

## Macroeconomic Analysis—Phase V program and RBM Logical Framework

### Macroeconomic Management

#### Objective: Improved macroeconomic analysis and policy

##### 5.1 *Enhanced monitoring, forecasting and policy analysis tools, including financial programming frameworks for policy analysis; and indicators and processes for assessing macroeconomic and financial stability*

Outcomes (expected results)	Verifiable indicators	Member Countries	Main Partners in CD	Synergies with other PFTAC CD	Comments Including Risk Factors Promoting/Delaying Progress
Members' financial programming frameworks for policy analysis are strengthened.	<ol style="list-style-type: none"> <li>1. Relevant macroeconomic and fiscal data are regularly compiled and analyzed.</li> <li>2. Macroeconomic policy analysis and advice are empirically based.</li> <li>3. Macroeconomic and fiscal forecasts are consistent.</li> </ol>	Cook Islands, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Vanuatu			Staffing and resourcing of economic units are required.
Forecasting tools and methodologies are developed for: (i) key sectors of the economy (e.g. tourism, natural resource extraction); (ii) economic variables of importance for monetary and fiscal policy (e.g. inflation, GDP, government expenditure and revenue); and (iii) other defining aspects of countries (e.g. remittances).	<ol style="list-style-type: none"> <li>1. Forecasts are country specific using available data.</li> <li>2. Forecasts are updated following key data releases.</li> <li>3. Medium-term forecasts are published in budget documents and monetary policy statements.</li> </ol>	Cook Islands, Fiji, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Vanuatu	Asian Development Bank, IMF Institute for Capacity Development, IMF Research Department		Using the same software, e.g. free software like R, would greatly facilitate the sharing of computer code across countries.

A Pacific Islands Macroeconomic Analysis and Modeling Association is established.	<ol style="list-style-type: none"> <li>1. A forum is established where macroeconomic issues most relevant to Pacific Island countries are discussed and where experiences are shared.</li> <li>2. Tools and data are shared across countries.</li> <li>3. Common issues are discussed and evaluated at an annual meeting.</li> </ol>	Fiji, Papua New Guinea, Samoa, Solomon Islands, Tonga, Vanuatu initially	Reserve Bank of Australia, Bank of England Centre for Central Banking Studies, Reserve Bank of New Zealand, Australian and New Zealand universities, Secretariat of the Pacific Community	The contribution of the main partners in this technical assistance is essential.
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**5.2 Strengthened capacity to develop sustainable policies, including to incorporate medium-term trends and risks into forecasting and policy analysis**

Outcomes (expected results)	Verifiable indicators	Member Countries	Main Partners in CD	Synergies with other PFTAC CD	Comments Including Risk Factors Promoting/Delaying Progress
The use of financial programming frameworks in budgeting and planning processes is increased.	<ol style="list-style-type: none"> <li>1. Financial programming frameworks are used in budgeting and planning processes.</li> <li>2. Budgets contain consistent macroeconomic and fiscal medium-term forecasts.</li> </ol>	Cook Islands, Fiji, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Vanuatu		Public Financial Management	Within inter-agency cooperation is needed.
Long-term revenue and expenditure pressures (e.g. due to demographic changes and the rising incidence of non-communicable diseases) are taken into account in fiscal policy	<ol style="list-style-type: none"> <li>1. Medium-term trends and risks are incorporated into forecasts and budgets.</li> <li>2. Budget documents contain a discussion of risks.</li> </ol>	All PFTAC countries	IMF Fiscal Affairs Department, United Nations Development Program, World Bank, World Health Organization	Public Financial Management, Revenue Policy and Administration	
Debt dynamics are incorporated into financial programming frameworks.	<ol style="list-style-type: none"> <li>1. Countries conduct debt sustainability assessments.</li> <li>2. Debt sustainability scenarios are published in budgets.</li> </ol>	Cook Islands, Fiji, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Vanuatu	World Bank		Accurate and timely disaggregated public debt data are required.

Fiscal risks due to contingent liabilities are explicitly accounted for in fiscal planning.	1. Fiscal risks due to contingent liabilities emanating from the financial sector, SOEs and other autonomous government agencies are identified, quantified, and monitored. 2. Fiscal risks are explicitly incorporated into financial programming frameworks.	All PFTAC countries	Financial Sector Supervision, Public Financial Management	Assess fiscal risks due to contingent liabilities emanating from the financial sector, state owned enterprises, other autonomous government agencies, and public-private partnerships.
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**5.3** *Strengthened capacity to build greater resilience to shocks, including to manage the fiscal consequences of significant shocks (including natural disasters) and improve the soundness and efficiency of financial systems*

Outcomes (expected results)	Verifiable indicators	Member Countries	Main Partners in CD	Synergies with other PFTAC CD	Comments Including Risk Factors Promoting/Delaying Progress
Enhanced formulation of fiscal and monetary policy to reduce economic fluctuations.	1. Output volatility is reduced. 2. Fiscal and monetary anchors, e.g. debt to GDP or inflation targets, are achieved.	Countries with quarterly GDP: Cook Islands, Fiji, Kiribati, Samoa		Macroeconomic Statistics	Quarterly GDP estimates are produced on a timely basis.
Governments have fiscal resources to respond to shocks.	Fiscal management is prudent and public debt is below maximum levels.	All PFTAC countries		Public Financial Management	Prudent fiscal management requires medium-term fiscal planning.