports from the Planning and Budget Department and the implementing agencies as well and there was no evidence that monitoring of the total cost and physical progress of major investment projects was conducted. In view hereof, an assessment of D is assigned.

PI-12. Public asset management

This indicator assesses the management and monitoring of government assets and the transparency of asset disposal. For the last completed fiscal year, coverage is CG for PI-12.1, BCG for PI-12.2, and both CG and BCG for PI-12.3.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
PI-12. Public asset management (M2)		**C**
12.1. Financial asset monitoring	The government maintains a record of all of its holdings in all categories of financial assets, which are recognized at fair or market value. Information on the performance of the portfolio is published annually.	A
12.2. Nonfinancial asset monitoring	The government maintains a register of fixed assets and collects partial information on their usage and age. This information is not published annually. The score of D reflects questions about whether the registers are complete and current.	D
12.3. Transparency of asset disposal	Procedures and rules for the transfer or disposal of nonfinancial assets are established. No information on transfers and disposals is included in budget documents, financial reports, or other documents.	D

Evidence for score

Budgets for 2022, 2023, and present information on all financial assets of Tuvalu. For the Tuvalu Trust Fund (TTF) and the Falekaupaule Trust Fund, there is a table showing the market and maintained value of these funds for 2020 – 2024. When the market value exceeds the maintained value, the excess funds may be used to supplement budget revenues. The Budget also presents 2022 – 2024 estimates for three accessible funds: the Consolidated Investment Fund, the Tuvalu Survival Fund, and the Tuvalu Development Fund. The Consolidated Investment Fund manages distributions from the TTF for governmental budgetary needs. The Tuvalu Survival Fund was established to address needs resulting from climate change and natural disasters. The Tuvalu Development Fund channels resources from international donors into projects ranging from infrastructure to support for education, healthcare and other targeted purposes. The budgets for 2023 and 2024/2025 also provide information on liquidity and cash. Both current and non-current assets are presented in the statement of financial position in the consolidated financial statement of the government. Notes to the financial statement also include notes on: deposit accounts (note 3), special fund balances (note 4) and investments (note 5). This financial statement refers to the Consolidated Financial Statement of 2022, the most recent published financial report. Information on financial assets was not included in the 2021 Budget.

Table 12.1: Financial asset monitoring (Last completed fiscal year)

Asset Type	**Record of holdings of financial assets maintained** (Y/N)	**Acquisition cost recorded** (Y/N)	**Fair value recognized** (Y/N)	**In line with international accounting standards** (Y/N)	**Information on performance published annually** (Y/N)
Long-term financial reserves	Y	N	Y	Y	Y
Liquidity risk and cash buffer	Y	N	Y	Y	Y

Data source: *Section 1.3 and 1.4 of the 2022 Budget, section 1.6 of the 2023 Budget, and section1.6 of the 2024/2025 Budget. Consolidated Financial Statement for 2022.*

The Treasury is responsible for developing and maintaining an asset registry for non-financial assets. Under Chapter 15 of the Financial Instructions. Accounting officers within ministries are responsible for asset and public stores inventory for their ministries. The Financial Instructions require a semi-annual stock take to adjust asset inventories and monthly reports providing updates to the inventory. The 2017 Financial Statement included the last published report on non-financial assets. See the Statement of Property, Plant, and Equipment Assets by Department, Note 18. The 2018 Audit Report noted the non-submission of asset registers to Treasury (see page 29 of that report). In 2019, Treasury responded to uncertainty about completeness and accuracy of the asset registers reported by the Auditor General, by asserting that an estimated 85% of government assets were included in the asset registers. The 2020 audit discussed the asset management plan for MPWIDW and recommended fixing the asset register. Audits for 2021 and 2022 did not raise issues about asset registers. A score above a D is only given where the registers are complete and current.

Table 12.2: Non-financial asset monitoring (Last completed fiscal year)

Register of fixed assets (Y/N)	**Information on usage and age** (Y/N/Partial)	**Register of land assets** (Y/N)	**Register of subsoil assets (if applicable)** (Y/N/NA)	**Information on performance published annually** (Y/N)
Y	Partial	Y	N	N

Data source: *See Financial Statements 2017 – 2022.*

Guidance for disposal of assets is presented in sections 290 through 294 of the Financial Instructions. Under this guidance proposals to dispose of assets must be presented to the Treasury with an explanation of why the disposal is proposed. The Treasury and Department of Planning, Budget and

Aid Coordination both are required to assess and approve the proposal. The Secretary, MFED must approve an asset transfer or disposal. Asset disposal is not reported to the public or the parliament. No information was included in the 2022 Financial Statement or the budgets for 2021, 2022, or 2023 on transfers or disposals of assets.

Table 12.3: Transparency of asset disposal (Last completed fiscal year)

Procedures for non-financial asset transfer or disposal established (Y/N)	**Procedures for financial asset transfer or disposal established** (Y/N)	**Information included in budget documents, financial reports or other reports** (Full/Partial)	**Information on asset transfer and disposal submitted to legislature** (Y/N)
Y	Y	N	N

Data source: *Financial Instructions, 23 April 2018, see Section15. No current data in budgets or reports.*

PI-13. Debt management

This indicator assesses the management of domestic and foreign debt and guarantees. It seeks to identify whether satisfactory management practices, records, and controls are in place to ensure efficient and effective arrangements. Coverage is CG for all three dimensions - at time of assessment for PI-13.1, for last completed fiscal year for PI-13.2, and at time of assessment with reference to the last three completed fiscal years for PI-13.3.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	**ASSESSMENT OF PERFORMANCE**	**SCORE**
PI-13. Debt management (M2)		**C+**
13.1. Recording and reporting of debt and guarantees	Domestic and foreign and guaranteed debt records are updated annually. Reconciliations are performed annually.	C
13.2. Approval of debt and guarantees	Authority to borrow, issue loans and guarantee debt authorized to the Minister of Finance subject to approval by the Parliament. Annual borrowing must be approved by the Government.	A
13.3. Debt management strategy	No medium-term debt strategy has been adopted or published. The budget clearly specifies government policy of no new borrowing and no new guarantees.	D

Evidence for score

Debt and guarantees are reported annually in the budget and financial statements. There are four loans and no guarantees. The loans are all concessional international loans: three with the ADB and one with the Republic of China. There are no domestic loans. The last guarantee was paid off in 2018. The government has stated a policy of no new guarantees. Part 5 of the 2024/2025 Budget presents Public Debt and Publicly Guaranteed Debt. It shows the outstanding balances by loan for 2021 through forecast for 2024 and 2025. Over the period 2021 to 2023 interest payments constituted approximately 5% of debt service payments. Total payments were just over $600,000 per year, interest costs ranged from $40,000 to $68,000 per annum over the three years of assessment. Total outstanding debt amounted to $5.9 million in 2021 projected to decline to $3.1 million in 2025 or 2.5% of GDP. If SOE debt is added to the numbers in 2021 total public debt would rise to $8.1 million, 10% of GDP and $5.5 million or 6% of GDP in 2023. See pages 82 – 84 of the 2024/2025 Budget. In 2021, Tuvalu published a Tuvalu Public Debt Bulletin. It included gross debt from 2016 – 2022, debt service, and unguaranteed debt of SOEs. The financial statements all include statements of public debt.

Table 13.1: Recording and reporting of debt and guarantees (At time of assessment)

Type of liability	Records are maintained, complete and accurate (Y/N)	Frequency of update of records (M/Q/A)	Frequency of reconciliation M=Monthly Q=Quarterly A=Annually N=Not done (Add whether All; Most; Some; Few)	Statistical reports (covering debt service, stock and operations prepared) M/Q/A/N	Gaps in reconciliation are documented Y/N
Domestic debt	There is none				
Foreign debt	Y	A	A	A	There are none
Guarantees	There are none				

Data source: *Public Debt and Publicly Guaranteed Debt, Part 5, 2024/2025 Budget, pp.82-84.*

The Government Borrowing and Guarantee Act of 2008 established legal authority for making loans and guarantees. Under the Act, the Minister of Finance can borrow, lend, and guarantee loans for purposes approved by the Parliament. Section 18 of the Public Finance Act restricts borrowing to be in accordance with law. The Falekaupule Act that establishes governance arrangements for sub-national governments, authorizes the local councils to borrow from domestic sources. This could be in conflict with the Borrowing and Guarantee Act. See section 67 of the Falekaupule Act of 2022.

Table 13.2: Approval of debt and guarantees (Last completed fiscal year)

Primary legislation exists (Y/N; Name of Act)	Documented policies and guidance *(complete both columns below but note they are alternatives)*		Debt management responsibility (for each column below: Y/N; Name and location of unit)		Annual borrowing approved by government or legislature (Y/N, specify last date of approval)
	Guidance to single debt management entity (Y/N)	Guidance to multiple entities (Y/N, Name of regulation/ policy)	Authorization of debt granted to single responsible entity	Transactions reported to and monitored only by single responsible entity	
Y Government Borrowing and Guarantee Act of 2008	Y		Y	Y	Y

Data source: Government Borrowing and Guarantee Act of 2008.

Borrowing and guarantee policy is clearly stated in the budget within the medium-term fiscal strategy. The policy is to have no new external borrowing and not to guarantee any further debt. The policy is clearly stated in the budget, but no debt management strategy has been enacted. Both borrowing and guarantees are and have been extremely limited because of the small size of the economy. These policies appear appropriate for a small economy. The strategy is summarized in section 5.3 of the 2024/2025 Budget (see p. 84) where it presents its objective of sustaining growth at manageable rates. Its principles include avoiding borrowing in the medium-term, minimizing risk associated with on-lending and contingent liabilities, and expanding domestic revenue base and development partner support for more government activities without relying on debt financing. The policy is clear but there is no formally adopted Debt Management Strategy.

Table 13.3: Debt management strategy (at time of assessment with reference to last 3 completed fiscal years)

Debt management strategy has been prepared	Date of most recent update	Time horizon (No. of years)	Targets included in debt strategy				Annual report on debt strategy submitted to legislature
			Interest rates (Y/N)	Refinancing (Y/N)	Foreign currency risk (Y/N)	Evolution of risk indicators only	

(Y/N)						(Y/N)	(Y/N, Date)
N	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Data source: Prudent Fiscal Management with no Non-concessional Borrowing in the Medium-Term, Section 5.3 of the 2024/2025 Budget (see p. 84), Tuvalu Public Debt Bulletin, September 2021.

PILLAR FOUR: Policy Based Fiscal Strategy and Budgeting

This pillar includes five indicators which assess whether the government's fiscal strategy and the budget are prepared with due regard to government fiscal policies, strategic plans, and adequate macroeconomic and fiscal projections. The indicators also examine the orderliness of the budget preparation process and the legislative scrutiny of budget proposal.

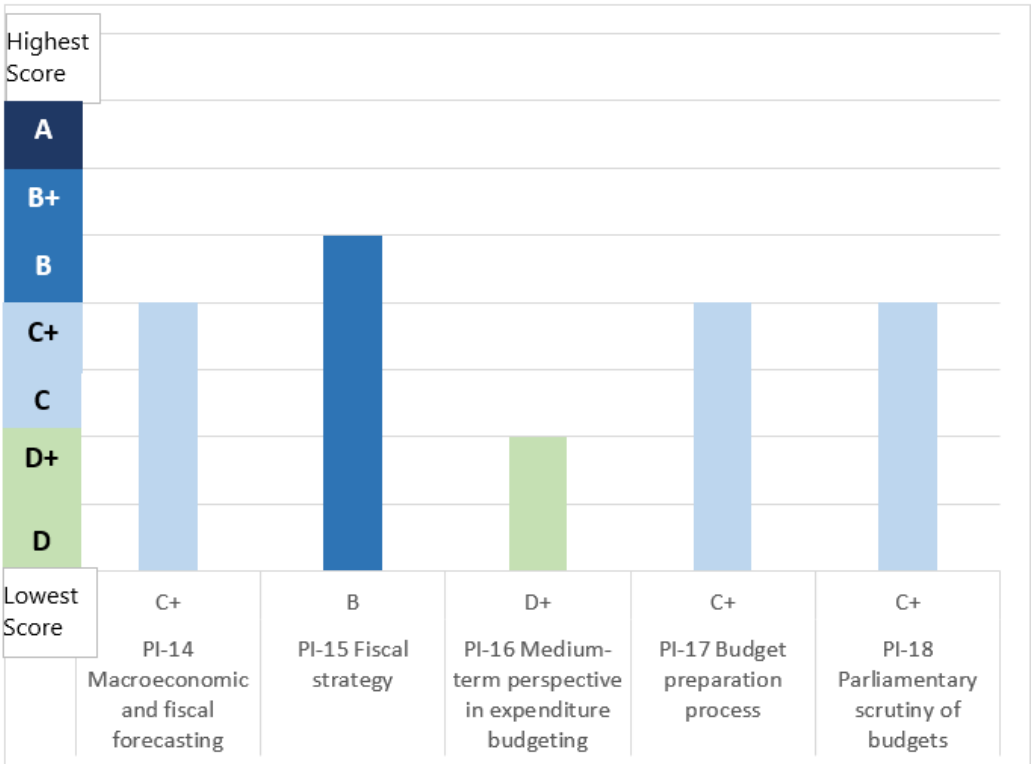
Overall performance

Tuvalu has invested quite a lot to improve budget formulation including fiscal strategy presentation supported by the Medium Term Fiscal Framework (MTFF) developed in 2021. The excel based GDP model is work in progress to improve the data quality and collection. Although GDP data is not published due to data quality, it is a great start and with support from PFTAC and other partners this will get better going forward.

The Fiscal Risk Report (FRR) was first issued as part of the budget documentation starting in 2024. This was established under the Ministerial Order on Fiscal Risks Reporting issued by the Minister for Finance in April 2023 which demonstrates governments commitment to strengthen risk analysis in the budget process.

The MTFF is fairly entrenched, providing revenue and expenditure forecasts as well as the fiscal targets and rules. It also allows the government to examine fiscal impact of policy changes as well as analysis of fiscal risks. This positive development is reflected in the ratings of the Indicators under this Pillar detailed below.

Figure 3.4. PILLAR FOUR: Policy Based Fiscal Strategy and Budgeting



Recent and ongoing reform activity

Tuvalu faces many challenges not only in its efforts to provide better living conditions for its people but also the threat of climate change and sea level rise. The Government is acutely conscious of these constraints and is committed to achieving and maintaining fiscal sustainability and the need to deliver good service for the benefit of the community. This is demonstrated by the reforms already put in place to strengthen PFM systems and processes.

Tuvalu's national development plan "Te Kete" clearly articulates the national priorities. Budget spending must be aligned to those priorities. Ministries are required to align their budget submissions to the achievement of the national priorities. Resource allocation is dictated by how strong projects are linked to national priorities.

The tools to support the PFM reforms are beginning to take hold with the GDP model and macro fiscal model providing the framework to improve forecasting and planning. With support from its partners, and local capacity available the PFM systems and processes in Tuvalu should improve going forward.

PI-14. Macroeconomic and fiscal forecasting

This indicator measures the ability of a country to develop robust macroeconomic and fiscal forecasts, which are crucial to developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations. It also assesses the government's capacity to estimate the fiscal impact of potential changes in economic circumstances. For the last three completed fiscal years, coverage is whole economy for PI-14.1 and CG for PI-14.2 and 14.3.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
PI-14. Macroeconomic and fiscal forecasting (M2)		**C+**
14.1. Macroeconomic forecasts	Estimates for real and nominal GDP and CPI are generated using the GDP model and macrofiscal spreadsheet. GDP estimates are not published but are used in the estimation of fiscal forecasts and generating the MTFF forecasts.	C
14.2. Fiscal forecasts	With the MTFF, fiscal forecasts are prepared for the budget year and two outer years with the underlying assumptions on revenue and expenditure provided. No clear explanation of the main differences with the previous years' forecasts although these are implicit in the MTFF	B
14.3. Macro-fiscal sensitivity analysis	The assessment analysis of fiscal risks was not done in FY21. However, in FY22 and FY23 analysis of the key fiscal risks was provided as part of the fiscal strategy. A sensitivity analysis of the impact of increased inflation, exchange rate appreciation and depreciation on revenues, expenditures and the budget balance was presented in the Fiscal Risk Report.	C

Evidence for score

Real and nominal GDP estimates and CPI forecasts are generated using the excel based model developed with PFTAC support. Weakness in collecting administrative data impacts the reliability of national accounts estimates resulting in the GDP numbers remaining unpublished. There are no forecasts for interest rates and exchange rates due to the fact that Tuvalu doesn't have a monetary authority and uses the Australian currency.

The authorities also rely on the Article IV data as the source for data used in macroeconomic and budget analysis. The Fiscal Risk Report (FRR), published for the first time in 2024 as part of the FY24/25 budget preparation presents a snapshot of Tuvalu's economic performance in the past three years in addition to the quantification of the impact of a rise in inflation and changes in the exchange rate on revenue, expenditures, and fiscal balance.

Tuvalu's MTFF is well developed as presented in FY21, FY22 and FY23 using the macrofiscal model. The budget estimate for the budget year and two forward years and underlying assumptions on revenues, expenditures and fiscal balances are clearly presented in the MTFF which is submitted to parliament as part of the budget documentations. There is no clear explanation of the main differences with the previous years' forecasts although it can be argued these are implicit in the MTFF.

The analysis of fiscal risks was not done in FY21. However, in FY22 and FY23 analysis of the key fiscal risks was provided as part of the fiscal strategy. A sensitivity analysis of the impact of increased

inflation, exchange rate appreciation and depreciation on revenues, expenditures and the budget balance was presented in the Fiscal Risk Report. The results show the volatility of revenues to exchange rate fluctuations. To mitigate these risks, measures proposed include boosting local food supply, promote infrastructure investments to create more jobs, and implementation of policy reforms.

Table 14.1: Macroeconomic forecasts (Last three completed fiscal years)

Indicator	Budget document year	Years covered by forecasts			Underlying assumptions provided (Y/N)	Frequency of update 1= once a year 2=more than once a year N=Not updated	Submitted to legislature 1=budget year only 3= budget year plus two following fiscal years N= Not submitted
		Budget	Forward year 1	Forward year 2			
GDP growth	FY T	2.1	1.8	2.0	Y	1	1
	FY T-1	3.5	n.a	n.a	Y	1	1
	FY T-2	1.8	n.a	n.a	Y	1	1
Inflation	FY T	6.2	n.a	n.a	Y	1	
	FY T-1	11.5	n.a	n.a	Y	1	
	FY T-2	6.2	n.a	n.a	Y	1	
Interest rates	FY T	n.a	n.a	n.a			
	FY T-1	n.a	n.a	n.a			
	FY T-2	n.a	n.a	n.a			
Exchange rate	FY T	n.a	n.a	n.a			
	FY T-1	n.a	n.a	n.a			
	FY T-2	n.a	n.a	n.a			

Data source: *FY21, FY22 and FY23 Budget*

Table 14.2: Fiscal forecasts (Last three completed fiscal years)

Indicator	Budget document year	Years covered by forecasts			Underlying assumptions provided (Y/N)	Explanation of the main differences included (Y/N)	Submitted to legislature 1=budget year only 3= budget year plus two following fiscal years N= Not submitted
		Budget	Forward year 1	Forward year 2			
Tax Revenue	FY23	11,730,000	11,913,600	12,151,870	Y	Y	3
	FY22	9,907,000	10,942,690	11,964,020	Y	Y	3
	FY21	8,840,000	8,854,600	8,858,400	Y	Y	3
Aggregate revenue	FY23	86,868,110	82,448,430	8,8726,660	Y	Y	3
	FY22	93,581,340	93,255,590	92,279,240	Y	Y	3
	FY21	108,101,500	101,299,300	102,159,000	Y	Y	3
Aggregate expenditure	FY23	94,959,570	94,114,720	95,381,640	Y	Y	3
	FY22	102,216,530	92,073,050	94,309,260	Y	Y	3
	FY21	108,101,500	90,480,100	90,826,100	Y	Y	3
Budget balance	FY23	-8,091,460	-11,666,290	-6,654,980	Y	Y	3
	FY22	8,635,190	1,182,540	2,030,020	Y	Y	3
	FY21	0	10,819,200	11,332,900	Y	Y	3

Data source: *Budget Documents, FY21, FY22 and FY23. IMF Estimates*

Table 14.3: Macrofiscal sensitivity analysis

Type of macrofiscal sensitivity analysis (none/qualitative only/quantitative scenario analysis)	Analysis published (None, discussion in budget docs, quantified scenarios)
Qualitative and quantitative	Yes, as part of the fiscal strategy and Fiscal Risk Report

Data source: *Tuvalu Fiscal Risk Report 2024*

PI-15. Fiscal strategy

This indicator provides an analysis of the capacity to develop and implement a clear fiscal strategy. It also measures the ability to develop and assess the fiscal impact of revenue and expenditure policy proposals that support the achievement of the government's fiscal goals. Coverage is CG for the last three completed fiscal years for PI-15.1 and the last completed fiscal year for PI-15.2 and 15.3.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
PI-15. Fiscal strategy (M2)		**B**
15.1. Fiscal impact of policy proposals	For FY21, FY22 an FY23 a detailed discussion of revenue measures and expenditure priorities and their impacts on fiscal performance for the budget year and the two forward years are provided. These are part of the budget documentation submitted to parliament.	A
15.2. Fiscal strategy adoption	The medium term fiscal strategy documented in FY23 underscored the objective of fiscal sustainability through responsible fiscal and economic management, debt sustainability, and improved linkage between risk-informed planning and budgeting. Fiscal anchors and operational indicators are prepared to guide implementation for FY23 and two outer years.	B
15.3. Reporting on fiscal outcomes	There is no report that documents the progress against the fiscal strategy and deviations between the last fiscal strategy estimates and budget outturn.	D

Evidence for score

Fiscal strategies for FY21, FY22 and FY23 with forecasts for the two outer years are clearly documented in the budget documents presented to parliament. A discussion of revenue and expenditure priorities and how those priorities align to the national priorities in the national development plan *Te Kete* as well as the targeted fiscal balance are key parameters of the strategy.

The MTFF Table for each fiscal year under review provides a snapshot of the budget year estimates and two outer years. For each fiscal year a discussion of revenue measures and expenditure priorities and their impact on fiscal performance is provided. These impacts are reflected in the MTFF forecasts. The MTFF also integrates fiscal ratios to guide expenditure decisions and encourages fiscal discipline in the decision-making process and implementation phase.

The medium term fiscal strategy documented in FY23 underscored the objective of fiscal sustainability through responsible fiscal and economic management, debt sustainability, and improved linkage between risk-informed planning and budgeting.

Fiscal anchors and operational indicators form part of the strategy to ensure debt sustainability and maintain fiscal stability. The two fiscal anchors limit the ratio of nominal debt to GDP to below 30%, and maintain CIF balance above 16% of Tuvalu Trust Fund maintained value. The are also operational indicators to cap fiscal balance, salaries and wages, capital expenditures and other major spending items. All these are provided for FY23 and two forward years and submitted to Parliament as part of the budget documents.

In FY23, there was no report that documents the deviations between the last fiscal strategy estimates and budget outturn. But it was relayed by the budget team, that internally a detailed performance assessment in the prior year is carried out as a basis to frame the next years' budget. There is a section

assessing 2022 budget performance in the FY23 budget document which made references to good performance on tax, import duties and non-tax revenue as well as effective expenditure control measures resulting in the absence of a supplementary budget in FY22.

Table 15.1: Fiscal impact of policy proposals (Last three completed fiscal years)

Estimates of fiscal impact done for ALL proposed policy changes (Y/N/Partial)	**Budget year** (Y/N)	**Two following fiscal years** (Y/N)	**Submitted to legislature** (Y/N)
Partial	FY21, FY22 & FY23	Y	Y

Data source: *FY21, FY22 and FY23 Budgets.*

Table 15.2: Fiscal strategy adoption (Last completed fiscal year)

Fiscal strategy prepared (Y/N)	**Submitted to legislature** (Y/N, Date)	**Published (Y/N, Date)**	**Internal use only** (Y/N)	**Includes quantitative information** (Y/N)			**Includes qualitative objectives** (Y/N) – *Specify in the narrative*
				Time based goals and targets	**Or objectives only**		
					Budget	**Forward Years**	
Y	Y. 12 Dec 2022	Y, 16 Dec, 2022	N	Y	Y	Y	Y

Data source: *FY23 Budget*

Table 15.3: Reporting on fiscal outcomes (Last completed fiscal year)

Progress report completed (Y/N)	**Last fiscal year covered**	**Submitted to legislature** (Y/N, Date)	**Published with budget** (Y/N, Date)	**Includes explanation of deviation from target** (Y/N)	**Includes actions planned to address deviations**
N	FY23	N	N	N	N

Data source: *FY23 Budget.*

PI-16. Medium-term perspective in expenditure budgeting

This indicator examines the extent to which expenditure budgets are developed for the medium term within explicit medium-term budget expenditure ceilings. It also examines the extent to which annual budgets are derived from medium-term estimates and the degree of alignment between medium-term budget estimates and strategic plans. Coverage is BCG for the last budget submitted to the legislature for PI-16.1, 16.2 and 16.3, and last medium-term budget /current medium-term budget for PI-16.4.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	**ASSESSMENT OF PERFORMANCE**	**SCORE**
PI-16. Medium-term perspective in expenditure budgeting (M2)		**D+**
16.1. Medium-term expenditure estimates	The FY24/25 budget is presented by administrative and economic classifications for the budget year and two forward years. The administrative category is presented by Head and Department whilst the economic classification is presented by key revenue streams and major expenditure items. ~~This is complemented by the costed ministry budget submissions adhering to the budget circular.~~	B
16.2. Medium-term expenditure ceilings	The FY24/25 Budget Circular issued three and half months before the new FY starts documents the FY23 Operational Budget level and the FY24/25 Operational Budget ceilings. There's no budget ceiling provided for the two forward years (FY25/26 and FY26/27). The ceilings are derived based on the analysis of macroeconomic variables and projection of government revenues and total resource envelope that is likely to materialize in FY24/25. These ceilings are pre-approved by Cabinet.	D

16.3. Alignment of strategic plans and medium-term budgets	The circular mandates that budget submissions must be aligned to the Statement of Priorities presented as part of the budget document. For the FY24/25 budget, strategic plans or annual work plans were prepared for some ministries but were not fully costed. The expenditure proposals are largely aligned to the strategic plan. ~~These were provided in the earlier years but no data for FY24/25 budget was provided.~~	C
16.4. Consistency of budgets with previous year's estimates	Each year, prior to the commencement of the budget preparation cycle, the MTFF is reviewed and rolled forward two years. This is an internal process but is not documented as part of the budget submitted to Parliament. For the FY25 medium term budget, there is no document that explains and reconcile the variations between the FY25 medium term budget against the previous one.	D

Evidence for score

The FY24/25 budget is presented by administrative and economic classifications for the budget year and two forward years.

Administrative category is presented by Head and Department whilst the economic classification is presented by key revenue streams and major expenditure items. Revenues are classified into taxation, interest, dividends & rent, fishing licenses, commercial contracts and other income. Expenditures are disaggregated by economic type of recurrent, capital, and statutory expenditures.

The FY24/25 Budget Circular issued three and half months before the start of the new FY documents the FY24 Operational Budget level and the FY24/25 Operational Budget ceilings. No budget ceilings were provided for FY25/26 and FY26/27. The ceilings are derived based on the analysis of macroeconomic variables and projection of government revenues and total resource envelope that is likely to materialize in FY25. These ceilings are pre-approved by Cabinet.

The circular mandates that budget submissions must be aligned to the Statement of Priorities presented as part of the budget document. For new initiatives, linkage to budget priorities, complete costing, source of funding if any and timeline for implementation must be provided. For FY24/25, there were no costed strategic plans or annual work plans provided. For that reason the rating is C..

Each year, prior to the commencement of the budget preparation cycle, the MTFF is reviewed and rolled forward two years. The review covers updating the economic parameters to establish the most current indicators in terms of GDP, inflation, population growth, public service salaries, tax rates and exchange rates. The Macroeconomic Policy Committee and Revenue and Expenditure Committee review the analysis and provide feedback on the appropriateness of the underlying macroeconomic assumptions underpinning the estimates for the budget year and the two forward years.

For the FY24/25 medium term budget, there is no document that explains and reconciles the variations between the FY24/25 medium term budget against the previous one. But as mentioned above, there is an internal process that reviews the previous budget performance to form the basis to develop future budgets.

Table 16.1: Medium-term expenditure estimates (Last budget submitted to the legislature)

Classification	**Level of disaggregation**	**Budget year** (Y/N)	**Two following fiscal years** (Y/N)
Administrative	Y	Y	N
Economic	Y	Y	Y
Program/Function	N	N	N

Data source: *FY24/25 Budget*

Table 16.2: Medium-term expenditure ceilings (Last budget submitted to the legislature)

Level	**Budget year** (Y/N)	**Two following fiscal years** (Y/N)	**Date of approval of ceilings**	**Date of issuance of first budget circular**

Aggregate ceiling	Y	N	14 March 2024	15 March 2024
Ministry Ceiling	Y	N	14 March 2024	15 March 2024

Data source: *1) FY24/25 Budget Document. 2) FY24/25 Budget Circular.*

Table 16.3: Alignment of strategic plans and medium-term budgets (at least five largest ministries) (Last budget submitted to the legislature)

Ministry	**Budget Allocation**	**Medium-term strategic plan prepared** (Y/N)	**MTSP Costed** (Y/N)	**Expenditure proposals consistent with MTSP** (Most, majority, some, none)
1. MEHRD	16,467	N	N	None
2. MHSW	14,123	N	N	None
3. MHCCE	12,633	N	N	None
4. MFED	9,327	N	N	None
5. MTECI	14,291	N	N	None
Total	**66,841**			

Data source: *FY24/25 Budget of Tuvalu, Comparative Expenditure by Head, and Part 4: Expenditure by Head and by Department.*

Table 16.4: Consistency of budgets with previous year's estimates (at least five largest ministries) (budget approved by the legislature for the last competed fiscal year)

Ministry	**Changes to expenditure estimates** (amount)	**Explanation of change to previous year's estimates prepared included in budget documents** (Y/N)	**Reconciled with medium term budget estimates** (Y/N)	**Reconciled with first year of new budget estimates** (Y/N)
1. MEHRD	2,335,790	Y	Y	Y
2. MHSW	1,382,790	Y	Y	Y
3. MHACCE	1,092,310	Y	Y	Y
4. MPWIDW	3,175.400	Y	Y	Y
5. MFED	2,725,790	Y	Y	Y
Total	**10,712,080**			

Data source: *FY23 and FY24/25 budget and MTFF.*

PI-17. Budget preparation process

This indicator measures the effectiveness of participation by relevant stakeholders in the budget preparation process, including political leadership, and whether that participation is orderly and timely. Coverage is BCG for the last budget submitted to the legislature for PI-17.1 and 17.2, and the last three completed fiscal years for 17.3.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	**ASSESSMENT OF PERFORMANCE**	**SCORE**
PI-17. Budget preparation process (M2)		**C+**
17.1 Budget calendar	The preparation of the FY24/25 budget was preceded by the issuance of the financial circular dated 15 March 2024. The circular stipulated the FY25 Budget Ceilings for each ministry to be submitted by 22 March 2024. This gives only one week to prepare Ministry budget submissions.	C
17.2 Guidance on budget preparation	The circular provides a set of guidelines for ministries to follow in the preparation of their budget submission and new project proposals. Instructions are given for Ministries to document the new proposals well. The budget submissions must be aligned to the government priorities presented as part of the budget.	A
17.3 Budget submission to the	The budget for FY21 was submitted to Parliament on 14th December 2020	D

legislature	which is two weeks before the start of the fiscal year. For FY22, it was submitted on 16 December 2021. FY23 was submitted on 12 December 2022.	

Evidence for score

The preparation of the FY24/25 budget was preceded by the issuance of the financial circular dated 15 March 2024. The circular stipulated the FY25 Budget Ceilings for each ministry. The ceilings reflect the results of the analytical work carried out by the Macroeconomic Policy Committee and Revenue and Expenditure Committee prior to having them approved by Cabinet.

The circular provides a set of guidelines for ministries to follow in the preparation of their budget submission and new project proposals. Instructions are given for Ministries to document the new proposals well. The budget submissions must be aligned to the government priorities presented as part of the budget. For new initiatives, the linkage to the budget priorities, cost estimates, potential funding if any and timeline for implementation need to be clearly presented as they provide the basis for resource allocation. Support is available from MFED to assist ministries if they need it.

The circular documents the timetable from the issuance of the circular to the submission of the budget to parliament. The schedule allows one week for ministries to prepare and submit their budget bids using the budget module in the FMIS. Compliance with that requirement is non-negotiable as once the system closes it is not possible enter any more data. For that reason, compliance with the submission date is 100%.

As part of the budget submission, ministries are also required to submit AWPs which stipulates the activities to be carried out during the budget year, annual outputs, and outcomes. The AWP would also establish the linkage between the ministry activities and the government priorities.

The budget for FY21 was submitted to Parliament on 14th December 2020 which is two weeks before the start of the fiscal year. For FY22, it was submitted on 16 December 2021. FY23 was submitted on 12 December 2022.

Table 17.1 and 17.2: Budget calendar and budget circular (Last budget submitted to the legislature)

Budget calendar exists (Y/N)	**Date of budget circular (s)**	**Deadline for submission of estimates**	**Coverage: expenditure – capital & recurrent, for full year** (full, partial)	**% of budgetary units complying with deadline**	**Date Cabinet approved ceilings**	**Budget estimates are reviewed and approved by Cabinet after completion (if ceilings not issued)** (Y/N)
Y	15 March 2024	22 March 2024	Full	100%	14 March 2024	Y

Data source: *FY24/25 Budget Circular*

Table 17.3: Budget submission to legislature (Last three completed fiscal years)

Fiscal year (last three completed fiscal years)	**Date of submission of budget proposal**
FY21	14th December, 2020
FY22	16 December 2021
FY23	12th December 2022

Data source: *FY21, FY22 and FY23 Budget documents.*

PI-18. Legislative scrutiny of budgets

This indicator assesses the nature and extent of legislative scrutiny of the annual budget. It considers the extent to which the legislature scrutinizes, debates, and approves the annual budget, including the

extent to which the legislature's procedures for scrutiny are well established and adhered to. The indicator also assesses the existence of rules for in-year amendments to the budget without ex ante approval by the legislature. Coverage is BCG for last completed fiscal year for PI-18.1, 18.2 and 18.4, and last three completed fiscal years for PI-18.3.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
PI-18. Legislative scrutiny of budgets (M1)		**C+**
18.1. Scope of budget scrutiny	The Budget documents which include fiscal strategy, fiscal forecasts for the two outer years, fiscal rules and Appropriation Bill are submitted to Parliament after Cabinet consideration and approval.	A
18.2. Legislative procedures for budget scrutiny	Section 169 of the 2023 Tuvalu Constitution, mandates Parliament to formulate a national budget for each financial year. This is re-stated in the Financial Instructions (23 April 2018). The FY23 budget documents were submitted to Parliament on 12 December 2022 allowing parliament less than three weeks to debate the budget prior to FY24/25 coming into effect. There is no arrangement for public consultations on the budget.	C
18.3. Timing of budget approval	The FY21 budget was submitted to Parliament on 14 December 2020 for debate and approved on 18 December 2020 prior to the fiscal year taking effect. The FY22 was submitted on 16 December 2021 and approved on 21 December 2021. FY23 was submitted on 12 December 2022 and approved on 16 December 2022. For the three fiscal years Parliament spend less than a week debating the budget before approval.	A
18.4. Rules for budget adjustments by the executive	Section 15 (3) of the Public Finance Act 2008 stipulates the procedure for the approval of supplementary estimates. During the course of the financial year, if the Minister of Finance is satisfied that an urgent and unforeseen need has arisen in the public's interest, may authorise such advances by warrant and shall include such amount in a Supplementary Appropriation Bill for appropriation at the next meeting of Parliament following the date on which the warrant was issued. The maximum authorised sum shall not exceed at any one time the sum of $750,000. The PFM Act provides flexibility to the Minister to issue a virement warrant authorising funding reallocations within individual budget heads. Transfers between heads are not permitted. Virement is only permissible to transfer funds between 'non control' items which include salaries, allowances and provident fund contributions.	A

Evidence for score

Section 169 of the 2023 Tuvalu Constitution, mandates Parliament to formulate a national budget for each financial year. This is re-stated in the Financial Instructions (23 April 2018). The FY23 budget documents were submitted to Parliament on 12 December 2022 allowing parliament less than three weeks to debate the budget prior to FY24/25 coming into effect.

The Budget documents which include a fiscal strategy, fiscal forecasts for the two outer years, fiscal rules and Appropriation Bill are submitted to Parliament after Cabinet consideration and approval. The Appropriation Bill is introduced by the Minister of Finance followed by the debate by members. At the conclusion of the debate, members vote on the Bill and once passed the Bill becomes an Act and warrants can legally be issued by the Minister of Finance to draw funds from the Consolidated Fund. This process is documented in the Tuvalu Government Budget Manual designed to be read in conjunction with the Financial Instructions issued by the Minister for Finance and Economic Development and the National Budget Memorandums issued by MFED.

The FY21 budget was submitted to Parliament on 14 December 2020 for debate and was approved on 18 December 2020 prior to the fiscal year taking effect. The FY22 was submitted on 16 December 2021 and approved on 21 December 2021. FY23 was submitted on 12 December 2022 and approved on 16 December 2022. For the three fiscal years Parliament spend less than a week debating the budget before approval.

Section 15 (3) of the Public Finance Act 2008 stipulates the procedure for the approval of supplementary estimates. During the course of the financial year, if the Minister of Finance is satisfied that an urgent and unforeseen need has arisen in the public's interest, may authorise such advances by warrant and shall include such amount in a Supplementary Appropriation Bill for appropriation at the next sitting of Parliament following the date on which the warrant was issued. The maximum authorised sum shall not exceed at any one time the sum of $750,000.

The PFM Act provides flexibility to the Minister to issue a virement warrant authorising funding reallocations within individual budget heads. Transfers between heads are not permitted. Virement is only permissible to transfer funds between 'non control' items which include salaries, allowances and provident fund contributions.

Table 18.1: Scope of budget scrutiny (Last completed fiscal year)

Budget scrutiny by Legislature (Y/N)	**Coverage (specify)**				
	Fiscal policies (Y/N)	**Medium-term fiscal forecasts** (Y/N)	**Medium-term priorities** (Y/N)	**Aggregate expenditure and revenue** (Y/N)	**Details of expenditure and revenue** (Y/N)
Y	**Y**	**Y**	**Y**	**Y**	**Y**

Data source: *https://finance.gov.tv/wp-content/uploads/2023/01/2023-National-Budget.pdf*
https://finance.gov.tv/planning-and-budget/

Table 18.2: Legislative procedures for budget scrutiny (Last completed fiscal year)

Legislative procedures exist (Y/N)	**Approved in advance of budget hearings** (Y/N)	**Procedures are adhered to** (Y/N)	**Include arrangements for public consultation** (Y/N)	**Procedures include organizational arrangements** (Y/N)
Y	Y	Y	N	Y

Data source: *FY23 Budget, Tuvalu Constitution. PFM Act.*

Table 18.3: Timing of budget approval (Last three completed fiscal years)

Fiscal year	**Budget for fiscal year**	**Date of budget approval**
FY21	14 Dec 2020	18 Dec, 2020
FY22	16 Dec 2021	21 Dec, 2021
FY23	12 Dec 2022	16 Dec, 2022

Data source: *Budget Documents and data provide by authorities.*

Table 18.4: Rules for budget adjustments by the executive (Last completed fiscal year)

Clear rules exist (Y/N)	**Rule includes strict limits (extent and value)**	**Rules limit seeking retroactive approval of appropriations** (Y/N)	**Actual amount of reallocations in accordance with rules** (% of BCG budget)	**Extent of adherence to rules** (All, most, some)
Y	Y	Y	Less than 10%	All

Data source: *FY23 Budget; Public Finance Act 2008.*

PILLAR FIVE: Predictability and Control in Budget Execution

This pillar includes eight indicators which assess whether the budget is implemented within a system of effective standards, processes, and internal controls**,** which ensure that resources are obtained and used as intended.

Overall performance

Performance in budget execution and control is somewhat mixed. Some good elements include good segregation of duties (despite the small size of administration) and clear separation of responsibilities for processing and approving transactions for payroll and non-payroll expenditures (PI-23 and PI-25). Due to the decommissioning of the old Human Resource Management (HRM) and payroll systems pending the implementation of the new systems accompanying the FMIS implementation, the payroll has reverted to manual processing. This has been manageable on account of the small size of the administration, although manual controls can never be as effective as automated, system-based controls. Similarly, for non-payroll expenses commitment control is not currently enforced through the FMIS due to only partial implementation (discussed further below).

Revenues are deposited daily into bank accounts held and controlled by Treasury. Banking arrangements operate well with the General Current Account operating as a *de-facto* TSA and all payments are made from this account and all revenues are deposited directly into this account. Compliance with rules and procedures is good and controls appear to be largely effective.

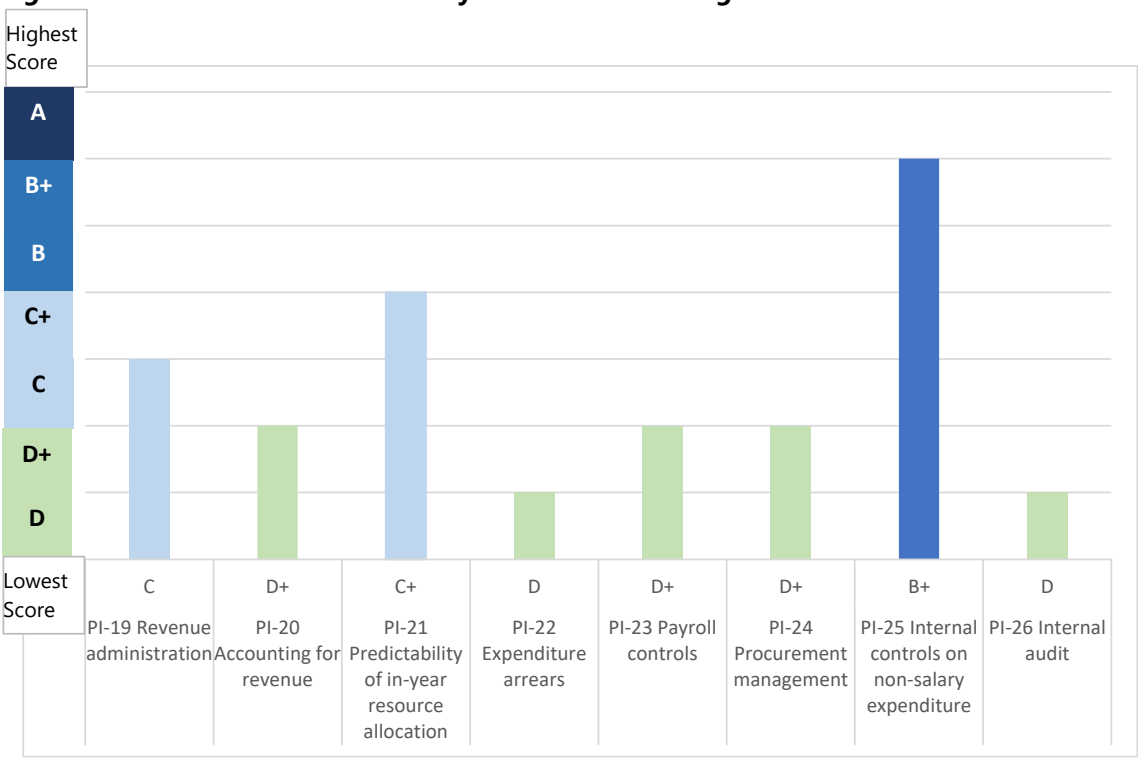
Management of revenues benefits from the robust rules and procedures under the fisheries vessel day scheme (VDS) prescribed under the Parties to the Nauru Agreement (PNA), with a strong risk management framework. However, controls on other revenue collections would appear to be less effective and lacking in robust risk management practices. Specifically, revenue arrears have been allowed to build up $1.3 million on customs import revenues, an area where collections would typically be all be paid in advance. Reconciliation covering assessment, through to collection and arrears is lacking.

There are significant weaknesses in internal control in several areas—most notably the complete lack of open competitive procurement practices. Whilst the legislation prescribes robust procurement methods, 70% of all procurement was undertaken through direct contracting, and local shopping method was used for other significant tenders—Open Competitive Bidding was not used for one single procurement activity.

The control environment suffers from a lack of internal audit, the function having discontinued some three years ago without resurrection. No payroll audit has been undertaken in recent times, and revenue audits are similarly lacking.

Whilst expenditure arrears are not a perceived issue, there is no data or monitoring in this regard, with PI-22 scoring D.

Figure 3.5. PILLAR FIVE: Predictability and Control in Budget Execution



Recent and ongoing reform activity

A significant recent reform has been the implementation of the new FMIS in April 2021 based on the TechOne package solution, replacing the previous ACCPAC Sage 3000 solution. As part of the FMIS implementation, a new CoA was developed and implemented. It should be noted that implementation commenced during the period of COVID lockdown, and levels of vendor support were not optimal. Not all modules were implemented most notably the Purchase Orders module, which could have been configured for automating budgetary commitment controls—currently this control is undertaken outside of the system. Work is currently ongoing on the implementation of the HRM and Payroll modules and transitioning to the new Finance-One cloud-based model.

Other reforms include the implementation of the ASYCUDA system in 2022, aimed at improving trade facilitation and strengthening customs clearance processes, and the strengthening of the customs trade portal for importers to process their goods.

P-19. Revenue Administration

This indicator relates to the entities that administer central government revenues, which may include tax administration, customs administration, and social security contribution administration. It also covers agencies administering revenues from other significant sources such as natural resources extraction. The indicator assesses the procedures used to collect and monitor central government revenues. Coverage is CG at time of assessment for PI-19.1 and 19.2 and for the last completed fiscal year for PI-19.3 and 19.4.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
PI-19. Revenue administration (M2)		**C**
19.1. Rights and obligations for revenue measures	The rights and obligations of fisheries revenues are clearly disclosed on the PNA website and in the contracts entered into between Government and the fisheries partners, which include the full terms and conditions of	B

	contract. Fisheries partners have access to full redress through the terms set and overseen by the PNA. Fisheries revenues account for 62% (i.e., the majority) of total revenues. The rights and obligations of the dot.tv revenues are set out in the (sole) contract with licensee (GoDaddy). However, the contract was not made available for this assessment. Tax and customs rights and obligations are set out in the various legislation which are contained on the MFED website. The Trade Portal also provides many of these laws as well as the customs tariffs. However, no simplified user guides are provided for taxpayers. Tax forms do provide some guidance, and the tax office makes visits to outer islands to assist taxpayers.	
19.2. Revenue risk management	Revenue risks for Fisheries are managed by the Vessel Management System which logs entry into and out of the fishing waters. Inland Revenue had a Compliance Strategy which included large taxpayers, but this was for 2019/20 but no current risk management strategy has been produced. There is no risk management strategy for other revenue categories. Fisheries revenues account for only 59% of total revenues, i.e., the majority, not most. This dimension is therefore rated B.	B
19.3. Revenue audit and investigation	No dedicated audits are undertaken for any of the categories of revenues.	D
19.4. Revenue arrears monitoring	Fisheries revenues (which account for the majority of total revenues) are collected before access is grated to the fishing grounds, so there are no arrears of fisheries revenues. In theory, customs revenues should never attract arrears, as payment should be received before customs clearance is granted. However, it was noted that there are several Single Administrative Documents (SADs) which have been cleared before payment was received—it is claimed this happens when the ASYCUDA system is down. As at the end of 2023, a total of $1,362,908 was in arrears. However, there was no ageing of these arrears. The FMIS accounts receivable ledger shows revenue arrears amounting to $1,761,160, as at the end of 2023, of which 99% was over 90 days in arrears. However, there was no breakdown to show arrears over 12 months.	D*

Evidence for score

Overview of Revenue

Table 19 presents the categories of revenues and their collecting entities. Fisheries revenues individually account for 67% of revenues, i.e., the *majority* – and combined with tax and customs revenues or dot.tv revenues would account for *most* revenues. There have been no material changes since the previous year in the relative portion of revenues collected by the respective entities, although dot.tv revenues increased by over A$3 million in FY2023, with the respective portion increasing from 9% to 13% of total revenue collections. The current budget FY2024/25 (as a proxy for time of assessment) shows taxation revenues steady with previous years, but fisheries revenues reducing slightly (to 57% of total revenues) and commercial contracts increasing slightly (to 16% of total revenues).

Fisheries Department [Fisheries Revenues]

The Fisheries Department falls under MNRD and manages the fisheries operations and revenues. The obligations and rights of fisheries vessels are defined under the protocols of the Parties to the Nauru Agreement (PNA), the Pacific Islands Forum Fisheries Agency (FFA), and the Western & Central Pacific Fisheries Commission. The terms and conditions and prices for licensing fishing vessels, including the Vessel Days Scheme (VDS) are published on the respective websites, along with the PNA Strategic Plan and standard contract templates amongst others.

The PNA meets around September each year to agree the number of vessel days allocated to each country member. Interested parties (4 in total) agree with the Fisheries Department on the VDS fee rates and number of days to be contracted and they each sign the contract agreement. The standard contract templates (provided on the PNA website) include the Access Agreement (access to fishing grounds), and Appendices with the fees, contracted days and full terms and conditions. The data is

uploaded into the PNA system through the member portal. Invoices are prepared and sent to the respective parties and entered into an Excel worksheet.

In terms of risk management, there is a vessel monitoring system (with GPS location) observing where all the vessels are fishing, and the vessels must submit "in/out" reports notifying when they are entering and leaving different zones. Also, there is a system of observers who may be placed on ships to oversee compliance. No dedicated audits of fisheries revenues are undertaken.

MFED – Tuvalu Revenue and Customs Department [Tax and Customs Revenues]
Previously tax and customs revenues were administered through separate departments (Inland Revenue and Customs) but these two departments have now merged into the Tuvalu Revenue and Customs Department (TRCD). In total the Department administers 18% of total BCG revenue (Customs 6% and Tax 12%). The MFED website includes separate web pages for Tax and Customs which contain all the relevant legislation which is up to date. In addition, the Tuvalu Trade Portal provides details of relevant laws, Excel based import Forms plus tariff rates for importers—online access to enter data into ASYCUDA is also in the pipeline. However, no clear, easy to use guidance in the form of brochures are provided to taxpayers, apart from some notes accompany the tax return forms.

Inland Revenue has a Compliance Improvement Plan (CIP), but Customs does not. There are 26 large taxpayers, 200 small businesses, and 100 individual taxpayers. The CIP focuses on the large taxpayers and specifically those which are non-compliant. However, the CIP relates to 2019/20 and has not been updated.

According to the prescribed practice, all excises, duties, and Value Added Tax (VAT) should be collected prior to clearing customs. However, it was mentioned anecdotally that some goods are allowed to clear customs is the ASYCUDA system is down. The amounts due are then chased up manually, but the arrears currently stand at $1.36 million.

The respective websites quoted below in source to Table 19.1 contain all the relevant legislation and regulations which are all current and up to date. Of specific relevance in context of appeals and redress are *The Customs Revenue – Border Protection Act 2014 §249, and Income Tax Act 2008 §72*.

Ministry of Transport, Energy, Communications, and Innovation (MTECI)
The Ministry is responsible for managing the contract for licensing of the dot.tv internet domain address. This is undertaken through a commercial contract in which all the relevant conditions would be clearly paid out. However, the contract was not made available for the assessment and even MFED has been unable to access a copy. There is no data to demonstrate that collections made reflect the amounts due per the contract, and whether there are any arrears. There is no compliance strategy as this is contract based, but also no dedicated audit has bene undertaken on this source of revenue which equates to 13% of total revenues.

Other and Extrabudgetary Unit (EBU) Revenues
"Other Revenues" for FY2023 totaled A$4.66 million (i.e., 6% of total revenues). The largest individual item under this category is registration of ships $1.2 million (1.6% of total revenue). There are two revenue items within MFED under this category, both just classified as miscellaneous, which is opaque for these two material items totaling A$1.6 million (2.3% of total revenues). There are no risk management strategies or published rights and obligations for these revenue items. Revenues from EBUs are extremely small and have limited impact for the purposes of the assessment of this indicator—no current data is available for these EBUs, but indicative data has been old sources.

Table 19: Collected revenues by entity and category (at time of assessment)

Entity	**Category of revenue**	**Receipts** (amount) AUD$'000	**% of total revenue**
1. Department of Fisheries	Fisheries Revenues	43,848	59%
2. Tax	Customs Revenues	8,614	12%
3. Customs Department	Taxation Revenues	4,233	6%
4. MTECI	Licensing of dot.tv internet domain	9,075	12%

5. Other	Various	4,663	6%
Total BCG Revenues		**70,797**	
EBU revenues:			
Tuvalu Post Ltd	Postal revenues	56	-
Tuvalu Telecommunication Corp.	Telecom revenues	2,525	3%
Tuvalu Marine Training Institute (TMTI)	Miscellaneous	955	1%
Tuvalu Broadcasting Corporation		-	
Total CG Revenues		**74,333**	**[100%]**

Data source: *Income Statement Data from the FMIS for FY2023 (Excel download). Tuvalu Post Ltd and Tuvalu Telecommunication Corporation – extracts from unaudited financial statements 2017. No data is available for Tuvalu Broadcasting Corporation but anecdotally is said to be very low. See narrative above on Other Revenues.*

Table 19.1: Rights and obligations for revenue measures (At time of assessment)

Collecting entity	Information available to taxpayers on revenue rights and obligations				
	Revenue obligations (Y/N)	**Redress processes and procedures** (Y/N)	**Comprehensive** (Y/N)	**Up to date** (Y/N)	**Source of information** (Specify)
1. Fisheries	Y	Y	Y	Y	PNA website
2. Inland Revenue	Y	Y	N	Y	MFED website
3. Customs	Y	Y	N	Y	MFED Website Trade Portal
4. MTECI	N	N/A	N	N/A	None
5. Other	N	N/A	N	N/A	None
6. EBUs	N	N/A	N	N/A	None

Data source: *https://www.pnatuna.com/content/nauru-agreement https://www.pnatuna.com/content/nauru-agreement. Sample Fish Carrier Access Agreement. Sample Fisheries Invoice. https://finance.gov.tv/customs/ https://finance.gov.tv/inland-revenue/ http://tuvalu.tradeportal.org/ standard contract agreement template. Sample fisheries invoice. Various tax laws available on the websites which are current.*

Table 19.2: Revenue risk management

Collecting entity	Approaches for assessing and prioritizing compliance risks		Coverage	
	Comprehensive (Y/N)	**Structured and systematic** (Y/Partly/N)	**Large taxpayers** (Y/N)	**Medium taxpayers** (Y/N)
1. Fisheries	Y	Y	N/A	N/A
2. Tax	N	N	N	N
3. Customs	N	N	N	N
4. MTECI	N	N	N	N
5. Other	N	N	N	N
6. EBUs	N	N	N	N

Data source: *https://www.pnatuna.com/content/nauru-agreement https://www.pnatuna.com/content/nauru-agreement. https://finance.gov.tv/customs/ https://finance.gov.tv/inland-revenue/ http://tuvalu.tradeportal.org/*

Table 19.3: Revenue audit and investigation (At time of assessment)

Collecting entity	Audit and fraud investigations undertaken (Y/N)	In accordance with compliance improvement plan (Y/N)	Compliance improvement plan documented (Y/N)	Completion rate of planned audits and investigations		
				Completed	**Planned**	**Completed/ Planned (%)**
1. Fisheries	N	N	N	N/A	N/A	N/A
2. Tax	N	N	N	N/A	N/A	N/A
3. Customs	N	N	N	N/A	N/A	N/A
4. MTECI	N	N	N	N/A	N/A	N/A
5. Other	N	N	N	N/A	N/A	N/A
6. EBUs	N	N	N	N/A	N/A	N/A

Data source: *None.*

Table 19.4: Revenue arrears (At time of assessment)

Entity	Revenue amounts ($000)	Stock of arrears			
		Amount ($000)	% of annual collection	Age profile (Y/N)	Arrears older than 12 months % of annual collection
1. Fisheries	43,848	-	0%	N/A	N/A
2. Tax	8,614	No data	N/A	N	N
3. Customs	4,233	1,363	2%	N	N
4. MTECI	9,075	-	0%	N/A	N/A
5. Other	4,663	1,761	2%	Y >90d	N
6. EBUs	3,536	No data	N/A	N	N
Total	**74,333**				

Data source: *Income Statement Data from the FMIS for FY2023 (Excel download). Unpaid SAD Excel Sheet. Aged AR report from FMIS as at 31/12.2023.*

PI-20. Accounting for revenue

This indicator assesses procedures for recording and reporting revenue collections, consolidating revenues collected, and reconciling tax revenue accounts. It covers both tax and nontax revenues collected by the central government. Coverage is CG at time of assessment.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
PI-20. Accounting for revenue (M1)		**D+**
20.1. Information on revenue collections	All revenues are collected and paid into the General Current Account, the data for which is maintained in the FMIS on a daily basis. All revenue data is recorded in the system and is available for reporting. Consolidation of the data happens in the FMIS but currently no consolidated reports are produced.	C
20.2. Transfer of revenue collections	All revenues are collected and deposited to the General Current Account on a daily basis, except that tax collections are usually deposited twice weekly (or more frequently if the amounts are large). Combined fisheries, dot.tv licensing and customs revenues account for 77% of total government revenues, i.e., **most** which are deposited daily.	A
20.3. Revenue accounts reconciliation	Reconciliation of fisheries collections is undertaken through the FMIS Accounts Receivable (AR) module. No fisheries debtors are carried in the balance sheet as the fisheries partners pay in advance of access to fishing grounds. However, tax and customs do not undertake any reconciliation, and no data was made available on the dot.tv licensing. Fisheries revenues represent "majority" not "most" revenues, required for a C score. This is therefore scored D*	D

Evidence for score

All revenues are recorded in the FMIS on a daily basis and the data can be reported as and when required. However, Treasury does not routinely produce a consolidated monthly report of revenues from the system.

All BCG revenue collections are deposited into accounts held by Treasury, and with the exception of tax revenues which are deposited twice weekly or more frequently if collections are large, all deposits to the bank are made daily.

Neither Inland Revenue nor Customs undertake any formal reconciliation of revenues covering assessment, collection, deposit to Treasury, and arrears.

Table 20.1 and 20.2: – Information on revenue collections and transfers (At time of assessment)

Entity	Revenue and % of Total CG Revenue ($000s)	Data collected by a Central Agency			Revenue collections deposited	
		At least monthly (Y/N) -	Revenue type (Y/N)	Consolidated report (Y/N) –	Frequency (daily, weekly, fortnightly)	To accounts controlled by the Treasury of MoF Account
1. Fisheries	43,848 [59%]	Y	Y	N	Daily	Y
2. Tax	8,614 [12%]	Y	Y	N	2 x weekly	Y
3. Customs	4,233 [6%]	Y	Y	N	Daily	Y
4. MTECI	9,075 [12%]	Y	Y	N	Daily	Y
5. Other	4,663 [6%]	Y	Y	N	Daily	Y
Total BCG	**70,797 [95%]**					
6 EBU Revenues	3,536 [5%}	Y	Y	N	Daily	N
Total CG	**74,333 [100%]**					

Data source: *Bank deposit slips. Bank statement – Government General Account. FMIS print out with monthly revenue data. FMIS Printouts to Excel. Attachment #2 Cashier Receipt Share (Inland Revenue Deposits).*

Table 20.3: Revenue accounts reconciliation (At time of assessment)

Collecting entity	Revenue and % of Total CG Revenue ($000s)	Frequency of reconciliation (month, quarter, semi-annual, annual)	Timeline of reconciliation (2 months, 8 weeks, 4 weeks)	Type of reconciled data (Y/N):			
				Assessments	Collections	Arrears	Transfers to Treasury
1. Fisheries	43,848 [59%]	Daily	Immediate	Y	Y	Y	Y
2. Tax	8,614 [12%]	Not done	None	N	N	N	N
3. Customs	4,233 [6%]	Not done	None	N	N	N	N
4. MTECI	9,075 [12%]	No data	None	N	N	N	N
5. Other	4,663 [6%]	Not done	None	N	N	N	N
Total BCG	**70,797**						
6 EBU	3,536 [5%}	Not done	None	N	N	N	N
Total CG	**74,333**						

Data source: *FMIS revenue and accounts receivable.*

PI-21. Predictability of in-year resource allocation

This indicator assesses the extent to which the central Ministry of Finance is able to forecast cash commitments and requirements and to provide reliable information on the availability of funds to budgetary units for service delivery. Coverage is BCG at time of assessment for PI-21.1 and last completed fiscal year for PI-21.2, 21.3 and 21.4.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
PI-21. Predictability of in-year resource allocation (M2)		**C+**
21.1. Consolidation of cash balances	The General Current Account operates as a *de-facto* Treasury Single Account (TSA) and all payments are made from this account and all revenues are deposited directly into this account.	A
21.2. Cash forecasting and monitoring	A consolidated annual cash plan and cash flow forecast is prepared at the beginning of the year in Excel but is not updated on a systematic basis. The cash plan for FY2023 was reviewed and it was confirmed that no systematic updates are made on the basis of actual cash inflows and outflows.	C
21.3. Information on commitment ceilings	A warrant is released to ministries and agencies twice per year each covering 6 months of the budget. However, the warrants are not informed or constrained by projected availability of cash.	B
21.4. Significance of in-year budget adjustments	The total amount of supplementary budgets approved for the last completed fiscal year (2023) was $22,145,800. However, no supplementary	D

	appropriation bill has been received, so this was not undertaken in a partially transparent way.	

Evidence for score

Banking Arrangements

The main Government bank account is the General Current Account which holds 99% of the Government's funds. Very small balances are maintained on a handful of other accounts, the largest of which is the Attorney Generals Intellectual Property (IP) Account, which holds less than 1% of total cash resources for specific purposes relating to IP rights. All Government payments are made from this account and all revenues are deposited into it. The Current Account operates as a *de-facto* treasury single account (TSA).

Tax and customs do not have their own bank accounts and collections are deposited into the Treasury Cashier at least twice per week (and more often if the amounts are material). Treasury makes the deposits into the bank on the same day. Revenues received from fisheries and from the dot.tv[7] contract are paid in USD directly into the Government Current Account.

Cash Flow Forecasting

The cash plan for FY2023 was reviewed and confirming that no systematic updates are made on the basis of actual cash inflows and outflows. Review was also made of the 2024/25 cash flow to better understand the current forecasting practices (not for assessment *per-se* which is based on last completed fiscal year). Monthly updates to forecasts appear to overwrite original forecasts, so it is not possible to see the outcome of different forecasting vintages, e.g., for variance analysis. The template presents the monthly flows against the original and revised budget with projected variances to the end of the financial year. The template also presents virements, but these are very small.

Commitment Ceilings

Warrants are released 6 monthly. The data is entered into the FMIS providing spending units in the line ministries with full details on their warrant releases (i.e., commitment ceilings). However, the releases are made automatically on the basis of the budget appropriation and no account is taken on the affordability of those warrants—they are not informed by the cash flow forecasts and the projected availability of cash for the remainder of the financial year.

In-Year Budget Adjustments

In FY2023, supplementary budgets amounted to $22,145,800. These were made for a number of items, the largest of which were: Internet and Telecommunications ($1.2 million); Vessel maintenance overhaul ($5.4 million); Transfers and Community Service Obligations (CSOs) ($3.5 million); Medical Scheme (including drugs and medicines) ($5.8 million); Rental/rent Subsidy ($3.4 million). These details are contained in the Excel Cash Flow worksheet. Virements are also shown in the worksheet, but these are very small in value. It cannot be seen from the worksheet how many supplementary appropriations were involved. No appropriation bills were available for review, which might have shed further light on this, nor was there a revised budget book. §15(3) requires that the Minister submits the Supplementary Bill for approval by the Parliament, but in the absence of documentary evidence it is not clear of this actually happened.

Table 21.1: Consolidation of bank and cash balances (At time of assessment)

Extent of consolidation (All, Most, < Most)	**Frequency of consolidation** (D, W, M)
All	D

Note: *D= Daily, W=Weekly, M= Monthly*

Data source: *Financial Statements 2022. FMIS balances report. Bank Statements and bank deposit slips.*

[7] This relates to the licensing of the .tv internet domain the rights for which rest with the Tuvalu Government.

Table 21-2: Cash flow forecasts (Last completed fiscal year)

Cash flow forecast (Y/N)	**Frequency of update** (D/M/Q/A)	**Period of projection** (D/M/Q/A)	**Update based on actual cash flows** (Y/N)
Y	A	M	N

Note: *D= Daily, M= Monthly, Q=Quarterly, A=Annually*
Data source: *2021-2023 Cash Flow (Excel spreadsheet).*

Table 21.3: Information on commitment ceilings

Information on commitment ceilings		
It is reliable (Y/N)	**Frequency of release of commitment ceilings** (M/Q/S/A)	**In accordance with appropriations and cash/ commitment releases** (Y/N)
Y	A	N

Note: *M= Monthly, Q= Quarterly, S=Semiannually, A= Annually*
Data source: *Whole of Government Dataset (data from the FMIS)*

Table 21.4: Significance of in-year budget adjustments (Last completed fiscal year)

Frequency (describe)	**% of BCG expenditure**	**Transparency** (partial, fairly, fully)	**Documented procedures** (Y/N)	**Rules for adjustments**	
				Defined rules (Y/N)	**Compliance with rules** (Y/N)
Unknown	20%	Not transparent	Y	Y	No data

Data source: *Email from planning and budgeting department. Rules and procedures: Public Finance Act. 2021-2023 Cash Flow (Excel spreadsheet) (Virements).*

PI-22. Expenditure arrears

This indicator measures the extent to which there is a stock of arrears, and the extent to which a systemic problem in this regard is being addressed and brought under control. Coverage is BCG for the last completed fiscal year for PI-22.1 and at time of assessment for PI-22.2.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	**ASSESSMENT OF PERFORMANCE**	**SCORE**
PI-22. Expenditure arrears (M1)		**D**
22.1. Stock of expenditure arrears	Anecdotal evidence suggests that the stock off arrears is low, with most agencies settling liabilities in a timely manner. Whereas previously, (2011 PEFA) all invoices were sent to Treasury, they are now sent directly to the Ministries which process the payment vouchers. No payables are carried in the annual financial statements. No data is available on the stock of expenditure arrears. It was purported that there are payment arrears for the medical referral scheme, but no data is available on this.	D*
22.2. Expenditure arrears monitoring	There is no process for collating or analyzing data on expenditure arrears. This is not a focus area as expenditure arrears are not a perceived to be systemic issue. Nevertheless, the absence of a process for monitoring arrears	D

Evidence for score

Expenditure arrears are a subset of accounts payable, being those payables outstanding beyond the invoice payment terms.

The notes to the Tuvalu Whole of Government Financial Statements (FY 2021 and FY2022) state that: *Payable amounts are recognized on receipt of an approved invoice*. However, no such payables are carried or reflected in the financial statements. Anecdotally it has been suggested that the Government settles all its obligations in a timely manner with the exception of amounts payable under the medical referral scheme. However, payable arrears are not monitored, and no data is available/

Table 22.1: Stock of expenditure arrears (Last three completed fiscal years)

Stock of arrears		
Year	**$**	**As % of BCG expenditure**
2021	No Data	No Data
2022	No Data	No Data
2023	No Data	No Data

Data source: *Tuvalu Whole of Government Financial Statements FY2022 FY2023.*

Table 22.2: Monitoring of expenditure arrears (At time of assessment)

Stock and composition (Y/N/NA)	**Age profile** (Y/N/NA)	**Frequency of reports** (M/Q/A)	**Time required to generate data** (4 weeks, 8 weeks, more than 8 weeks)
N	N	None	No data generated

Note: *M= Monthly, Q=Quarterly, A=Annually*
Data source: *None. No monitoring and no data.*

PI-23. Payroll controls

This indicator is concerned with the payroll for public servants only: how it is managed, how changes are handled, and how consistency with personnel records management is achieved. Wages for casual labour and discretionary allowances that do not form part of the payroll system are included in the assessment of non-salary internal controls, PI-25. Coverage is CG at time of assessment for PI-23.1, 23.2 and 23.3 and last three completed fiscal years for PI-23.4.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
PI-23. Payroll controls (M1)		**D+**
23.1. Integration of payroll and personnel records	The payroll is currently prepared using Excel spreadsheets, as MFED is currently between upgrade to the new TechOne FMIS payroll system from the previous payroll system under the old FMIS. Tuvalu produces and submits along with the budget a Nominal Roll of all established positions which includes narrative on vacant positions. The Excel Payroll Sheets from the previous payroll period are updated for the current period based on the various forms providing information on payroll amendments and changes, which are checked against the Nominal Roll and checks are also made on available budget for the payroll including amendments. The controls are well managed, but the process does not have the same level of integration as would be the case with a common personnel and payroll database. Hence the score is B.	B
23.2. Management of payroll changes	The payroll is run fortnightly, and all payroll amendments are processed in a timely fashion each fortnight, with rare exceptions. Retroactive adjustments are low and less than 1% of the value of payroll payments.	A
23.3. Internal control of payroll	The payroll process appears to be well run with appropriate checks against previous payroll and establishment lists. Manual processing is manageable given the general small size of the overall payroll. The forms and payrolls are signed by: Authorizing Officer; HRM Manager; Secretary Line Ministry; Budget Division; Vote Controller; Secretary Finance. However, as the payroll system is primarily manual there are no automated audit trails of payroll amendments for ensuring high integrity of data, although controls are adequate, and overall data integrity is good.	C
23.4. Payroll audit	No dedicated payroll audit undertaken during the past three years.	D

Evidence for score

PI-23.1 Payroll/Personnel Records

Previously, the HR and payroll system was run on the ACCPAC FMIS software platform. In 2021, the core FMIS (financials) was re-platformed onto the TechOne suite of software. However, the Human Resources Management (HRM) and Payroll modules were not implemented at that time as the

immediate challenge was to get the core financials up and running. With the decommissioning of the ACCPAC system, it meant moving back to manual processes for HRM and Payroll.

The payroll is currently prepared using Excel spreadsheets. The Excel Payroll Sheets from the previous payroll period are updated for the current period based on the various payroll amendment forms providing information on payroll amendments and changes, which are checked against the Nominal Roll and checks are also made on available budget for the payroll including amendments. The controls are well managed, but the process does not have the same level of integration as would be the case with a common and automated HR and Personnel database. The central payroll covers budgetary central government (BCG) only—however, payroll of extrabudgetary units accounts for less than 3% of total payroll costs.

Tuvalu produces and submits along with the budget a Nominal Roll of all established positions which includes narrative on vacant positions. and payroll database. Hence the score is B.

PI-23.2 Management of Payroll Changes

The payroll is run fortnightly using manual spreadsheets due to the FMIS payroll not yet being implemented. Nevertheless, due to the relatively small size of the establishment, payroll changes are completed in a timely manner and late adjustments are rare, with retroactive adjustments less than 1% of the total value of payroll payments.

PI-23.3 Internal Control of Payroll

The payroll process is well run with appropriate checks against previous payroll and establishment lists. Manual processing is manageable given the general small size of the overall payroll. There are good internal controls, with clearly designated roles and segregation of duties. The forms and payrolls are signed by: Authorizing Officer; HRM Manager; Secretary Line Ministry; Budget Division; Vote Controller; Secretary Finance. However, as the payroll system is primarily manual there are no automated audit trails of payroll amendments for ensuring high integrity of data, although controls are adequate, and overall data integrity is good.

PI-23.4 Payroll Audit

No dedicated payroll audits have been undertaken during the past three years.

Table 23.1: Integration of payroll and personnel records (at time of assessment)

Function	Y/N	By whom	Frequency (if applicable)	Divergence in practice across CG (or sample)
Staff hiring and promotion checked against approved staff list	Y	HRM Officer	Fortnightly	None
Reconciliation of payroll and personnel database	Y	Treasury payroll Officer Budget Official	Fortnightly	Payroll checked against nominal roll manually (no database system currently)
Documentation maintained for payroll changes	Y	Treasury	Fortnightly	None
Payroll checked and reviewed for variances from last payroll	Y	Payroll committee consist of a rep from HRM, one of the Sec in the Finance, GA, Payroll manager and team	Fortnightly	None
Updates to personnel records and payroll	Y	Payroll Officer	Fortnightly	None
Updates includes validation with approved staff list	Y	Payroll Officer	Fortnightly	None
Audit trail of internal controls	N	N/A	N/A	*Manual system currently*

Payroll audits in last three years. Define coverage.	N	N/A	N/A	*No dedicated payroll audit*

Data source: *Sample Forms: P4 (Acting Appointment); P8 (Responsibility Allowance); P10 (Overtime Claim). General Payment Voucher 05/2024. Excel Payroll Files (5th payroll of the year; Pay 5-2023; ConTemp_Pay 5; Est_Pay 5; Est_Pay 5.pdf; Scan of Payroll Payment Voucher with signatures approving the payroll amounts (including budget approval; vote control; Payroll Officer; and Accountable Officer for Secretary for Finance. Nominal Roll 2024/25.*

PI-24. Procurement

This indicator examines key aspects of procurement management. It focuses on transparency of arrangements, emphasis on open and competitive procedures, monitoring of procurement results, and access to appeal and redress arrangements. Coverage is CG for the last completed fiscal year.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
PI-24. Procurement (M2)		**D+**
24.1. Procurement monitoring	The Central Procurement Unit (CPU) maintains a register in Excel of all procurement it undertakes on behalf of the line ministries. These activities relate to procurements over $5,000—below $5,000 line ministries undertake their own procurement, which is not monitored by CPU but signed off by the respective Head of Department. The register provides details of items procured, procurement method, awarded bidder and amount. The register comprises data on 330 procurement activities with an aggregate value of $19,545,952.25. The database is substantial, representing 80% of expenditures against line items which would typically undergo purchasing/procurement, i.e., "most" procurement, hence the score of B.	B
24.2. Procurement methods	Nearly 70% of all procurement was undertaken by Direct Contracting (DC) method (see Table 24.2 below). Limited Shopping should not be used for procurement over $50,000, yet 17 procurements under this method exceeded this threshold, and should have been subjected to open shopping or open competitive bidding. Furthermore, 4 procurements (totaling $3.17 million in value) exceeded the $200,000 threshold requiring Open Competitive Bidding (OCB). Not one single procurement was subjected to open competitive bidding.	D
24.3. Public access to procurement information	The procurement laws and regulations are available on the CPU website. However, no other data or statistics are made available to the public or published.	D
24.4. Procurement complaints management	A procurement relies so heavily on Direct Contracting CPU does not have any records of procurement complaints, and the Procurement Review Committee (PRC) is not operational on hearing complaints. The Secretary of the procuring ministry is stipulated as member of the PRC so this body is not deemed independent.	D

Evidence for score

Overview

Procurement is governed under the Public Procurement Act 2013, and the Public Procurement Regulations 2014 (amended 2021) and implemented with guidance from the Public Procurement Manual (undated). Under the Act §3 definitions, Public Procurement means *"any procurement funded by public funds"*. This means it covers the whole of Central Government not solely Budgetary Central Government (BCG). However, it is purported that extrabudgetary units undertake procurement outside of the Central Procurement Unit (CPU). The Act §9 establishes the Procurement Review Committee (PRC) and §10 establishes the Central Procurement Unit (CPU). §17 makes provision for a bidder to seek redress, the processes for which are further elaborated in the Regulations part 13. The regulations prescribe that aggrieved bidders may lodge appeals with the PRC who will then hear the

complaints. §73 of the Regulations require the CPU to prepare and issue through the Minister, Procurement Complaints and Appeals Procedures but no such procedures have been developed.

The CPU undertakes procurement on behalf of all line ministries for packages in excess of $5,000, (below which threshold the line ministries may purchase their own goods, subject to obtaining the required three quotations). The (amended) Regulations prescribe the updated thresholds for competitive procurement methods: Direct Contracting (DC) up to $5,000; Limited Shopping (LS) up to $50,000; Open Shopping (OS) up to $200,000; and Open Competitive Bidding (OCB) above $200,000. §21 to 25 of the Regulations set out the details of the methods and how they should be used. Per Regulations –

- DC: For low cost goods and *"should only be used in exceptional or unforeseeable cases, for example where extreme urgency is required"* or only one vendor is able to provide the goods/services.
- LS: *"shall be undertaken by means of a single stage request for quotations which shall be sent by the procuring entity to as many bidders as practicable but to at least three bidders, inviting them to submit quotations"*.
- OS: requires a single stage request for quotations, publicly advertised.
- OCB: Requires singe or two-stage competitive bidding.

Procurement undertaken by EBUs is not covered under these procurement arrangements but is relatively small.

PI-24-1 Procurement Monitoring

The CPU maintains a register of all procurement under its remit on behalf of line ministries, separating major procurement (over $15,000) from minor procurement (above $5,000 but below $15,000). The register contains procurement reference numbers, package description (details of the items being procured); Date Received/Approved; Estimated Cost; Procurement Method; and Supplier/Contractor Name. The register includes a column for showing the number of bidders involved but this data is not compiled. A few minor editorial errors were noted which impacted (albeit slightly) the totals in the worksheet and 3 procurements were assigned a procurement method "SS" which does not feature in the Law or Regulations. Below the $5,000 threshold, line ministries undertake their own procurement, which is not monitored by the CPU.

The CPU register comprises data on 330 procurement activities with an aggregate value of $19,545,952.25. It is purported that this register covers all material procurement activities undertaken during the year. The coverage of procurement activity in the database is substantial, representing 80% of expenditures against line items which would undergo purchasing/procurement. (These items totaling $24.6 million include: capital expenditure; maintenance; fuel and oil; and goods and services, excluding rents, leases, utilities, allowances, and welfare payments which are not subject to purchasing).

PI-24-2 Procurement Methods

Table 24.2 shows that 69.5% of all procurement amounting to $13,586,219 was conducted through the DC method which is not competitive. Given that the threshold for DC method is $5,000, except in exceptional circumstances this method should only ever be used by line ministries' procurement—in accordance with the thresholds set out in the legislation, CPU conducted procurement should not use Direct Contracting, except in exceptional circumstances.
The procurement thresholds, per Procurement Act 2021 are shown in the table below:

	Procurement method thresholds for goods, works and non-consulting services			
13(a)	Direct contracting	Not Exceeding 5,000	Not Exceeding 500	No minimum bidding period
13(b)	Limited Shopping	Exceeding 5,000 but not exceeding 50,000	Exceeding 500 but not exceeding 25,000	No minimum bidding period
13(c)	Open Shopping	Exceeding 50,000 but not exceeding 200,000	Exceeding 25,000 but not exceeding 100,000	20 Calendar Days
13(d)	Open Competitive Bidding	Exceeding 200,000	Exceeding 100,000	35 Calendar Days

PI-24-3 Public Access to Procurement Information

Procurement laws and regulations are available on the CPU website, but no other information is readily available. The Tenderlink website (procurement portal) may contain additional procurement information, but accessing this requires registration and logging into the website, which is not deemed easy access under PEFA standards.

PI-24-4 Procurement Complaints Management

The PRC is not operational and is not independent of the procuring Ministry, as its composition include the Secretary of the procuring Ministry.

Table 24.1: Procurement monitoring (Last completed fiscal year)

Procurement method (Specify method in second column) [threshold for major/minor = $15,000]		**Coverage** (from Table 24.2)	**Databases or records are maintained** (Y/N)			**Data is accurate and complete**	
			What has been procured	**Value**	**Vendor**	**Third party assurance** (Y/N, specify)	**Sample** (Y/N, specify)
With competition/ Above threshold **Major**	DC [105]	66.2%	Y	Y	Y	N	N/A
	LS [47]	25.0%	Y	Y	Y	N	N/A
	OS [6]	1.5%	Y	Y	Y	N	N/A
	SS [2]	-	Y	Y	Y	N	N/A
Without competition/ Below threshold **Minor**	DC [84]	93%	Y	Y	Y	N	N/A
	LS [85]	3.3%	Y	Y	Y	N	N/A
	SS [1]	3.7%	Y	Y	Y	N	N/A

Data source: *https://finance.gov.tv/central-procurement/ Procurement Act 2013 (and amendment 2021). Public Procurement Regulations 2014 (and Amendment 2021). Procurement Manual.*

Table 24.2: Procurement method (Last completed fiscal year)

Procurement method (Specify method in second column)		**Amount**	**Coverage** (% of total)
With competition/ Above threshold **Major (above $15,000)**	DC [105]	$12,944,569.78	66.2%
	LS [47]	$4,890,200.02	25.0%
	OS [6]	$285,666.03	1.5%
	SS [2]	$46,191.00	-
	Subtotal 1/ Coverage 1	**$18,166,626.83**	93%
Without competition/ Below threshold **Minor (up to $15,000)**	DC [84]	$641,650.15	3.3%
	LS [85]	$731,675.27	3.7%
	SS [1]	$6,000.00	-
	Subtotal 2/ Coverage 2	**$1,379,325.42**	7%
	Total value of contracts/ Coverage	**$19,545,952.25**	100%

Data source: *Source Tuvalu CPU Register (Excel). Figures in square brackets denote the number of procurement activities undertaken.*

Table 24.3: Public access to procurement information (Last completed fiscal year)

Key procurement information to be made available to the public comprises:

Element/ Requirements	Met (Y/N)	Evidence used/Comments
(1) legal and regulatory framework for procurement	Y	Public Procurement Act 2013, and the Public Procurement Regulations 2014 (amended 2021)
(2) government procurement plans	N	Only Partial coverage of plans
(3) bidding opportunities	N	*None*
(4) contract awards (purpose, contractor and value)	N	Not published
(5) data on resolution of procurement complaints	N	No data maintained on complaints
(6) annual procurement statistics	N	No statistics published

Table 24.4: Procurement complaint management (Last completed fiscal year)

Complaints are reviewed by a body that:

Element/ Requirements	Met (Y/N)	Evidence used/Comments
(1) is not involved in any capacity in procurement transactions or in the process leading to contract award decisions	N	The PRC is designated to oversee procurement governance and hear complaints. However, it is not operational in practical terms as there is limited openness and competition in procurement practice. The PRC composition includes the Secretary of the Procuring Ministry, so is not fully independent.
(2) does not charge fees that prohibit access by concerned parties	Y	Does not charge but PRC not invoked.
(3) follows processes for submission and resolution of complaints that are clearly defined and publicly available	N	Public Procurement Act 2013, and the Public Procurement Regulations 2014 (amended 2021) but no appeals undertaken
(4) exercises the authority to suspend the procurement process	N	No appeals undertaken
(5) issues decisions within the timeframe specified in the rules/ regulations	N	No appeals undertaken
(6) issues decisions that are binding on every party (without precluding subsequent access to an external higher authority)	N	No appeals undertaken

PI-25. Internal controls on non-salary expenditure

This indicator measures the effectiveness of general internal controls for non-salary expenditures. Specific expenditure controls on public service salaries are considered in PI-23. Coverage is CG at time of assessment.

In the national budget of 2024-25, the non-payroll expenditures include among others procurement of goods and services, scholarships, medical treatment, and grants or donations. The 2018 Finance Instructions has prescribed the key procedures and rules from procurement to payment. The details of implementing the Instructions are outlined in the 2019 Finance Circular.

Statutory Authorities

There is no evidence available on the current financial operations of the statutory authorities. Considering that there are only four of them (see analysis for information in PI 6), the results if any may be insignificant.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
PI-25. Internal controls on non-salary expenditure (M2)		**B+**
25.1. Segregation of duties	Appropriate segregation of duties is prescribed, and responsibilities are clearly laid down throughout more than 90% of the expenditure process.	A
25.2. Effectiveness of expenditure commitment controls	Existing manual expenditure commitment control procedures provide only partial coverage and are partially effective.	C
25.3. Compliance with payment rules and procedures	More than 90% have been compliant with payment rules and procedures, and exceptions were properly authorized	A

Evidence for score

Table 25.1 and 25.2: Segregation of duties and commitment controls (At time of assessment)

Segregation of duties		Commitment controls		
Prescribed throughout the process (Y/N)	**Responsibilities** C= Clearly laid down M= Clearly laid down for most key steps N= More precise definition needed	**In place** (Y/N)	**Limited to cash availability** A= All expenditure M= Most expenditure P= Partial coverage	**Limited to approved budget allocations** A= All expenditure M= Most expenditure P= Partial coverage
Y	M	Y	P	P

Data source: *Finance Instructions; Finance Circular; Anecdotal information gathered during consultations with the Treasury and selected line ministries.*

Dimension 25.1 Segregation of duties

The steps, roles, authorities, and responsibilities were discussed in detail in the 2019 Finance Circular. The Circular covered the core PFM functions from procurement, contract management; asset management; borrowings; advances and imprests; management of bank accounts; including recording, reconciliation and reporting. On procurement for example, the rules and procedures start from procurement planning until contract administration and payment. The manual process resulted to some oversight which resulted to overspending (see 25.3). The FMIS software has a Purchasing module with commitment control, but the system is still being configured to suit the government procedures.

The Finance Circular delineated the roles and responsibilities between the Ministry of Finance and the budget entities, as well as of officers within a budget entity. During consultations with selected ministries, it was learned that there are specific officers with differentiated duties, such as Requesting Officer; Votekeeper; Accounting Officer; Procurement Officer; Head of the Agency.

Outside of the agency are the officers mandated to review, check, and approve such as the Central Procurement Unit and the Treasury, and for audit, the Office of the Auditor General. So, it is clear that generally, there is segregation of duties among these basic functions- authorization; recording; asset custody; reconciliation, and audit.

On asset custody, one important segregation of duty is that an officer who has the duty to collect, disburse, and keep cash shall not be performing transaction recording in the system. However, this is a problem in Tuvalu because of limited staff and resources. Thus, the government included in the Finance Instructions authorizing the use of "delegated Treasury staff" where staff working in the outer island or foreign mission are performing both the cash custody (collection and payment) and recording outside the system.

Based on the 2022 draft Statement of Deposit Accounts, the foreign missions and outer island accounts comprised only around 5.6% of the total cash balance. Using this level as basis of estimate for 2023, we conclude that more than 90% of the expenditure process were performed with appropriate segregation of duties. Since there are no actual data for 2023 yet, the 2022 draft financial statements was used as reference in estimating the extent of central government transactions in the foreign missions and outer islands.

Appropriate segregation of duties is prescribed, and responsibilities are clearly laid down throughout more than 90% of the expenditure process. The proposed rating is A.

Dimension 25.2 Effectiveness of expenditure commitment controls
As of the time of assessment, there is no Commitment Module yet in the FMIS. Thus, earmarks/purchase requests and commitments/purchase orders are recorded and controlled outside the system using Excel-based spreadsheets. Checking against the balance of the approved budget and the cash forecast is done manually, unlike in an automated system like the FMIS, the checking and control is done systematically.

This manual system does not include non-PO expenditures such as payroll, utilities, grants which represented around 55% of the total non-payroll payments in 2023 (2023 Cashflow report). These are directly recorded into the payment module of the FMIS. Purchase Order numbers are entered into the FMIS only at the time of payment.

Expenditure commitment control procedures exist which provide partial coverage and are partially effective. Hence a score of C.

Table 25.3: Compliance with payment rules and procedures (At time of assessment)

Payments compliant with procedures A= All expenditure M= Most expenditure Maj.= Majority	**Exceptions are properly authorized and justified** A= All expenditure M= Most expenditure Maj.= Majority
A	A

Data source: *Finance Circular; Consultations with line ministries; 2020 audit report; 2023 Cashflow report*.

Dimension 25.3 Compliance with payment rules and procedures
The procedures for making payment are laid down under the Section 23 on Purchase Orders of the 2019 Finance Circular. Currently, due to the ongoing development of the Commitment Module in the FMIS, payment voucher is prepared and approved by the concerned ministry based on the supporting procurement approval and contracts and acceptance of goods and services then the invoice. Once the FMIS module is established, the manual preparation of the voucher will no longer be needed because the payment process will be automatically linked to the requisition then to the procurement stage.

There were cases of non-compliance, but the amounts are not significant relative to the total expenditures. One example is overspending. During consultation with selected line ministries, it was learned that there were some cases of authorized spending that went over the budget. This was also validated with the 2023 Cash Flow report (preliminary data) which compares the actual with the full budget (original plus supplementary). Examples of overspending were under Medical Scheme (26%) and Statutory Allocation (9%) for a total of $3,175,165, or around 4% of the total non-payroll expenditures of $76million in 2023. As provided in the Finance Circular, an estimate of Statutory Variation should have been submitted for approval prior to the expenditure. Thus, more than 90% have been compliant with payment rules and procedures, and exceptions were properly authorized. Hence, this dimension is rated A.

PI-26. Internal audit

This indicator assesses the standards and procedures applied in internal audit. Coverage is CG at time of assessment for PI-26.1 and 26.2, for the last completed fiscal year for PI-26.3, and the audit reports that should have been issued in the last three fiscal years for PI-26.4.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
PI-26. Internal audit (M1)		**D**
26.1. Coverage of internal audit	There has been no operational IA function during the current year up to the time of assessment.	D

26.2. Nature of audits and standards applied	There has been no operational IA function during the current year up to the time of assessment.	N/A
26.3. Implementation of internal audits and reporting	There has been no operational IA function at the time of assessment and in the last fiscal year.	N/A
26.4. Response to internal audits	There has been no operational IA function at the time of assessment and in the last three fiscal years.	N/A

Evidence for score

Internal audit function is not mandated in the Public Finance Act. Recognizing the usefulness of an IA function, the government started way back 2011 but this was not sustained as indicated in the 2011 PEFA assessment and 2015 PEFA self-assessment. When a PFM Reform Roadmap was formulated for 2017-22, one of the reform actions taken was to establish an internal audit function and start capacity-development. Staff were recruited and technical assistance from donors was provided. However, sustaining the function had been a challenge due to the limited skills and staff-turn-over. In the last three years up to this assessment, no IA activities were undertaken.

Table 26.1: Coverage of internal audit (At time of assessment)

Ministry (or Department or Agency)	**Operational internal audit function** (Y/N)	**Internal Audit unit in charge** (specify)	**Budgeted expenditure**		**Budgeted revenue**	
			Amount	**% of total**	**Amount**	**% of total**
None	N	IA Unit at MFED	0		0	

Data source: *Information provided by MFED.*

Table 26.2: Nature of audits and standards applied (At time of assessment)

Primary focus (Compliance / adequacy and effectiveness of internal control)	**Quality assurance process** (Y/N)	**Professional standards** (Y/N)	**Risk based approach** (Y/N)
None	N/A	N/A	N/A

Data source: *Information provided by MFED.*

Table 26.3: Implementation of internal audits and reporting (Last completed fiscal year)

Ministry (or Department or Agency)	**Expenditure in last completed fiscal year (amount)**	**Existence of an annual program** (Y/N)	**Completed audits as share of programmed audits (%)**	**Audit report completed and distributed to appropriate parties** (Y/N)
none	0	N/A	0	N/A

Data source: *Information provided by MFED.*

Table 26.4: Response to internal audits (Reports issued within last three fiscal years)

Ministry (or Department or Agency)	**Expenditure in last completed fiscal year** (amount)	**Expenditure in last completed fiscal year** (%)	**Extent of management response to audit recommendations**			**Management response within 12 months** (Y/N)
			Full response (Y/N)	**Partial** (Y/N)	**None** (Y/N)	
None	0	0	N/A	N/A		N/A

Data source: *Information provided by MFED.*

In view of the absence of an operational IA function at the time of assessment and in the last three fiscal years, the rating for dimension 1 is D, and the assessment for the rest of the dimensions would not be applicable or N/A.

PILLAR SIX: Accounting and Reporting

This pillar includes three indicators which assess whether accurate and reliable records are maintained, and information is produced and disseminated at appropriate times to meet decision-making, management, and reporting needs.

Overall performance

With the government approval of a transition accounting policy in 2019, and with the development of a new FMIS, the progress and direction of the accounting system has been more visible and clearer. Efforts have focused on improving the reliability of data through reconciliations and also improving in the preparation and presentation of the consolidated financial statements. Except for the lack of a Statement of Cashflows, this progress was recognized in the audit reports as more audit issues have been resolved.

The accounting of the donors' funds for specific projects was integrated into the FMIS, thereby facilitating the reconciliations and consolidation of the accounts. There is a need however to integrate them in the consolidated statement of income and expenses.

Monthly reporting to government of the status of budget execution has been done through the monthly cashflow report. However, the information on budget execution by administrative classification as presented in the budget document is lacking.

The results of the assessment under this pillar are summarized below:

Figure 3.6. PILLAR SIX: Accounting and Reporting

Recent and ongoing reform activity

Enhancements in the FMIS are ongoing, such as the bank reconciliation and commitment control facility. Training of FMIS users is likewise continuing. The FMIS reform is planned to continue in the medium-term to include other useful modules and system controls.

PI-27. Financial data integrity

This indicator assesses the extent to which treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data. Coverage is CG for PI-27.1 and BCG for PI-27.2, 27.3 and 27.4. Time period is at time of assessment for all four dimensions, specifically covering the preceding fiscal year for PI-27.1, 27.2 and 27.3.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
PI-27. Financial data integrity (M2)		**D+**
27.1. Bank account reconciliation	Bank reconciliations in 2023 were done at least on a monthly basis, and reported within a month, for the main General Current Account representing more than 90% of the total bank balances. The 2023 reconciliations for the other bank accounts were not yet completed.	B
27.2. Suspense accounts	There are no suspense accounts in recording expenditures. There is however a Miscellaneous item under Revenues where transactions that are not clear as to the classification were recorded. All other transactions are recorded in specific accounts classifications.	D
27.3. Advance accounts	Monitoring and reconciliation of traveling imprests, and advances are done monthly and reported within a month. However, outstanding advances may frequently be liquidated with delay.	C
27.4. Financial data integrity processes	There are data integrity verification processes, but the process is undermined by the major gaps in the FMIS modules and in the user authorization and access measures.	D

Evidence for score

For dimensions 27.1 to 27.3, pertinent data sets on the two preceding years 2022 and 2023 whatever are available as of the time of this assessment, were used as evidence. As of this assessment, the 2023 financial statements are still being compiled. The 2022 financial statements have been compiled/completed but not yet submitted to audit. For dimension 27.4, the circumstances and practices as of the time of this assessment, were used as reference. Except for 27.1, this indicator covers only the budgetary central government. For 27.1, the assessment should cover all central government accounts which include those of the statutory authorities. However, there were no reconciliation data provided on the statutory authorities.

Dimension 27.1 - Bank account reconciliation

The government's cash accounts (see Table 27.1.1) are categorized into:

- Consolidated fund accounts- General Current Account and other government accounts.
- Foreign mission accounts.
- Outer island general accounts.

As shown in the financial report, there were 13 bank accounts under the Consolidated Fund bank accounts. The largest one was the General Current Account with a balance of $24.2M out of the total cash in bank of $25.1M or 96% (based on the latest completed but not yet audited financial statements which is for 2022). The rest including the outer island general accounts administered by Treasury for field operations were of small balances- from less than a thousand to about ten thousand dollars.

Table 27.1.1 Tuvalu Government Estimated Cash Account		
	Amount ($)	% to total
National Government		
General Current Account	24,274,633	91.16%

Other Consolidated Fund Accounts	849,221	3.19%
Foreign missions account	1,497,748	5.62%
Outer Islands account	8,243	0.03%
Total National Government	**26,629,845**	**100.00%**

Data Source: *Estimates were based on the Draft 2022 Consolidated Financial Statements*

How reconciliation is done: As spelled out in the 2019 Finance Circular, reconciliation should be done on a daily basis, with the statement prepared on a monthly basis. If there are mismatches found, the Circular further requires that corresponding adjustments in the accounts are to be effected immediately. This process was also confirmed by the Treasury.

According to the Treasury, the 2023 reconciliation of the General Current Account was done at least monthly, and statement was prepared within a month. While for the other accounts managed by the Treasury, reconciliation for 2023 was not yet completed to date, mostly due to the delay in the submission from the government's foreign missions under the Ministry of Foreign Affairs.

Table 27.1: Bank account reconciliation (At time of assessment, covering the preceding fiscal year)

All active accounts (Y/N)	**Frequency** (W/M/Q)	**Within** (1/4/8 weeks)	**Aggregate and detailed level** (Y/N)
Y for the budgetary central government	M= At least monthly for the General Current Account; there were delays for the other government accounts,	Within 4 weeks for the General Current Account; beyond the end of fiscal year for the other government accounts,	Y
No evidence for the statutory authorities	No evidence for the statutory authorities	No evidence for the statutory authorities	No evidence for the statutory authorities

Data source: *Status of 2023 Bank Reconciliation of all bank accounts, Treasury Department.*

For statutory authorities, the only available reference is the 2012 audit report. The report of the OAG presented only the summary data like total current assets. There was no data on cash account. Thus, for purposes of this assessment, an estimate of cash for the three statutory authorities with reports has adopted the Current Assets data which presumably could be a high estimate. Even with that high assumption, the total for the three statutory authorities that reported was only 2.8% of the total central government cash estimate (see Table 27.1.2). There was no evidence as to bank reconciliations.

Table 27.1.2 Statutory Authorities Estimated Cash Account		
	Amount ($)	% to total
Statutory Authorities		
Tuvalu Maritime Training Institute	510,000	68.4%
Tuvalu Post Office	67,000	9.0%
Tuvalu Telecommunication Office	169,000	22.7%
Total Statutory Authorities	**746,000**	**100%**
Government		**2.8%**

Data source: 2012 audit reports, Office of the Auditor General

Note: Estimates for statutory authorities adopted the Current Assets data in the latest (2012) reports available.

Bank reconciliations in 2023 were done at least on a monthly basis, and reported within a month, for the main General Current Account which is estimated to comprise more than 90% of the total bank balances, The 2023 reconciliations for the other bank accounts were not yet completed. There are no data available on reconciliation work by the statutory authorities. Hence the rating is B.

Once the bank reconciliation module in the FMIS is developed, a daily reconciliation could be implemented. This is part of the ongoing FMIS reforms.

Dimension 27.2 - Suspense accounts

The Tuvalu government is not using a suspense account to record expenditures. The reports do not reflect this account. However, for revenues, an account called Miscellaneous (under Other Income), is temporarily used to record unclassified transactions. Based on the 2023 account balances provided by the Treasury (preliminary data only as the complete financial statements are still being prepared), the amount of the Miscellaneous account under Revenues was $1.7million which is about 1.5% of the total $110.8million revenues/receipts for that year (based on the 2023 Cashflow Report). It is not clear however whether all of these receipts have been reconciled/cleared as real miscellaneous. With a remaining balance under Miscellaneous revenue account as of end of the 2023, the rating is D.

Table 27.2 and 27.3: Suspense and advance accounts (At time of assessment, covering the preceding fiscal year)

Suspense accounts reconciliation			Advance accounts reconciliation		
Frequency (M/Q/A)	**Within** 1 month; 2 months; N = > 2	**Timeliness of clearance** Y= no later than end of fiscal year (unless justified)/N	**Frequency** (M/Q/A)	**Within:** 1 month; 2 months; N = > 2	**Accounts cleared timely** A= All without delay M= Most without delay F= Frequent with delay N= <F
A	N	N	M	N= >2	F

Data source: *2023 Indicative Account Balances and Statement of Income as provided by the Treasury; 2023 data set on Advances as provided by the Treasury.*

Dimension 27.3- Advance accounts/imprests

Section 36 of the 2018 Finance Instructions prescribes the procedures for imprests/advances. Most of the advances from the recurrent budget are traveling imprests. Some are special imprests released to an individual staff. Such advances are required to be settled within a month. Failure to do so would be subject to interest and salary deduction, or even sanctions. These are recorded as receivables under the account Other Debtors.

The other type is Special imprest which is usually for special purpose activities such as workshops. There are also standing imprests which are for small or petty expenses which normally are paid in cash.

These are the balances of advances as of the time of assessment:

Account	**Balance to date ($)**
Advances from 2023	292,386
Advances 2024	181,370
Total Advances Outstanding	473,756

Data source: Dataset from Treasury

An analysis of the previous year advances showed that the 2023 balance included unliquidated advances since 2019. An analysis of another data set on monthly monitoring of the Other Debtors account showed that the average settlement/liquidation each month was only about 20%. Treasury confirmed that they are doing a monthly monitoring of these advances. Reconciliation may be done monthly, but frequently, advances were settled with delay. Thus, the rating is C.

Table 27.4: Financial data integrity (At time of assessment)

Access and changes to records		
Restricted and recorded (Y/N)	**Results in audit trail** (Y/N)	**Financial integrity verified by operational team** (Y/N)
Y, with some gaps	Y	Y, with some gaps

Data source: *Statements from the FMIS Unit, and the Treasury Department during the consultation*

Dimension 27.4

The central government is using an FMIS since 2021 using a software called *TechOne*. It is the same system used by all government ministries and offices at their central headquarters and field offices including projects funded by donor funds (under the Tuvalu Development Fund) in recording financial transactions. System configurations are still ongoing, designed to meet government process needs, which will take at least two more years to complete.

The modules now active include the Payroll; Accounts Receivable: Accounts Payable/Payments; General Journal and General Ledger, and Reporting Module. The Payroll module development/configuration is ongoing and may take more than a year to complete. While the system supports both cash and accrual basis of accounting transactions, there is no Purchase Order (PO) and Bank Reconciliation Module. Currently, the PO and bank reconciliation processes are done manually.

The system's data integrity is a joint effort of the FMIS Unit, the Treasury, the FMIS Users and management at the agencies, and the HR Department. The Treasury checks the completeness, validity, and accuracy of the supporting documents. Various controls have been built into the system based on existing regulations, such as user access authorization and audit trail.

This FMIS is administered by the FMIS/IT Unit of the Treasury Department. The Unit (with only one staff currently) in coordination with the HR Department manages and controls users access and their levels of access. New FMIS users are first approved by the agency head before the FMIS authorizes access. There are however existing gaps in the user authorization process. The User access authorization does not clarify the specific area and level of access authority, as well as access restrictions/limitations. Sometimes, the HR Department fails to immediately inform the FMIS Unit on personnel movements.

The Treasury Department confirmed that adjustments or changes made after the initial data entries are captured in an audit trail. All proposed changes are first approved by the Chief Accountant.

Maintenance and safety measures are carried out by the FMIS staff on a regular basis, such as backups every night. The database is archived in the TechOne company clouding system, providing critical services for MFED. The Ministry plans to acquire additional back-up server.

Considering the existing gaps in the user authorization procedures, the process of restricting access and changes to records is limited. Hence the rating is D.

PI-28. In-year budget reports

This indicator assesses the comprehensiveness, accuracy and timeliness of information on budget execution. In-year budget reports must be consistent with budget coverage and classifications to allow monitoring of budget performance and, if necessary, timely use of corrective measures. Coverage is BCG for the last completed fiscal year.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
PI-28. In-year budget reports (M1)		**D+**
28.1. Coverage and comparability of reports	Data classifications are not fully comparable, as the cashflow reports include only economic classifications and do not include administrative classifications (by budget head), as well as the utilization of donor funds (Tuvalu Development Fund).	D
28.2. Timing of in-year budget reports	Monthly cashflow reports in 2023 were prepared and submitted within a month. Accountants in the ministries prepare internal reports on the status of budget execution on a monthly basis	B
28.3. Accuracy of in-year budget reports	At least cashflow data (receipts and payments) are captured, and no major concern on data accuracy, but the data are not totally useful for analysis of budget execution due to the absence of comparison by budget head	D

Evidence for score

The scope of assessment is budgetary central government with last completed fiscal year as the reference period.

Section 209 of a 2019 Finance Circular requires a monthly financial report detailing the monthly and year to date expenditure and revenue of Government. However, the publication of monthly reports was suspended in the past due to data quality issues.

During 2021-23, what was produced and submitted to the Government on a monthly basis was what the Treasury calls the Cash Flow Report. This document reported the actual monthly cash flows (receipts and payments) from the Consolidated Fund where the approved budget is anchored on. The total actual cash flow was then compared with the full budget (original and supplementary budget). The amount and percentage of variance is presented too. This report was prepared primarily for the information of MFED management and also the Cabinet and Parliament. This was not published and disseminated in the MFED website.

The line ministries are not provided with the Cashflow Report, but they are able to access and view their real time budget utilization in the FMIS, and the accountants in the ministries prepare internal reports on the status of budget execution on a monthly basis.

Table 28.1, 28.2 and 28.3: In-year budget reports

Coverage and comparability			Timeliness		Accuracy		
Allows direct comparison to original budget (Y/N)	**Level of detail** A=All budget items P= Partial aggregation M= Main administrative headings E=Main economic headings	**Includes transfers to de-concentrated units** (Y/N)	**Frequency** W/M/Q N= >Q	**Within:** 2/4/8 weeks N= >8weeks	**Material concerns** (Y/N)	**Half Year/Yearly Analysis prepared** (Y/N)	**Payment info** E=Expenditure C=Commit-ments
Y	E- by economic classification only	Y	M	4 weeks	Y	Y	E

Note: *W=Weekly; M=Monthly; Q=Quarterly*
Data source: *Cashflow Report 2023 provided by the MFED*

Dimension 28.1- Coverage and comparability of reports

A copy of the 2023 cashflow report provided to this assessment showed receipts and payments classified by economic classification compared with the original and final budget (after virements and supplementary budget). The economic classification used in this report is the same as those used in the 2023 budget document. The report does not however compare the cashflows with the budget broken down by budget head as presented in the 2023 budget document.

Data are not fully comparable, as the cashflow reports do not include administrative classifications (by budget head). The reports also do not include the Tuvalu Development Fund actual versus the estimates; hence this dimension's performance was rated D.

Dimension 28.2 - Timing of in-year budget reports

Monthly cash flow reports comparing with the annual budget (original and adjusted after virements and supplemental if any) were reported within a month. Accountants in the Ministries prepare internal reports on budget execution, monthly. Thus, the rating is B.

Dimension 28.3- Accuracy of in-year budget reports

The payments and receipts data are generated by the Treasury from the FMIS. According to the Treasury, the only data concern is the delay in the reports coming from the foreign missions under the Ministry of Foreign Affairs as they are not connected to the FMIS. Using the same reference as in PI 25 dimension 1, foreign missions are not significant relative to the total resources- only around 5.6%, hence not a major data concern.

However, the absence of data by budget head renders the report to be only partially useful for budget execution analysis. At least cashflow data (receipts and payments) are captured, and no major concern on data accuracy, but the data are not completely useful for analysis of budget execution due to the absence of comparison by budget head, hence a rating of D was assigned.

PI-29. Annual financial reports

This indicator assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and standards. Coverage is BCG for the last completed fiscal year for PI-29.1, the last annual financial report submitted for audit for PI-29.2, and the last three years' financial reports for PI-29.3.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
PI-29. Annual financial reports (M1)		**D+**
29.1. Completeness of annual financial reports	Based on the 2022 unaudited financial statements, financial reports for budgetary central government are prepared annually and are comparable with the approved budget. They contain information on at least revenue, expenditure, financial assets, financial liabilities, and long-term obligations.	C
29.2. Submission of reports for external audit	The latest submission to the Office of the Auditor General are the 2021 financial statements which were submitted within 18 months after the reference period. The 2022 reports have been completed but not yet submitted to audit.	D
29.3. Accounting standards	There is consistency of standards over time but not consistent with the legal framework from 2019 to 2021. A Cash Flow Statement or Statement of Receipts and Payments which is required in the Public Finance Act and under the International Public Sector Accounting Standards was lacking, and there was no explanation on the lack of it.	D

Evidence for score

Table 29.1 and 29.2: Annual financial reports

Content of annual financial reports (FY22 draft AFS)			Most recent financial report submitted for audit (FY21)			
Prepared annually (Y/N)	**Comparable with approved budget** (Y/N)	**Operating or cash flow statement** (revenue and expenditure) (Y/N)	**Balance Sheet** C=Cash only FO=Financial assets & liabilities only F=Full	**FY of report most recently submitted**	**Date of submission**	**Within:** (3/6/9 months)
Y	Y	Statement of Income-Y Statement of Financial Position= Y Cash Flow Statement- N	FO	2021	July 10, 2023	Within 18 months

Data source: *Date of submission is based on the information from the Treasury as confirmed by the OAG. 2021 audited financial statements for the whole of government of Tuvalu.*

The pertinent evidence required by the PEFA framework is a copy of the completed financial statements for the **last completed fiscal year** that were submitted to the Office of the Auditor General (OAG). Section 31, Part VI of the Public Finance Act of 2008 has prescribed the submission by the Minister (of Finance) to the Office of the Auditor General of annual accounts within six months after the end of each financial year. In Tuvalu, the last completed fiscal year would have been for the period January 1 to December 2023 which must have been submitted for audit by end of June 2024. As of the time of assessment, these reports were not yet available.

However, as clarified under 6.3.9 of the PEFA field Guide, the unaudited financial statements for the previous year (2022) shall be used in the assessment if the last fiscal year report is not yet produced, and cut-off date for the assessment is within nine months (August 31). The PEFA Field Guide clarified, that if the previous year report is to be used as evidence, the rating would be to a C or D score.

Dimension 29.1- Completeness of annual financial reports
This assessment was provided with copy of the audited financial statements for 2019, 2020, and 2021, and draft financial statements for 2022.
The 2022 annual accounts presented these primary statements:

- Statement of Comprehensive Income (income and expenses)
- Statement of Financial Position (assets and liabilities)
- Statement of Recurrent Expenditure by Ministry
- Statement of Recurrent Revenues by Ministry
- Statement of Changes in Equity

The Notes to the financial statements include also the following relevant disclosures/information as required in the Public Finance Act:

  - Statement of Deposit Accounts
  - Statement of Special Fund Balances
  - Statement of Investments
  - Debtors and Accrued Revenue
  - Statement of Public Debt, including non-current liabilities
  - Statement of Income by Category, compared with the original budget
  - Statement of Expenses by Category, compared with the original budget

- Tuvalu Development Fund Receipts and Payments
- Infrastructure Fund Account Receipts and Payments
- Contractual Obligation Fund Account Receipts and Payments
- Other Liabilities

Based on the 2022 unaudited financial statements, financial reports for budgetary central government are prepared annually and are comparable with the approved budget. They contain information on at least revenue, expenditure, financial assets, financial liabilities, and long-term obligations; thus, the rating of C for dimension 1.

Table 29-1.1 Annual financial reports

Completeness					**Date of submission for external audit**	
Prepared annually (Y/N)	**Comparable with approved budget** (Y/N)	**Information** F=Full P=Partial B=Basic	**Cash flow statement** (Y/N)	**Balance Sheet** C=Cash only FO=Financials only F=Full	**Date of submission for audit**	**Within:** (3/6/9 months)
2023	Could Not Be Determined; No Evidence				Still for compilation	Pending
2022	Statement of Expense and Revenue by Heads	P	N	FO	Completed but not yet submitted for audit	Pending
2021	Statement of Expense and Revenue by Heads	P	N	FO	July 10, 2023	Within 18 months
2020	Statement of Expense and Revenue by Heads	P	N	FO	September 14, 2021	Within nine months

Data source: *Date of submission is based on the information from the Treasury as confirmed by the OAG.*

Dimension 29.2 - Submission of reports for external audit

Based on information provided by the Chief Accountant, Treasury Department, MFED, the last report submitted to audit, were the 2021 financial statements. These reports were submitted to audit within 18 months after reference year. The 2022 reports have been completed but not yet submitted. hence the score of D.

Table 29.3: Accounting standards (Last annual financial report submitted for audit)

Accounting standards applied to all financial reports				
Type of standard I= International C= Country	**Consistency** M=Most IS applied Mj= Majority IS applied C=Consistent over time only	**Disclosure on standards** (Y/N)	**Disclosure on variations** (Y/N)	**Gaps explained** (Y/N)
I= GAAP or IPSAS[8] where practicable was adopted	C= Consistent over time since 2019	Y	Y	Y, but not all

Note: IS = International standards

Data source: *Public Finance Act of 2008; Finance Instructions 2018; 2019-2021 audited financial statements; MFED Note on Transition to Full Accrual Accounting*

[8] GAAP: Generally Accepted Accounting Principles. IPSAS: International Public Sector Accounting Standards.

Dimension 29.3- Accounting standards

The Public Finance Act of 2008 did not prescribe specific accounting and reporting standards. Rather, the Finance Instructions of 2018 placed the responsibility to the Chief Accountant to provide the Generally Accepted Accounting Principles that were applied in the preparation of the accounts.

In a Note issued by the MFED in March 2019, entitled Transition to Full Accrual Accounting for the Government of Tuvalu, which according to the audit report was supported by the Cabinet, there was a proposal for a shift to elementary accrual or modified cash in the medium term. It was specified that the following accrual accounting conditions shall not be required during the transition period:

1) Whole of public sector reporting- the reporting entity will be solely National Government.
2) Fixed assets and inventory- as the system for asset accounting and monitoring is still to be developed.

What shall be developed in the first phase are "*some in transit receipts and expenses in the operating statement, and recognizing the related stocks of unpaid invoices from suppliers as liabilities and unpaid bills issued to customers for services rendered as assets on the government's balance sheet*."

For purposes of this assessment based on the most recent Agile PEFA Guidelines, the first to look at in terms of accounting standards, is the latest financial report submitted for audit which is 2021. To evaluate consistency, the previous two years reports to look at would be 2019 and 2020.

The notes to the financial statements for 2019, 2020, and 2021 specifically indicated that "*The financial statements are prepared on a modified cash basis accounting."* The accounting policies for each of the major account categories were consistent.

Disclosure of standards, and variation from specific standards

Based on the financial reports in 2019, 2020, and 2021, the notes to the financial statements indicate the variations in the application of generally accepted accrual accounting principles. Examples of these variations are in the recording of receivables and payables; fixed assets and inventory; and coverage of the consolidated financial statements.

Audit Qualifications

The published audit reports on the 2019 and 2020 financial statements recognized the Transition Accounting Policy, invoking however the adoption of the reporting formats under international public sector accounting standards. Audit qualifications emphasized lack of a Statement of Cash Flows from 2019 to 2021, and there was no explanation on the lack of it.

Likewise, the above-mentioned audit noted that correction of prior years' accounting and reporting was made in the current year's accounts instead of adjusting the prior year's balances for purposes of comparison. The audit considered this as a major deviation from the GAAP. The same gaps were noted in the 2021 financial statements.

There is consistency of standards over time but not consistent with the legal framework from 2019 to 2021. The Cash Flow Statement or Statement of Receipts and Payments which is required in the Public Finance Act and under the International Public Sector Accounting Standards was lacking, and no explanation of the lack of it. Hence the score of D.

Additional observation: the same policy and practices were observed in drafting the 2022 financial statements, already completed but not yet submitted for audit as of this assessment.

PILLAR SEVEN: External Scrutiny and Audit

This pillar includes two indicators which assess whether public finances are independently reviewed and there is external follow-up on the implementation of recommendations for improvement by the executive.

Overall performance

The audit coverage in Tuvalu government is comprehensive as all government entities and funds including public enterprises and island councils are being audited. The Office of the Auditor General has adopted the International Auditing Standards and applied them. The audits were focused on systems and material risks.

However, in the last three year, the timeliness of the audit reports has suffered. The delay in the release of the audit report has undermined follow up of response to the previous audit recommendations.

The legislative scrutiny of audit has not been active in the last three years. There were no scrutiny and hearings conducted.

Figure 3.7. PILLAR SEVEN: External Scrutiny and Audit

Recent and ongoing reform activity

A new Audit Act was passed in 2022. This legislation has contributed to assuring independence of the audit function according to international standards. The Office of the Auditor General with the support from the Pacific Association of Supreme Audit Institutions (PASAI) has embarked on capacity-development for its staff in improving audit work. The OAG has also conducted some performance audits on key areas relevant to the government.

PI-30. External audit

This indicator examines the characteristics of external audit. Coverage is CG for the last three completed fiscal years for PI-30.1, 30.2, 30.3 and at time of assessment for PI-30.4.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
PI-30. External audit (M1)		**D+**
30.1. Audit coverage and standards	Financial reports including revenue, expenditure, assets, and liabilities of more than 90% of the whole of central government entities have been audited using International Auditing Standards for Supreme Audit Institutions (ISSAIs) during the last three completed fiscal years 2021-2023. The audits have highlighted any relevant material issues and systemic and control risks.	A
30.2. Submission of audit reports to the legislature	Audit reports during 2019 and 2020 were submitted within 9 months, but in 2021, submission to the legislature was delayed up to this assessment.	D
30.3. External audit follow up	There is follow-up and formal management response, but majority of the audit issues remained unresolved a year after. A contributing factor is the delay in the audit report which undermines the effectiveness of audit follow-up.	C
30.4. Supreme Audit Institution (SAI) independence	The independence of the audit function is fully protected under the Tuvalu Constitution and Audit Act. All the seven independence criteria are met.	A

Evidence for score

The reference period of this assessment was for the last three completed fiscal years- 2021, 2022, 2023. The assessment focuses on the audit work done during these years regardless of what reporting period. The scope of this assessment is central government as defined in PI 6.

In Tuvalu, the fundamental legal framework for the external audit function is the Tuvalu Constitution and the Audit Act (latest version is as of 2023 and 2022, respectively). The Constitution has emphasized on the full government coverage and independence (free from control of another entity or person). The Audit Act has specific provisions on the Administration of the Office of the Auditor General; Planning, Budgeting, and Reporting; Audit of the Annual Accounts and Public Entities; Powers and Duties of Auditors.

These two fundamental pieces of legislation, including the Public Finance Act also provides for the audit of the annual accounts of government entities.

Table 30.1 and 30.2: Audit coverage, standards and submission to legislature (Last three completed fiscal years)

Fiscal Year audited	**Date submitted to external audit**	**Date submitted to legislature**	**Standards applied** ISSAI/ National (consistent)/ National (other)	**Issues highlighted** M = Material/ Systemic/ Control OR S = Significant
A. Tuvalu Whole of National Government Financial Statements				
2021	July 10, 2023	Completed July 9, 2024 (within 12 months) but Not yet submitted ((waiting for adjusted financial statements)	ISSAI	M
2020	September 14, , 2021	December 10, 2021 (within 3 months)	ISSAI	M
2019	September 2, 2020	April 24, 2021 (within eight months)	ISSAI	M
B. Statutory Authorities- see below 30.1.1				

Data source: *Copy of audit reports published at the OAG website and/or data provided by the OAG and the Treasury Department.*

Table 30.1.1 Tuvalu Statutory Authorities

Name of Statutory Authority	**Fiscal Year audited**	**Date submitted to external audit**	**Date audit completed**	**Date submitted to Legislature**	**Standards Applied**	**Issues Highlighted**
1, Tuvalu Maritime Training Institute	2019 2020-21	2022 2023	2023 2024	Not submitted yet	ISSAI ISSAI	No evidence
2.Tuvalu Post Office (TPO)	2019	2023	Ongoing	Not submitted	ISSAI	No evidence

	2020	2024	Ongoing	yet	ISSAI	
3.Tuvalu Telecommunications Corporation (TTC)	2019 2020	2020 2024	Ongoing Ongoing	Not submitted yet	ISSAI ISSAI	No evidence
4.Tuvalu Broadcasting Corporation	None	No submission				

Data source: *Information provided by the OAG.*

Dimension 30.1 Audit coverage and standards

Scope of Work Done

Audit of the consolidated national government annual financial statements

The latest audits of the consolidated national government annual financial statements were for the period 2018, 2019, and 2020. During 2021-23, the audit completed were for the period 2020 (submitted to OAG in 2021). The audit of the 2021 financial statements (submitted to OAG in May 2023) has been completed, but the audit report was not yet submitted to the Legislature.

Statutory Authorities

By outsourcing from private auditing firms, the OAG also audited the financial statements of statutory authorities, and SOEs, as well as accounts of donor-funded projects. For statutory authorities, the audits done during 2021-2023 were only for the period 2019 and 2020. However, copy of the audit reports was not made available to this assessment. Based on the analysis presented in PI 6, the revenues and expenditures of statutory authorities were considered insignificant (estimated at 3%) relative to the total central government.

Standards

The OAG has adopted the International Auditing Standards for Supreme Audit Institutions (ISSAIs). An independent quality assurance on the application of these standards by the staff was conducted in 2023 by PASAI. Earlier, both the PASAI and the INTOSAI provided technical assistance to build the capacity of auditors in auditing financial statements according to international standards.[9]

Issues Highlighted

On consistency of the use of international standards, the reference period used was for audit reports on the 2020 and two preceding years 2018 and 2019 financial reports. The findings of the OAG pointed out to significant issues which some of them were due to systemic or control deficiencies. Examples were lack of accurate reconciliations of cash balances with the bank data, including the TDF accounts, and asset data with the asset registers; lack of documentation of supplies expenses; and lack of inclusion of existing receivables; lack of regular stock-take; overspending of Tuvalu Development Fund and Special Infrastructure account.

Financial reports including revenue, expenditure, assets, and liabilities of the whole of central government including three of the four statutory entities have been audited using ISSAIs during the last three completed fiscal years 2021-2023. The audits have highlighted relevant material issues and systemic and control risks.

[9] https://www.pasai.org/news-blog/2020/1/30/tuvalu-audit-office-to-enhance-audit-quality-of-governments-financial-statements

The reports on the statutory authorities for the audit work done in the last three years have not been submitted to the Legislature, and copy was not made available to this assessment. Statutory reports represent only 3% of the total central government expenditures. For dimension 31.1, the rating is A.

Dimension 30.2 - Submission of audit reports to the legislature

The Tuvalu Audit Act requires the audit of public accounts to be completed within three months after receipt of the accounts from the Minister of Finance. As discussed in Dimension 1, the report on the audit of the accounts for the last three completed fiscal years (2019-2020) had been completed and submitted to the Tuvalu Parliament. The 2021 audit had been completed but not submitted yet to the Legislature as the OAG is still waiting for the adjusted financial statements from the MFED.

As indicated in Table 30.1, audit reports during 2019 and 2020 were submitted within 9 months, but in 2021, submission to the legislature was delayed up to this assessment. Hence, the rating is D.

Table 30.3: External audit follow up (Last three completed fiscal years)

Features of external audit follow up			
Formal response was made (Y/N)	**Formal and comprehensive** (Y/N)	**Timely** (Y/N)	**Effective and timely follow up** (Y/N)
Y	Y	N	N

Data source: *2019 and 2020 audit reports.*

Dimension 30.3 - External audit follow-up

The implementation, follow-up, and monitoring of the status of compliance with the audit recommendations is the primary responsibility of the auditees. Every audit period, there is an opportunity for the auditee/management through the management letter, to respond to the audit findings/recommendations as discussed during the exit meeting. As part of its audit, the OAG also monitors the progress of the previous year's audit recommendations. The follow up is integrated in the audit plan and discussed with the government entity. In every audit report, there is a section on Previous Audit Recommendations, where some audit findings may have been closed as they were resolved, and the remaining unresolved findings and recommendations are presented. The responses from management are documented.

For example, in the 2020 audit report, the Office of the Auditor General acknowledged the improvements in the presentation of the financial statements and the actions implemented to resolve the audit issues raised from previous years. The report identified the remaining most critical resolutions to be made (Appendix 1), which were the adoption of the format in IPSAS-Cash Basis, and the documentation of the Tuvalu Government Accounting Framework (was addressed later). Appendix 2 were the audit issues (six issues) that were resolved; and Appendix 3 were all the remaining audit issues (16 issues).

There is follow-up and formal management response. However, response for majority of the previous issues were not timely as they remained still unresolved after a year. A contributing factor is the delay in the audit report which undermines the effectiveness of audit follow-up. With this, the rating is C.

Table 30.4: SAI Independence – requirements (At time of assessment)

Independence criteria	**Criteria met** (Y/N)	**Comments**
Appointment and removal of head of SAI	Y	Appointment and removal of the AG is through the approval by the Parliament, and endorsement by the Head of the State upon the advice of the Public Service Commission as provided in the Constitution and the Audit Act. Removal is in accordance with Division 5 of the Constitution. Recruitment of the OAG staff is approved by the

		Auditor General.
Planning audit engagements	Y	The OAG formulates its annual audit plans according to its own assessment of risks in government. It discusses audit plans with the auditees beforehand. There is no legal provision that restricts the audit function.
Arrangements for publicizing reports	Y	After discussing with the auditees of the draft audit report, the auditors finalize the audit reports. The OAG then submits the financial report to the Minister of Finance or the head of other public sector entity for submission to the Parliament. But there is no restriction for the OAG to publish the audit reports.
Approval of budget	Y	The OAG budget is reviewed and approved as part of the national budget process. The Public Accounts Committee evaluates and discusses with the Finance Secretary. The Audit Act has set that the minimum budget should not be less than 0.6% of the total government appropriation in each year.
Execution of budget	Y	The OAG financial operations follow that of the existing regulations on recruitment, procurement, contracting, and payment processes, including on receipts, and borrowings. The Audit Act provides that No reduction shall be made without approval from the Parliament.
Legal basis for independence	Y	The Constitution itself has restricted any form of control by other body on how the AG shall exercise its function.
Unrestricted/timely access to records (Majority / most / all entities)	*All entities*	The Constitution in Tuvalu has explicitly restricted any form of control by other body on how the AG shall exercise its function. The latest audit report did not indicate restrictions by agencies on the auditors' access to their records.

Data source: *Copy of the 2023 Constitution and the 2022 Tuvalu Audit Act. Statements from the Office of the Auditor General*

Dimension 30.4 - Supreme Audit Institution (SAI) independence

Section 175 of the Constitution in Tuvalu has explicitly restricted any form of control by other body on how the AG shall exercise its function. The SAI has acted upon independently in performing its functions. The review of its budget as part of the usual budget process does not by itself a denial of its right to plan its priorities and allocate its resources accordingly.

Removal of the Auditor General and other officers specified under Division 5 of the Constitution may be done only for "inability to perform properly the functions of his office or position (whether arising from infirmity of body or mind, or from some other cause), or for misbehaviour." The process involves first an investigation by the Cabinet or an appropriate authority, and the head of the State shall appoint an independent tribunal to be chaired by someone who is qualified for appointment as a Judge of the High Court.

All the seven independence criteria are met. The rating therefore is A.

Additional observations:

The OAG has likewise conducted some performance audits such as on Solid Waste Management; Disaster Risk Reduction; SDG (Sustainable Development Goal) readiness; Quality Education; and Climate Change Adaptation, also financial audits of various donor-funded projects. In addition, the OAG did sample compliance audits of all ministries/agencies.

PI-31. Legislative scrutiny of audit reports

This indicator focuses on legislative scrutiny of the audited financial reports of central government, including institutional units, to the extent that either (a) they are required by law to submit audit reports to the legislature or (b) their parent or controlling unit must answer questions and take action on their behalf. Coverage is CG for the last three completed fiscal years.

The reference period of this assessment was for the last three completed fiscal years- 2021, 2022, 2023. The assessment focuses on the legislative scrutiny work done during these years regardless of what reporting period. The scope of this assessment is central government as defined in PI 6.

Indicator and dimension scores and analysis

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
PI-31. Legislative scrutiny of audit reports (M2)		**D**
31.1. Timing of audit report scrutiny	There was no scrutiny of the audit reports during the last three years.	D
31.2. Hearings on audit findings	There were no hearings conducted on audit reports for the last completed fiscal years.	D
31.3. Recommendations on audit by the legislature	There were no Committee reports containing recommendations on audit that were issued during the last three years.	D
31.4. Transparency of legislative scrutiny of audit reports	There is no evidence of Committee reports published and there were no hearings conducted during the last three years,	D

Evidence for score

Section 76 of the Tuvalu Constitution provides that the Auditor-General shall report to the Parliament at least once a year on:

a) the public accounts of Tuvalu;
b) the control of public money and property of Tuvalu; and
c) all transactions with or concerning public money or property of Tuvalu, and has such other functions as are, subject to subsection (4), conferred on him by an Act of Parliament. Section 4 further authorized the Parliament to determine whether to "expand, and provide in more detail for, the functions of the Auditor-General."

On the other hand, the 2019 amended PFEM Act stipulated that the Parliament has the power to scrutinize the audited financial statements, the audit report, and executive response to the audit recommendations.

The Public Finance Act recognized the role of the Parliament under Section 44 (Powers of the Parliament). Every report of the Auditor-General laid before or presented to Parliament under this or any other section shall be dealt with by Parliament in the manner prescribed by its rules of procedure.

Supporting the Parliament in the review of the public accounts and audit reports is the Public Accounts Committee. The Public Finance Act indicated that any reference to Parliament may be construed so as to include a reference to the Public Accounts Committee.

Table 31.1: Timing of legislative scrutiny of audit reports (Last three completed fiscal years)

Audited annual financial statements for fiscal year	Date of receipt of audited financial reports	Date of finalization of legislative scrutiny
2019	April 24, 2021	Not done
2020	December 10, 2021	Not done
2021	Not yet submitted	Not done

Data source: *Information provided by the Office of the Auditor General*

Table 31.2 and 31.3: Hearings on audit findings and issuance of recommendations (Last three completed fiscal years)

Audited annual financial statements for fiscal year	Hearings on audits reports that received a qualified or adverse opinion or disclaimer (Y/N)	Hearings conducted – entities with qualified audit A = All M = Most F= Few N=None	Legislature issues recommendations (Y/N)	Recommendations followed-up S= Follow-up systematically F= Follow-up N= No follow-up
2019	N	N	N	N
2020	N	N	N	N
2021	N	N	N	N

Data source: *Information provided by the Office of the Auditor General*

Dimension 31.1 - Timing of audit report scrutiny and *Dimension 31.2- Hearings on audit findings*

This dimension refers to the audit report on the annual financial statements. There was no scrutiny of the audit reports during the last three years. Hence the rating for dimension 31.1 is D. The Public Accounts Committee (PAC) decided to spend time scrutinizing the 2021 audit report upon receipt instead of deliberating on the outstanding audit report 2019 and 2020.

There were no hearings conducted on audit reports for the last completed fiscal years, thus, this dimension is assessed as D.

Dimension 31.3- Recommendations on audit by the legislature

The Office of the Auditor General confirmed that there were no Committee reports containing recommendations on audit that were issued during the last three years. Therefore, the rating is D.

Table 31.4: Transparency of legislative scrutiny of audit reports (Last three completed fiscal years)

Audited annual financial statements for fiscal year	Committee reports			Public hearings conducted A= All except limited circumstances F= Yes, with a few exceptions
	Published (Y/N – Method)	Provided to the full chamber of legislature (Y/N)	Debated in the full chamber of legislature (Y/N)	
2019	N	N	N	None
2020	N	N	N	None
2021	N	N	N	None

Data source: *Information provided by the Office of the Auditor General*

Dimension 31.4 Transparency of legislative scrutiny of audit reports

Copy of PAC reports can be accessed at the OAG website. However, as of this assessment, the following are the latest reports that are published:

- PAC report on the audit of the Tuvalu whole of government 2012
- PAC report on the audit of financial statements of public enterprises and statutory authorities 2011
- PAC report on the performance audit 2013

There were no hearings during the last three years. With no evidence of Committee reports were published and no hearings conducted during the last three years, the rating proposed for dimension 31.4 is D.

Annex 1: Assessment management and quality assurance arrangements

Oversight Team		
Name	**Position/Organization**	**Role**
Dr Tauisi M Taupo	MFED	Permanent Secretary
Mr Asau Leauma	MFED	Deputy Secretary
Mrs Loisi Seluka	MFED	Assistant Secretary
Mrs Kelena Tapa	MFED	Ag Director Planning and Budget
Mrs Seipua Scott	MFED	Ag Government Accountant
Assessment Team		
Name	**Position/Organization**	**Role**
Paul Seeds	PFTAC, PFM Advisor	Team Leader
Iulai Lavea	PFTAC, PFM Advisor	Assessment Team
Chita Marzan	FAD/PFTAC Expert	Assessment Team
Richard Emery	FAD/PFTAC Expert	Assessment Team
Quality Assurance		
Reviewers:		
Government of Tuvalu Oversight Team		
PEFA Secretariat		
Asian Development Bank (ADB): Lily Homasi		
Australian Department of Foreign Affairs and Trade: Matthew Fehre		
Concept Note		
Date submitted for review:	8/19/2024	
Date of final CN:	9/10/2024	
PEFA Report		
Date submitted for review:	11/03/2024	
Date submitted for follow-up:	01/08/2025	
Date of final draft:	01/29/2025	
Proposed date of publication:	02/07/2025	

Annex 2: Public sector agencies covered by the assessment

Table 2: Structure of the public sector (list)			
Budgetary units (All)	**Extrabudgetary units (or those covered by sampling)**	**Public corporations (or those covered by sampling)**	**Social Security Funds (if part of public sector but outside of the General Government Sector)**
Governor General	Tuvalu Maritime Training Institute (TMTI)	Tuvalu Electricity Corporation	None
Office of the Prime Minister	Tuvalu Post Office (TPO) (Merged with the former Tuvalu Philatelic Bureau)	National Bank of Tuvalu	
Office of the Attorney General (Legal Services)	Tuvalu Telecommunications Corporation (TTC)	Tuvalu National Provident Fund	
Parliament	Tuvalu Broadcasting Corporation	Development Bank of Tuvalu (DBT)	
Office of the Auditor General		National Fisheries Corporation of Tuvalu (NaFiCoT)	
Ministry of Finance and Economic Development			
Ministry of Public Works and Infrastructure Development and Water			
Ministry of Health and Social Welfare			
Ministry of Natural Resources Development			
Ministry of Home Affairs, Climate Change and Environment			
Tuvalu Police Services			
Ministry of Transport, Energy, Communication, and Innovation			
Ministry of Education and Human Resources Development			
Office of the Judiciary			
Ministry of Foreign Affairs, Labour, and Trade			

Annex 3: Evidence for scoring indicators

Indicators (PEFA 2016 framework)	Evidence
1. Aggregate expenditure out-turn	*FMIS extract provided by MFED: Head 2021-2023 WoG dataset*
2. Expenditure composition out-turn	*FMIS extract provided by MFED: Head 2021-2023 WoG dataset* *For contingencies FMIS extract provided by MFED: Econ Class 2021-2023 WoG dataset, see economic class 2840.*
3. Revenue out-turn	*FMIS extract provided by MFED - Econ Class 2021-2023 WoG dataset* *2021 Financial Statement* *2022 Financial Statement* *2023 Financial Statement* *2023 Corrected Statement of Comprehensive Income provided by MOF*
4. Budget classification	*Government Unified Chart of Accounts Manual, 15 March 2022, GoT CoA & Dept Code.*
5. Budget documentation	*2024 – 2025 National Budget for the Government of Tuvalu*
6. Central government operations outside financial reports	*2023 Budget Document, MFED;* *Information shared by the Treasury during consultations;* *2022 Draft Unaudited financial statements of the National Government, as provided by the Treasury Department;* *Report of the Auditor General 2012*
7. Transfers to sub-national governments	*2023 Cash Flow Report;* *Copy of the 2022 CDA policy provided by the Treasury Department;* *Date of publication of the budget document provided by the Budget and Planning Department;* *Dates of transfers provided by the Treasury Department;* *Falekaupule Act;*
8. Performance information for service delivery	*2024-2025 Budget of Tuvalu, table3.0.2 Comparative Expenditure by Head, and Part 4: Expenditure by Head and by Department.* *Corporate Plans and Annual Work Plans for identified ministries.* *The only performance report available was from MEHRD.* *MEHRD AWP2024_2025_V3, see tabs: 5001, 5003, and 5004.* *Tuvalu Early Grade Reading Assessment 2023.*
9. Public access to fiscal information	*Published documents in the MFED and OAG website.* *Dates of publication of relevant documents as provided by MFED*
10. Fiscal risk reporting	*2017 Consolidated Financial Statement* *Falekaupule Act of 2022, Government Unified Chart of Accounts (CoA) 15 March 2022,* *Tuvalu Office of the Auditor General Register of Audits 7/10/2024.* *Ministerial Order on Fiscal Risks 2023, 2024 Fiscal Risk Report.*
11. Public investment management	*2023 Budget Document* *2023 Budget Circular* *Tuvalu Development Fund Estimates*
12. Public asset management	*Section1.6 of the 2024/2025 Budget, pp. 10-13. Consolidated Financial Statement for 2022.* *See Financial Statements 2017 – 2022.* *Financial Instructions, 23 April 2018, see Section15.*
13. Debt management	*Public Debt and Publicly Guaranteed Debt, Part 5, 2024/2025 Budget, pp.82-84.* *Government Borrowing and Guarantee Act of 2008.* *Prudent Fiscal Management with no Non-concessional Borrowing in the Medium-Term, Section 5.3 of the 2024/2025 Budget (see p. 84), Tuvalu Public Debt Bulletin, September 2021.*
14. Macroeconomic and fiscal	*Budget Documents, FY21, FY22 and FY23*

forecasting	*Tuvalu Fiscal Risk Report 2024*
15. Fiscal strategy	*FY21, FY22 and FY23 Budgets*
16. Medium term perspective in expenditure budgeting	*FY24/25 Budget* *FY23 Budget Document* *FY23 Budget Circular* *FY23 Budget of Tuvalu, Comparative Expenditure by Head, and Part 4: Expenditure by Head and by Department* *FY22 and FY23 budget and MTFF*
17. Budget preparation process	*FY23 Budget Circular* *FY21, FY22 and FY23 Budget documents*
18. Legislative scrutiny of budgets	*https://finance.gov.tv/wp-content/uploads/2023/01/2023-National-Budget.pdf* *https://finance.gov.tv/planning-and-budget/* *FY23 Budget, Tuvalu Constitution. PFM Act* *Budget Documents and data provide by authorities* *FY23 Budget; Public Finance Act 2008.*
19. Revenue administration	*Income Statement Data from the FMIS for FY2023 (Excel download). Tuvalu Post Ltd and Tuvalu Telecommunication Corporation – extracts from unaudited financial statements 2017.* *https://www.pnatuna.com/content/nauru-agreement* *https://www.pnatuna.com/content/nauru-agreement. Sample Fish Carrier Access Agreement. Sample Fisheries Invoice.* *https://finance.gov.tv/customs/ https://finance.gov.tv/inland-revenue/* *http://tuvalu.tradeportal.org/ standard contract agreement template. Sample fisheries invoice. Various tax laws available on the websites which are current.* *Income Statement Data from the FMIS for FY2023 (Excel download). Unpaid SAD Excel Sheet. Aged AR report from FMIS as at 31/12.2023.*
20. Accounting for revenue	*Bank deposit slips. Bank statement – Government General Account. FMIS print out with monthly revenue data. FMIS Printouts to Excel. Attachment #2 Cashier Receipt Share (Inland Revenue Deposits).* *FMIS revenue and accounts receivable*
21. Predictability of in-year resource allocation	*Financial Statements 2022. FMIS balances report. Bank Statements and bank deposit slips.* *2021-2023 Cash Flow (Excel spreadsheet).* *Whole of Government Dataset (data from the FMIS)* *Email from planning and budgeting department. Rules and procedures: Public Finance Act. 2021-2023 Cash Flow (Excel spreadsheet) (Virements).*
22. Expenditure arrears	*Tuvalu Whole of Government Financial Statements FY2022 FY2023.*
23. Payroll controls	*Sample Forms: P4 (Acting Appointment); P8 (Responsibility Allowance); P10 (Overtime Claim). General Payment Voucher 05/2024. Excel Payroll Files (5th payroll of the year; Pay 5-2023; ConTemp_Pay 5; Est_Pay 5; Est_Pay 5.pdf; Scan of Payroll Payment Voucher with signatures approving the payroll amounts (including budget approval; vote control; Payroll Officer; and Accountable Officer for Secretary for Finance. Nominal Roll 2024/25.*
24. Procurement management	*https://finance.gov.tv/central-procurement/ Procurement Act 2013 (and amendment 2021). Public Procurement Regulations 2014 (and Amendment 2021). Procurement Manual.* *Tuvalu CPU Register (Excel). Figures in square brackets denote the number of procurement activities undertaken.*
25. Internal controls on non-salary	*Finance Instructions;*

expenditure	*Finance Circular;* *Anecdotal information gathered during consultations with the Treasury and selected line ministries* *2020 audit report;* *2023 Cashflow report*
26. Internal audit	*Information provided by MFED*
27. Financial data integrity	*Status of 2023 Bank Reconciliation of all bank accounts, Treasury Department* *2023 Indicative Account Balances and Statement of Income as provided by the Treasury;* *2023 data set on Advances as provided by the Treasury* *Statements from the FMIS Unit, and the Treasury Department during the consultation*
28. In-year budget reports	*2018 Finance Instructions* *Cashflow Report 2023 provided by the MFED*
29. Annual financial reports	*2019, 2020, 2021 audited financial statements for the whole of government of Tuvalu.* *2022 draft completed financial statements.* *Information from the Treasury on date of submission of the reports as confirmed by the OAG.* *Audit reports on the 2019 and 2020 financial statements* *2019 Transition to Full Accrual Accounting for the Government of Tuvalu*
30. External audit	*Copy of audit reports published at the OAG website* *Data provided by the OAG and the Treasury Department* *Tuvalu Constitution* Tuvalu Audit Act
31. Legislative scrutiny of audit reports	*Information on timing of audit report submitted to legislature, provided by the Office of the Auditor General* *Validation from the Office of the Auditor General on scrutiny and hearings conducted by the Public Accounts Committee* *PAC reports published in the website of the Office of the Auditor General*

Annex 4: Sources of data – persons interviewed

Name	Position
Ministry of Finance and Economic Development	
Dr. Tauisi M Taupo	Permanent Secretary
Mr. Asau Leauma	Deputy Secretary
Mrs. Loisi Seluka	Deputy Secretary
Ms. Kelena Tapa	Director of Planning, Budget and Aid Coordination
Mrs. Seipua Scott	Ag. Government Accountant
Ms. Savali Toakai	Sector Economist (Ministry of Finance & Economic Development)
Mrs. Fulimai Iuliano	Senior Economist (Aid Coordination)
Mr. Falema Pita	Sector Economist (Ministry of Natural Resource Development/Ministry of Foreign Affairs, Labour and Trade)
Mr. Lae Peleti	Ag. Government Statistician
Mr. Tele Pelosa	Information Technology Officer
Mrs. Nefu Uniuni Tepapaki	Debt Management Officer
Mrs. Makelita Alovaka	Assets Register Clerk
Mrs. Sania Taumaheke	Director CPU
Mrs. Foini Tusela	Operational Procurement Officer
Mrs. Fenuatapu T Peleti	Director of PERMU
Revenue and Customs Department MFED	
Mrs. Pelenise Kimo	Senior Officer Revenue DMU
Mrs. Falesala Kofe	Revenue & Customs DMU Officer
Mr. Tebeke Teaukai	Senior Customs Officer
Office of the Auditor General	
Mrs. Imase Kaunatu	Auditor General
Line ministries	
MHACCE	
Mr. Penivao Moealofa	Assistant Secretary
Mr. McDonald Tau	Ag. Director of Home Affairs
Mr. Sepoe Tafea	Local Government Financial Officer
Mrs. Taimoe Mika	Rural Development Planner
MPWIDW	
Mr. Nuausala Nuausala	Permanent Secretary
Fisheries Department	
Mrs. Siouala Malua	SFO Licensing
Mrs. Rosalia Uoka	FO Purse-Seine Licensing
MPWIDW	
Mr. Temate Melitiana	Permanent Secretary
Mrs. Simalua Taliu	Assistant Secretary
MEHRD	
Mrs. Iunipa Teatu	Ag. Permanent Secretary

Annex 5: Observations on internal control

Internal control components and elements	Summary of observations
1. Control environment	
1.1 The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organisation	The administration is small, but the MFED staff are committed to their roles but overall, there are wide ranging capacity constraints.
1.2 Commitment to competence	Overall, there are significant capacity constraints in terms of skills and numbers.
1.3 The "tone at the top" (i.e. management's philosophy and operating style)	Permanent Secretary Finance very supportive of reforms
1.4 Organisational structure	Capacity constraints as highlighted above
1.5 Human resource policies and practices	Capacity constraints as highlighted above
2. Risk assessment	
2.1 Risk identification	PI-10 scored a C overall buoyed up by the recent publication of the Fiscal Risk Report. However, compliance is very low with submission of annual financial statements by SOEs and SNGs are not
2.2 Risk assessment (significance and likelihood)	Economic Analysis of Investment Proposals in 11.1 is rated D. Debt Management Strategy in 13.3 is rated D. Macrofiscal sensitivity analysis in 14.3 is rated C. Revenue Risk Management in 19.2 is rated B – however this is on account of the strong PNA rules and procedures. Cash Flow Forecasting and Monitoring in 21.2 is rated C – an annual cash plan is produced which is updated on an ad-hoc basis rather than monthly, based on actual outturns.
2.3 Risk evaluation	
2.4 Risk appetite assessment	
2.5 Responses to risk (transfer, tolerance, treatment or termination)	
3. Control activities	
3.1 Authorization and approval procedure	Generally good controls reinforced by a sound legislative and regulatory framework. The FMIS (TechOne) provides a system-controlled environment compared to manual processes. But as of this assessment, the automated controls do not cover yet all expenditures, as the commitment control module is still being developed.
3.2 Segregation of duties (authorizing, processing, recording, reviewing)	Segregation of duties is rated A in Dimension 25.1 There is robust segregation of duties, with minor exception only at the foreign missions and field offices due to limited resources. Dimension 23.2 similarly is rated A, and 23.1 rated B.
3.3 Controls over access to resources and records	Compliance with payment rules and procedures is rated A in Dimension 25.3. This is underpinned by effective Treasury processes and controls. There are only a few cases and less than 5% of overspending. Financial data integrity processes are rated D in Dimension 27.4 due to the major gaps in the FMIS modules and in the user authorization and access measures.

3.4 Verifications	Accuracy of in-year budget reports is rated D in Dimension 28.3 due to the lack of data by administrative classification. Effectiveness of controls over data used to verify payroll calculation in Dimension 23.3 is rated C due to the current manual processing of the payroll.
3.5 Reconciliations	No evidence of regular reconciliation of revenue accounts leading to score D* in Dimension 20.3. Furthermore, customs debtors are managed outside the FMIS, and there is no ageing of these revenue arrears, which should be considered a serious weakness. Bank account reconciliations in Dimension 27.1 are rated B.
3.6 Reviews of operating performance	
3.7 Reviews of operations, processes and activities	
3.8 Supervision (assigning, reviewing and approving, guidance and training)	
4. Information and communication	
	Integrity of financial data scored D in Dimension 27.4 due to existing gaps in the FMIS modules and user authorization procedure. The volume of performance information assessed in Dimension 8.2 scored D.
5. Monitoring	
5.1 Ongoing monitoring	Resources received by service delivery units in Dimension 8.3 is rated B. Monitoring of public corporations in Dimension 10.1 is rated D. Monitoring of SNGs in Dimension 10.2 is rated D. Contingent liabilities and other fiscal risks in Dimension 10.3 is rated A. Investment project monitoring in Dimension 11.4 is rated D. Quality of central government financial asset monitoring in Dimension 12.1 is rated A. Quality of central government non-financial asset monitoring in Dimension 12.2 is rated D. Revenue arrears monitoring in Dimension 19.4 is rated D*. Expenditure arrears monitoring in Dimension 22.2 is rated D. Procurement monitoring Dimension 24.1 is rated B. A good register was maintained on all procurement but the whole monitoring and control environment was in effective in ensuring open and competitive procurement.
5.2 Evaluations	Performance evaluation for service delivery in Dimension 8.4 is rated C. Evaluation practices by implementing agencies for Investment project selection in Dimension 11.2 are rated D* due to lack of evidence that the evaluation and prioritization guidelines have been applied.
5.3 Management responses	Response to IA recommendations in Dimension 26.4 is rated N/A. because there was no operational audit

	performed in the last three fiscal years. External audit follow-up in Dimension 30.3 is rated C. There is follow-up but this is undermined by the delayed report. There is only partial response since majority of prior years' audit issues remained unresolved.

Annex 6: Tracking performance since previous PEFA assessment using PEFA 2011 framework

No comparison was made with previous assessment due to the long elapsed period between assessments.

Annex 7: Calculation of budget outturns for PI-1, PI-2 and PI-3

Calculation Sheet for Dimensions PI-1.1, PI-2.1 and PI-2.3

(AUD$ in thousands)

Step 1: Enter the three fiscal years used for assessment in table 1.

Step 2: Enter the **administrative** OR **functional** head for up to 20 heads.

The 21st line will be the sum of figures for all remaining heads (if any).

Step 3: Enter **budget** and **actual** expenditure data for each of the three years in tables 2, 3, and 4 respectively.

Step 4: Enter **contingency** data for each of the three years in tables 2, 3, and 4 respectively.

Step 5: Read the results for each of the three years for each indicator in table 5.

Step 6: Refer to the scoring tables for indicators PI-1 and PI-2 respectively in the Performance Measurement Framework in order to decide the score for each indicator.

Table 1 - Fiscal years for assessment

Year 1 =	2021
Year 2 =	2022
Year 3 =	2023

Table 2

Data for year =	**2021**					
administrative or functional head	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
Office of the Govenor General	310	178	266	-88	88	33%
Office of the Prime Minister	6,846	5,950	5,885	65	65	1%
Office of Legal Services	1,088	865	935	-70	70	8%
Office of the Parliament	2,097	1,721	1,803	-82	82	5%
Office of the Auditor General	428	290	368	-78	78	21%
Ministry of Finance	26,025	22,016	22,373	-357	357	2%
Ministry of Public Works, Infrastructure , Enrivornment & Labour, Meterology and Disaster	9,895	7,292	8,506	-1,214	1,214	14%
Ministry of Health, Social Welfare and Gender Affairs	13,514	13,941	11,618	2,323	2,323	20%
Ministry of Fisheries and Trade	4,066	2,279	3,495	-1,216	1,216	35%
Ministry of Local Government and Agriculture	13,207	10,814	11,354	-540	540	5%
Police and Prison Services	2,294	2,611	1,972	639	639	32%
Ministry of Transport , Energy and Tourism	6,242	6,706	5,366	1,340	1,340	25%
Ministry of Education, Youth and Sports	15,406	12,433	13,244	-811	811	6%
Office of Judiciary	587	544	505	39	39	8%
Ministry of Justice, Communication and Foreign Affairs	6,216	5,394	5,344	**50**	50	1%
Allocated expenditure	**108,221**	**93,034**	93,034	0	8,914	
Interest	68	68				
Contingency warrant / supplemtal appropriations		1,629				
total expenditure	108,289	94,731				
aggregate outturn (PI-1)						87.5%
composition (PI-2) variance						9.6%
contingency share of budget						1.5%

Table 3

Data for year =	2022					
administrative or functional head	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
Office of the Govenor General	313	324	279	45	45	16%
Office of the Prime Minister	7,528	6,436	6,699	-263	263	4%
Legal Services	1,533	975	1,364	-389	389	29%
Office of the Parliament	2,913	1,826	2,592	-766	766	30%
Office of the Auditor General	439	351	391	-40	40	10%
Ministry of Finance	14,977	11,883	13,327	-1,444	1,444	11%
Ministry of Public Works, Infrastructure , Enrivornment & Labour, Meterology and Disaster	6,875	5,947	6,118	-171	171	3%
Ministry of Health, Social Welfare	13,104	16,398	11,661	4,737	4,737	41%
Ministry of Fisheries and Trade	2,435	2,011	2,167	-156	156	7%
Ministry of Local Government and Agriculture	15,860	11,590	14,113	-2,523	2,523	18%
Tuvalu Police Service	2,978	2,859	2,650	209	209	8%
Ministry of Transport, Energy and Tourism	8,317	8,020	7,401	619	619	8%
Ministry of Education, Youth and Sports	13,142	11,719	11,694	25	25	0%
Judiciary	736	679	655	24	24	4%
Ministry of Justice, Communication and Foreign Affairrs.	10,071	9,053	8,962	91	91	1%
Allocated expenditure	**101,221**	**90,071**	**90,071**	**0**	**11,503**	
Interest	45	45				
Contingency warrant / supplemtal appropriations		853				
total expenditure	101,266	90,969				
aggregate outturn (PI-1)						89.8%
composition (PI-2) variance						12.8%
contingency share of budget						0.8%

Table 4

Data for year =	2023					
administrative or functional head	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
Office of the Govenor General	254	198	292	-94	94	32%
Office of the Prime Minister	6,503	5,262	7,483	-2,221	2,221	30%
Legal Services	1,457	1,100	1,677	-577	577	34%
Office of the Parliament	1,786	1,872	2,055	-183	183	9%
Office of the Auditor General	468	438	539	-101	101	19%
Ministry of Finance	11,112	12,109	12,787	-678	678	5%
Ministry of Public Works, Infrastructure , Enrivornment & Labour, Meterology and Disaster	9,339	7,167	10,747	-3,580	3,580	33%
Ministry of Health, Social Welfare	14,161	21,670	16,295	5,375	5,375	33%
Ministry of Fisheries and Trade	2,398	2,215	2,759	-544	544	20%
Ministry of Local Government and Agriculture	12,828	10,899	14,762	-3,863	3,863	26%
Tuvalu Police Service	2,996	2,719	3,448	-729	729	21%
Ministry of Transport, Energy and Tourism	8,616	16,315	9,915	6,400	6,400	65%
Ministry of Education, Youth and Sports	14,802	13,705	17,033	-3,328	3,328	20%
Judiciary	832	780	957	-177	177	19%
Ministry of Justice, Communication and Foreign Affairrs.	6,795	12,119	7,819	4,300	4,300	55%
Allocated expenditure	**94,347**	**108,568**	**108,568**	**0**	**32,149**	
Interest	45	45				
Contingency warrant / supplemtal appropriations		829				
total expenditure	94,392	109,442				
aggregate outturn (PI-1)						115.9%
composition (PI-2) variance						29.6%
contingency share of budget						0.9%

Table 5 - Results Matrix

year	for PI-1.1 total exp. Outturn	for PI-2.1 composition variance	for PI-2.3 contingency share
2021	87.5%	9.6%	
2022	89.8%	12.8%	1.1%
2023	115.9%	29.6%	

Source: FMIS extract provided by MFED: Head 2021-2023 WoG dataset. For contingencies FMIS extract provided by MFED: Economic Class 2021-2023 WoG dataset.

Calculation Sheet for Expenditure by Economic Classification Variance PI-2.2

(AUD$ in thousands)

Step 1: Enter the three fiscal years used for assessment in table 1.

data for each of the three years in tables 2, 3,

Step 3: Read the results for each of the three years for each indicator in table 5.

Table 1 - Fiscal years for assessment

Year 1 =	2021
Year 2 =	2022
Year 3 =	2023

Table 2

Data for year =	**2021**					
Economic head	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
Staffing	26,071	26,837	22,415	4,422	4,422	20%
Travel & Communication	3,813	2,032	3,278	-1,246	1,246	38%
Maintenance	2,593	1,842	2,229	-387	387	17%
Fuel & Oil	1,651	1,773	1,419	354	354	25%
Grants, Subsidies & Donations	13,757	9,147	11,828	-2,681	2,681	23%
Scolarship	6,254	6,379	5,377	1,002	1,002	19%
Training	526	223	452	-229	229	51%
Goods and services	21,621	19,180	18,589	591	591	3%
Tuvalu Medical Treatment Scheme	5,500	7,044	4,729	2,315	2,315	49%
Capital expenditures	23,765	16,580	20,432	-3,852	3,852	19%
Interest	68	68	58	10	10	16%
Statutory expenditures	2,669	1,997	2,295	-298	298	13%
Total Expenditure	**108,288**	**93,102**	**93,102**	**0**	**17,387**	
composition variance						18.7%

Table 3

Data for year =	2,022					
Economic head	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
Staffing	30,418	29,059	27,070	1,989	1,989	7%
Travel & Communication	3,747	3,406	3,335	71	71	2%
Maintenance	2,550	1,736	2,269	-533	533	24%
Fuel & Oil	2,214	2,342	1,970	372	372	19%
Grants, Subsidies & Donations	18,826	12,381	16,754	-4,373	4,373	26%
Scolarship	6,477	5,553	5,764	-211	211	4%
Training	570	221	507	-286	286	56%
Goods and services	20,354	18,519	18,113	406	406	2%
Tuvalu Medical Treatment Scheme	4,500	8,669	4,005	4,664	4,664	116%
Capital expenditues	8,209	4,634	7,305	-2,671	2,671	37%
Interest	45	45	40	5	5	12%
Statutory expenditures	3,355	3,553	2,986	567	567	19%
Total Expenditure	**101,265**	**90,118**	**90,118**	**0**	**16,149**	
composition variance						17.9%

Table 4

Data for year =	2,023					
Economic head	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
Staffing	34,113	31,422	39,255	-7,833	7,833	20%
Travel & Communication	2,975	4,411	3,423	988	988	29%
Maintenance	2,616	6,798	3,010	3,788	3,788	126%
Fuel & Oil	2,597	2,740	2,988	-248	248	8%
Grants, Subsidies & Donations	7,923	9,764	9,117	647	647	7%
Scolarship	7,584	5,609	8,727	-3,118	3,118	36%
Training	353	315	406	-91	91	22%
Goods and services	19,507	24,785	22,448	2,337	2,337	10%
Tuvalu Medical Treatment Scheme	6,000	14,177	6,904	7,273	7,273	105%
Capital expenditures	7,630	5,239	8,780	-3,541	3,541	40%
Interest	40	40	46	-6	6	13%
Statutory expenditures	3,047	3,313	3,506	-193	193	6%
Total Expenditure	**94,385**	**108,613**	**108,613**	**0**	**30,064**	
composition variance						27.7%

Table 5 - Results Matrix

year	composition variance
2021	18.7%
2022	17.9%
2023	27.7%

Source: Interest taken from 2023 Financial Statement Note 7 - Statement of Public Debt. FMIS extract provided by MOF: Head 2021-2023 WoG dataset. For contingencies FMIS extract provided by MOF: Econ Class 2021-2023 WoG dataset. Total allocated expenditure plus interest and principal repayment equals economic class total plus principal repayment.

Calculation Sheet for Revenue outturn (Oct 2018)

(AUD$ in 000)

Table 1 - Fiscal years for assessment

Year 1 =	2021
Year 2 =	2022
Year 3 =	2023

Table 2

Data for year =	**2021**					
Economic head	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
Taxation	8,840	10,587	7,637	2,950	2,950	39%
Interest, Dividends and Rents	698	2,372	603	1,769	1,769	293%
Fisheries Licenses	38,554	39,417	33,305	6,112	6,112	18%
Comericial Contracts	8,259	4,819	7,135	-2,316	2,316	32%
Extenal Assistance and Grants	34,579	24,118	29,871	-5,753	5,753	19%
Other Income	17,171	12,071	14,833	-2,762	2,762	19%
Total revenue	108,101	93,384	93,384	0	21,663	
overall variance						86.4%
composition variance						23.2%

Table 3

Data for year =	**2022**					
Economic head	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
Taxation	9,907	12,450	8,330	4,120	4,120	49%
Interest, Dividends and Rents	14,173	4,632	11,917	-7,285	7,285	61%
Fisheries Licenses	34,461	37,854	28,976	8,878	8,878	31%
Comericial Contracts	9,070	5,885	7,626	-1,741	1,741	23%
Extenal Assistance and Grants	19,033	14,609	16,003	-1,394	1,394	9%
Other Income	6,937	3,255	5,833	-2,578	2,578	44%
Total revenue	93,581	78,685	78,685	0	25,997	
overall variance						84.1%
composition variance						33.0%

Table 4

Data for year =	**2023**					
Economic head	**budget**	**actual**	adjusted budget	deviation	absolute deviation	percent
Taxation	11,730	12,847	14,973	-2,126	2,126	14%
Interest, Dividends and Rents	320	364	408	-44	44	11%
Fisheries Licenses	40,257	43,848	51,388	-7,540	7,540	15%
Comericial Contracts	6,694	9,075	8,545	530	530	6%
External Assistance and Grants	24,489	40,090	31,260	8,830	8,830	28%
Other Income	3,378	4,663	4,312	351	351	8%
Total revenue	86,868	110,887	110,887	0	19,422	
overall variance						127.6%
composition variance						17.5%

Table 5 - Results Matrix

year	total revenue deviation	composition variance
2021	86.4%	23.2%
2022	84.1%	33.0%
2023	127.6%	17.5%
Average	99.4%	25%

Source: *FMIS extract provided by MFED - Economic Class 2021-2023 WoG dataset. 2021 Financial Statement. 2022 Financial Statement. 2023 Corrected Statement of Comprehensive Income provided by MFED.*