

# ANNUAL REPORT

November 2011



# PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTER (PFTAC)



## **Statement by the Chairman of the PFTAC Steering Committee**

Improving macroeconomic management in the Pacific Islands is as important today as it was when PFTAC was established in 1993. PFTAC has been a valued partner for a long time and has helped many Pacific Islands make great strides in improving our economic management. But there is still much to do. Effective management of public finances and financial sectors is crucial in times of stress and the Pacific Island economies' vulnerability to external shocks has become ever more apparent in recent years. The recent food and fuel price shock that was swiftly followed by an acute global recession put many of PFTAC's members under intense stress while at the same time the region's vulnerability to natural disasters such as tsunamis, floods and cyclones put populations under even greater pressure.

The independent evaluation conducted in 2009 confirmed PFTAC's importance to the region and, in recognition of the success, recommended an expansion of its services in the next phase of its operations. This inaugural annual report, which arrives at the start of Phase IV of its operations, shows that with generous financial support from the major development partners in the region the IMF has been able to achieve this. The additional establishment of a regional resident representative office that complements PFTAC's work, shows that the IMF understands the issues facing the Pacific and is ready to help. This is very welcome and the Government of Fiji has been delighted to help make this happen by covering the costs of accommodating the two offices.

In my first year as Chairman of the PFTAC Steering Committee, it is my pleasure to introduce this inaugural PFTAC Annual Report. PFTAC has always been highly transparent about its operations and accountable to its members and development partners. The introduction of a comprehensive annual report as PFTAC enters its fourth phase of operations is a welcome enhancement to this tradition and I hope that the report will be received by PFTAC's stakeholders and the wider public as a valuable enhancement by summarizing the year's activities and PFTAC's future plans in a convenient and accessible format.

I look forward to PFTAC continuing its good work over the coming years and to discussing this report at the next PFTAC Steering Committee in early-2012.



Mr. Barry Whiteside, Governor of the Reserve Bank of Fiji

## **Foreword by the Center Coordinator**

It is a pleasure to provide this first ever PFTAC Annual Report, that covers the centre's fiscal year 2011 operations. I hope that the report will help member states, donors, and all PFTAC stakeholders better understand what we do; why we do it and the impact it is having in the sixteen member countries in which we conduct business.

For PFTAC, 2011 saw the end of a three year funding cycle and the beginning of a five-year Phase IV of operations. The strategy for the fourth phase that was approved by the Steering Committee in September 2010 envisaged a significant increase in the scale of PFTAC's services encompassing new advisors in areas critical to the achievement of the region's economic goals—public financial management, statistics and macroeconomics. This required, of course, an increase in resources. We are grateful to our development partners: Asian Development Bank, AusAID, and New Zealand for their continued and increased support to PFTAC and to the European Union for becoming a new funding partner. We also look forward to Korea formalizing its pledge to continue its financial support. We are sure that this funding will be a valuable contribution to improving economic management in the region.

Phase IV also sees PFTAC gain a new member country for the first time. Timor-Leste became a part of the PFTAC family in July 2011. We welcome them and look forward to the valuable perspective they will bring to regional associations, training courses and analysis.

This annual report is one of a number of improvements we are making to PFTAC's operations in Phase IV. We hope it proves to be a useful tool for our members, in showing how our work in their country links to a broader regional strategy; and to our development partners, in showing how their generous support is being used to help Pacific Island Countries achieve results. We aim to use future annual reports to provide structured reporting on the targets in our results framework.

Of course, any results that are achieved are not PFTAC's but are the achievements of the governments and our counterparts and partners in PFTAC's member countries. The commitment, interest, ingenuity and friendliness of the public officials and development partners in the Pacific is what makes our work so rewarding and enjoyable. We look forward to continuing to work closely with them all during the next five years and beyond.

Matt Davies, PFTAC Centre Coordinator

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## List of Acronyms

|         |  |
|---------|--|
| ADB     | Asian Development Bank   |
| AFSPC   | Association of Financial Supervisors of Pacific Islands Countries  |
| ANU     | Australian National University   |
| BPNG    | Bank of Papua New Guinea   |
| CAMELS  | Capital adequacy, Asset quality, Management, Earnings performance, Liquidity and Sensitivity to market risks |
| DOFD    | Australian Department of Finance and Deregulation  |
| CBSI    | Central Bank of the Solomon Islands  |
| FEMM    | Forum Economic Ministers Meeting   |
| FSIS    | Financial Sector Information System  |
| FSM     | Federated States of Micronesia   |
| HOPS    | Heads of Planning and Statistics Meeting (SPC)   |
| ICP     | International Comparison of Prices   |
| IFMIS   | Integrated Financial Management Information System   |
| PEFA    | Public Expenditure and Financial Accountability  |
| PEM TA  | Pacific Economic Management Technical Assistance Project   |
| PFM     | Public Financial Management  |
| PFTAC   | Pacific Financial Technical Assistance Centre  |
| PIC     | Pacific Island Country   |
| PIFMA   | Pacific Islands Financial Management Association   |
| PINACLE | Pacific Islands National Accounts Compilers  |
| PITAA   | Pacific Islands Tax Administrators Association   |
| PSSC    | Pacific Statistics Steering Committee  |
| RBF     | Reserve Bank of Fiji   |
| RMI     | Republic of the Marshall Islands   |
| RTAC    | Regional Technical Assistance Centre   |
| SPC     | Secretariat of the Pacific Community   |
| TA      | Technical Assistance   |
| TYPSS   | Ten Year Pacific Statistics Strategy   |
| VAT     | Value Added Tax  |

## I. OVERVIEW OF PFTAC

### What is PFTAC?

**PFTAC supports Pacific Island governments achieve enhanced growth and poverty reduction.** PFTAC's guiding objective is improved economic management and sustainable economic growth across the Pacific Island Countries. Using the International Monetary Fund's (IMF's) surveillance and technical expertise, PFTAC responds rapidly and flexibly to country demand for high-quality technical assistance (TA) and training in improving their macroeconomic management.

**PFTAC is one of the IMF's seven regional TA centers (RTACs), a model of TA delivery first launched in 1993 through PFTAC.** The RTACs are a collaborative venture between the IMF, the recipient countries, and bilateral and multilateral donors (Box 1). Through PFTAC, which is now entering its fourth phase of operations, the IMF has been able to substantially increase its TA to the PICs. PFTAC has delivered TA to 15 countries: Cook Islands, Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu and Vanuatu. Timor-Leste joined PFTAC at the beginning of the fourth phase in July, 2011.

**PFTAC's operations are made possible by financial contributions from a number of donors.** The financing of PFTAC's TA activities has come from the Asian Development Bank, Australia, Japan, Korea and New Zealand. The European Union, in the framework of their Cotonou partnership agreement with the African, Caribbean and Pacific (ACP) states, has recently begun to provide financial contributions. In Phase IV, the host country, Fiji, is making a financial contribution through the provision of free office space; recipient countries also contribute through in-kind and financial support for training activities in the region. The IMF contribution finances the coordinator and the running costs of the office, including local support staff.

**PFTAC's proximity to the countries it serves, and its strong relationships to regional institutions are vital to its technical assistance.** The location in the region offers several advantages that are typical of the IMF RTACs. These include: (i) decentralized and better tailored delivery of TA to the particular needs of the region; (ii) enhanced country ownership and accountability; (iii) faster and more efficient response to TA requests; (iv) closer coordination with other TA providers in the region; and (v) more focused subject-specific and hands-on training for local officials. PFTAC's activities are complementary to other forms of IMF TA, and are closely integrated into the IMF's technical assistance program. The IMF ensures accountability and quality control of PFTAC's TA and training activities.

### **Box 1: The IMF's RTACs**

Eight Regional Technical Assistance Centers (RTACs) in the Pacific, the Caribbean, in Africa, the Middle East, and Central America help countries strengthen human and institutional capacity to design and implement sound macroeconomic policies that promote growth and reduce poverty (see Annex B). Work is progressing on establishing a new regional center for Western Africa.

RTACs combine local expertise and on-the-ground capacity building with strategic advice from IMF headquarters. All technical assistance (TA) is integrated into the IMF's lending and surveillance operations, and coordinated with other IMF TA as well as that of other providers. All TA is backstopped by IMF headquarters, ensuring quality and consistency of policy advice.

#### **RTACs' Key Areas of Work and Delivery Modes**

RTACs host a team of resident advisors who assist countries in implementing their reform programs. The composition of competencies is tailored to the specific needs of the region and may include: public finance management, medium-term expenditure frameworks, tax and customs policy and administration, revenue administration, debt management, financial sector supervision and regulation, financial sector development, capital market development, monetary policy and operations, economic and financial statistics, national accounts and price statistics, financial programming, and training in macroeconomics. The work of the resident advisors is supported by short-term experts, including in areas that require specialized knowledge. Other delivery modalities include workshops and seminars, courses on key macroeconomic issues in collaboration with the IMF Institute, as well as short-term professional attachments.

#### **RTACs' Regional Approach**

The IMF's regional approach to technical assistance and training allows for better tailoring of assistance to the particular needs of a region, closer coordination with other assistance providers, and enhanced ability to respond quickly to emerging needs.

RTACs develop a deep knowledge of their countries and region, including cross-cutting and regional integration issues. They are close to their clients, and RTAC resident advisors are in frequent contact and travel to recipient countries to provide step-by-step assistance with TA implementation. Given their physical proximity, they can respond promptly to urgent TA requests and follow up, and are less costly in the delivery of TA. RTACs are using and building local expertise.

#### **RTACs' Governance Structure and Operational Arrangements**

RTACs are governed by Steering Committees (SC) composed of representatives of recipient countries, donors and the IMF. This governance structure has proven highly successful as it builds stakeholder ownership of work programs, facilitates peer review and networking, and provides a platform for donor coordination.

TA needs are identified and prioritized by the country authorities in cooperation with area and TA departments at IMF headquarters and the centre, and the work plans are endorsed by the Steering Committee.

The day-to-day management of the center falls into the responsibility of the center coordinator who is an IMF staff member. The center's professional staff (resident advisors and short-term experts) are recruited, supervised, and backstopped by the IMF, ensuring quality and consistency of policy advice.

**PFTAC is managed by a Center Coordinator, and TA is provided by resident advisors with substantial expertise in their respective sectors.** Resident advisors work, one each in PFM, revenue administration, banking supervision, statistics; and macroeconomics. The resident advisors are based in Fiji; they travel extensively throughout the region, which allows them to develop rapport with country authorities and familiarity with national and regional contexts and needs. The skill mix of the advisors reflects the priority needs of the beneficiary countries. In addition, PFTAC deploys short-term experts to deliver targeted TA in areas of specific expertise not covered by the resident advisors or to enhance the volume of TA. PFTAC also provides seminars and workshops, both at the national level and regionally, collaborating where possible with regional institutions.

### **What does PFTAC do?**

**PFTAC provides TA and training in areas vital to macroeconomic management.** TA needs in the region are widely varied with some countries needing continued building of basic capacity and others increasingly looking to TA from PFTAC and others to fill specific capacity and skill gaps. Objectives in the five main areas are specified to cater to the varied needs in the region.

- *Public Financial Management—moving towards a well-functioning basic PFM system.* Activities in the PFM area are focused around the regional PFM Roadmap approved by Forum Leaders and Finance Ministers in 2010. They are concentrated in two areas: supporting the PEFA assessment process and developing realistic reform priorities, and; continued hands on technical support and training in specific reform areas such as legal frameworks, budgeting cycles, cash management, commitment control and accounting.
- *Revenue policy and administration—improving revenue performance and structure.* PFTAC's activities are guided by its previous analysis of regional priorities and lessons learned and by benchmarking national tax administrations against the requirements of a model tax office developed through the regional tax administrators association (PITAA). Key priorities are VAT implementation, compliance strategies and IT strategies. Given fiscal adjustment pressures facing many PICs, tax policy assistance is also given high priority, including in the natural resources area.
- *Economic Statistics—more timely and reliable macroeconomic datasets based on enhanced source data.* PFTAC's support to PIC's statistics takes place in the context of the Ten Year Pacific Statistics Strategy (TYPSS) created as a result of a regional statistical benchmarking study and implementation plan. National accounts statistics are the main current focus with additional advice and training being provided in external statistics, price indices and government finance statistics. PFTAC coordinates closely with SPC which has a large program of support for social/demographic statistics and some support for economic source data.

- *Financial sector supervision—increased ability to enforce appropriate prudential frameworks.* PFTAC assists central banks and supervisory commissions develop appropriate regulations and statistical returns and regularly produce and analyze financial soundness indicators. The focus of support is now moving towards building capacity for on-site examinations, in particular analysis of loan quality and the implications on capital adequacy and earnings performance of banking institutions.
- *Macroeconomic management—improved forecasting and policy tools.* PFTAC has recently begun working in this area, with activities focusing on three themes: strengthening macroeconomic analysis, particularly in central banks; improving economic forecasting, particularly with regard to budget revenues, and; building frameworks for the macroeconomic management of natural resource inflows. Building in-country capacity for debt sustainability analysis is also an important aim.

**PFTAC also provides regional analysis, advice and publications.** Either as a result of its technical assistance work or at the request of its Steering Committee, PFTAC undertakes and publishes analysis and handbooks to assist the development of macroeconomic management in the region. Recent work has included the regional PFM roadmap, an analysis of revenue policy and administrative options (both at the request of regional finance ministers) and an analysis of interest rates and bank profitability (at the request of central bank governors). These recent works have been influential in setting the agenda for regional meetings. PFTAC has also produced six technical handbooks, with the most recent being a synthesis of lessons learned on the use of Integrated Financial Management Information Systems (IFMIS) in the region.

### **How does PFTAC work?**

**With PFTAC, the IMF combines strategic advice from its Headquarters (HQ) with local expertise and on-the-ground capacity building.** PFTAC is guided by a Steering Committee (SC) that consists of representatives from recipient countries, donors and the IMF, facilitating a coordinated design, implementation, and monitoring of TA programs.<sup>1</sup> Broad TA needs are identified and work plans are prepared in conjunction with the SC, alongside the area and TA Departments at IMF HQ. These are complemented by a bottom up exercise to establish detailed work plans involving the center's advisors, country authorities, APD country teams and the respective TA departments at IMF HQ. All TA is integrated with the core lending and surveillance operations of the IMF, as well as coordinated with that of other providers.

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<sup>1</sup> Representatives of the Pacific Islands Forum Secretariat and the World Bank also take part in the SC.

**The centre’s strong location within existing regional frameworks ensures relevance.**

PFTAC’s overall strategy is guided by its steering committee. In addition to the IMF, the steering committee is made up of the 16 recipient countries, the Pacific Islands Forum Secretariat and the centre’s donors. This ensures a strong linkage between PFTAC’s strategy and workplan and regional priorities and initiatives such as the Pacific Plan and the Forum Compact on Development Effectiveness. Although the steering committee meets relatively infrequently—every 18 months—PFTAC is also guided by more frequent regional gatherings such as the annual finance ministers (FEMM) and central bank governors meetings. These two groups, who are also represented on PFTAC’s steering committee, are instrumental in setting PFTAC’s priorities.

**Coordination with other development partners in the region is essential for PFTAC’s success.**

PFTAC enjoys good relations with development partners at both country and regional level and its success and standing in the region has fueled increasing demand for its services. PFTAC will, however, remain a relatively small provider of technical assistance in targeted areas of member country reform programs, in addition to maintaining its capacity to respond at short notice to requests for assistance or advice on new or emerging problems. It aims to be a catalyst for high-quality substantive support from other development partners to build on and implement PFTAC’s advice. In many circumstances, PFTAC will continue to play a strategic role in the larger scale assistance of key development partners through participation in progress reviews or small-scale focused technical inputs.

**Close relationships between PFTAC’s resident advisors and country authorities ensure recommendations relevant to local conditions.**

These close relationships, which have been formed over a number of years, form the bedrock of PFTAC’s success; resident advisors therefore continue to form the core of PFTAC’s TA provision. Short-term experts are used as resources to enable the centre to meet urgent country demands simultaneously and to enable more focused advice in specialist areas. In addition to substantive country visits, resident advisors provide rapid ad hoc advice to country officials, using e mail, phone and information technology. Work programs of advisors and short-term experts are regularly amended to enable urgent country requests to be responded to quickly while maintaining momentum towards strategic goals.

**Capacity building and training are integral to PFTAC’s work.**

PFTAC recognizes that high-quality technical advice is not sufficient to achieve results. The advice has to be tailored to country circumstances and be accompanied by ongoing support to assist implementation. PFTAC addresses this through prioritizing its TA to countries/institutions that are committed to reform, by integrating on-the job and more formal training into technical missions to countries, by partnering with other donors to ensure ongoing support to countries between PFTAC missions and by delivering broader capacity-building training largely through the regional professional associations.

**Sustainability is also addressed through emphasis on regional approaches.** PFTAC recognizes that there are limits to what can be achieved at country level to ensure sustainability of the benefits of technical assistance. In order to enhance country-level sustainability, PFTAC therefore emphasizes locating TA operations within regional initiatives; this enhances the likelihood of advice being taken up and of further development partner support being made available. In this context particular attention is paid to identifying and helping countries implement common approaches to common problems, increasing the opportunities for PICs to assist each other. PFTAC helped establish a number of regional associations that provide valuable support to this agenda (Box 2).

**Challenges to success stem from limits to absorptive capacity, political instability and development partner coordination.** PFTAC's TA remains limited to strategic advice and assistance in implementation in narrow technical areas. A key challenge is to ensure that advice and training is appropriately tailored to the unique capacity constraints of the region. Successful advice relies on implementation which requires resources and expertise to be made available from the recipient governments and other development partners. If the levels of these decline then the results are less likely to be achieved. Human capacity is a particular challenge in PICs; rapid turnover of key counterparts is a continual challenge in the Pacific due to the small size of the administrations and outward migration. Reform programs also remain vulnerable to changes at the political level, which are frequent in some PICs.

#### **Box 2: Regional Professional Associations**

**PFTAC has assisted in the development of 4 professional associations in the Pacific.**

These associations provide a forum for strengthening reform through identification of common issues in the region and the development of generic solutions and best regional practice. They have also helped PFTAC and other development partners identify thematic priorities and have been used to organize and deliver training programs.

**There are currently four associations.** The Association of Financial Supervisors of Pacific Countries (AFSPC), the Pacific Islands Tax Administrators Association (PITAA), the Pacific Islands Financial Managers Association (PIFMA) and PINACLE, a recently established association for the compilers of national accounts statistics.

**The associations are generally managed around annual heads' meetings.** Annual governance meetings allow high-level discussion of regional issues and set the agenda for regional work. They also provide a forum for interaction with other development partners. The chairmanship generally rotates amongst member countries with the PFTAC advisor acting as secretariat. Funding comes from a mixture of member country and PFTAC funds. High-level seminars and training are occasionally attached to the heads' meetings.

**Separate training events deliver capacity building.** The associations have been used to organize training on topical issues. The training events often lead to clusters of country-level TA; for instance the ADB/PFTAC program of assistance on internal audit that followed PIFMA training. PFTAC has fully funded training events, including some study tours.

## II. REVIEW OF FY11 AND THIRD PHASE

### A. Third Phase Overview

**During its third phase, PFTAC contributed to results at both country and regional levels in the Pacific.** Phase III of PFTAC's activities ran from May 2008 to June 2011 with an externally-financed budget of US\$9.3 million which financed advisory missions, regional training and analysis, attachments to regional organizations and, in collaboration with the authorities of the region, the operations of four professional associations (Box 2).

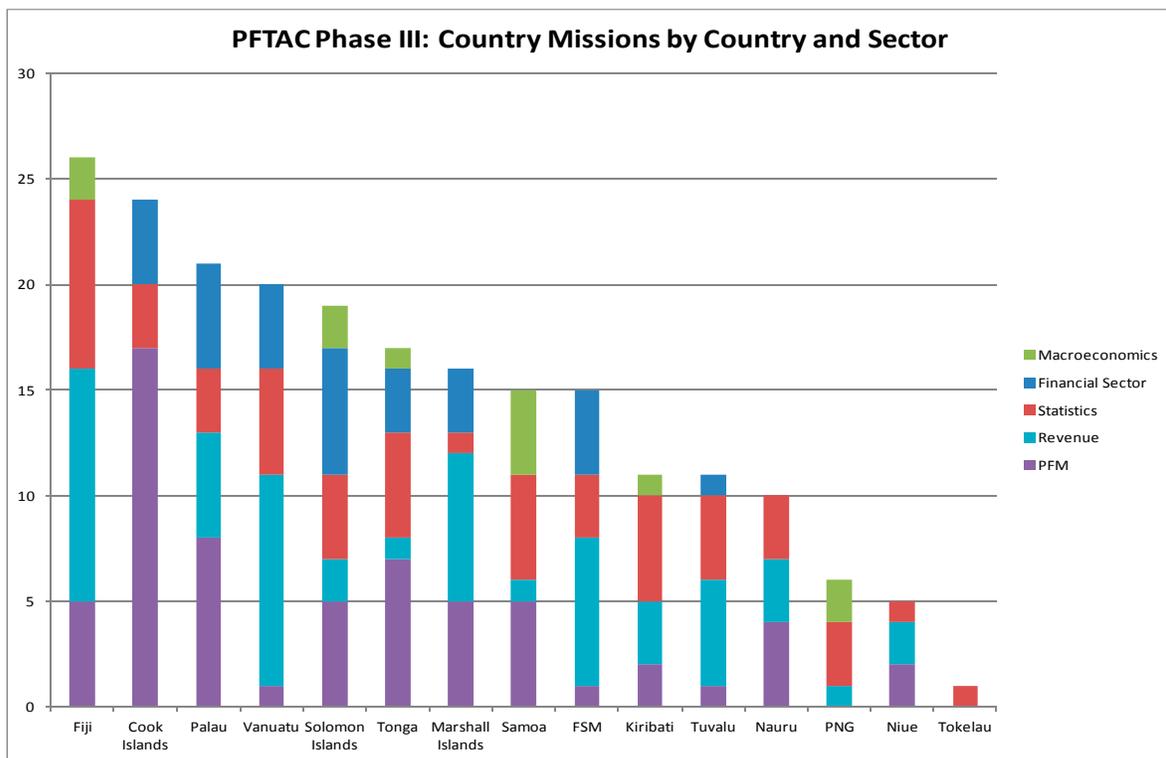
**Despite the turbulent economic climate, Pacific countries made significant gains in economic management over the third phase.** PFTAC, along with other development partners assisted many countries in their endeavors. Some notable results achieved in Phase III by countries with PFTAC assistance include<sup>2</sup>:

- **Medium-term budgeting in Samoa and the Cook Islands.** Through a combination of sustained technical advice and training in both central and line ministries PFTAC supported the introduction of medium-term budgeting in Samoa. The work was integrated with a broader PFM reform initiative supported by AusAID. As a result, the authorities have been able to present two successive budgets with forward estimates for each spending ministry. In the Cook Islands, a similar approach is being followed, working in close collaboration with the ADB. Medium term projections were made by line ministries and were incorporated into the annual budgets starting in 2010. PFTAC assistance is slowly being tapered off as the authorities assume full control of the process (expected in FY 2012).
- **VAT implementation in Niue and Tuvalu.** Previous PFTAC technical advice with implementation support from PFTAC and other development partners has resulted in reforms taking place in Niue and Tuvalu. In 2003 -2004, PFTAC made recommendations to Niue and Tuvalu to reform the revenue base and administration. Based on those recommendations the New Zealand Inland Revenue Department assisted Niue to implement the reforms, including a VAT effective from April 2009. A similar development has taken place in Tuvalu when based on the earlier PFTAC recommendations the ADB have project managed the implementation of the reforms including a VAT becoming effective July 2009. PFTAC has provided technical assistance on demand by way of overview and advice to the countries and donors throughout the implementation of the reforms.

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<sup>2</sup> See Annex A of the Phase IV Program Document for a fuller listing of results achieved by each country.

- Enhanced on-site examination capacity in Marshall Islands, Palau and Solomon Islands.** With assistance from PFTAC, the Financial Institutions Commission of Palau is now independently conducting full-scope on-site CAMELS-based examinations of commercial banks. Assistance from PFTAC has also allowed the Banking Commissioner in Marshall Islands to conduct its first full-scope CAMELS examination of the dominant bank in the Marshall Islands. Solomon Islands is also making significant progress in conducting full-scope on-site CAMELS examinations. CAMELS-based examinations include a comprehensive assessment of each of the six components common to all banking institutions (**C**apital adequacy, **A**sset quality, **M**anagement and administration, **E**arnings performance, **L**iquidity and **S**ensitivity to market risks) and is used to better assess the overall risk profile of a bank. CAMELS allows supervisory authorities to quickly compare the individual risk components and overall risk profile of banks thereby allowing supervisory resources to be developed to those banks and risk areas which pose the greatest supervisory concern.
- Rebased and more comprehensive national accounts in Vanuatu.** Working closely with AusAID-funded TA, PFTAC assisted the Vanuatu Statistics Office to update the base year of its national accounts to 2006, making them a more accurate reflection of current conditions, and to produce estimates of GDP on both a production and expenditure basis, enhancing their usefulness for economic policy making. Use of source data has also been improved and the national accounts are consistent with SNA1993 standards.



**PFTAC’s contributions to regional dialogue and analysis also assisted policy making.**

PFTAC advisors, often working in concert with other donors, continued to assist countries and development partners make progress towards closer cooperation and understanding of issues in PFTAC’s five program areas. Key outcomes include:

- Development of regional professional associations.
- A regional public financial management roadmap.
- In collaboration with other donors convened a conference on financial literacy that achieved broad regional recognition of the Coombs Declaration.
- A regional report on the implications for revenue reform for FEMM 2010. This paper set out the role that revenue policy and administration reform can play in addressing the fiscal challenges facing the region, and drew out the key lessons learned from many years of IMF and PFTAC engagement inside and outside the region.
- Six handbooks that showed how international good practice can be applied in the Pacific region were published. An evaluation of Internal Audit in Pacific countries was undertaken that will feed into broader support to this area by the ADB.
- PFTAC has worked closely with the regional central bank Governors, including on convening special meetings on the global economic crisis and to consider PFTAC’s analysis of interest rate levels and bank profitability

**Training and capacity building was a central element of PFTAC’s operations.** Over the course of the cycle, 20 regional training courses for a total of 375 participants were held (see Statistical Appendix). Many courses were delivered in partnership with regional and international donors such as ADB, UNDP, Bank of England, Australian Department of Finance and Regulation (DoFD), Government of India, Reserve Banks of Australia and New Zealand.

**An independent evaluation during Phase III confirmed PFTAC’s effectiveness.**<sup>3</sup> The evaluation reaffirmed the positive findings of previous evaluations. It noted that PFTAC was considered to be the most effective regional technical assistance organization in the Pacific. PFTAC’s success was found to be primarily due to its regional links and high-quality expertise. Responsiveness, longevity and personal relationships also contributed. Operations and assistance received consistently high marks with sustainability as the main area of concern—although this was noted to be to a large part due to factors outside the centre’s control. Box 3 summarizes the recommendations and their current status.

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<sup>3</sup> The evaluation of the PFTAC FY06-08 funding cycle is available at : [www.imf.org](http://www.imf.org).

**Box 3: Evaluation recommendations, Steering Committee responses and current plans**

**By the end of calendar year 2010 the SC and IMF should develop a strategic plan that sets out a vision for where PFTAC should be in five years time.** This recommendation was endorsed by the steering committee (SC). The Phase IV program document sets out the details of the vision—which is for PFTAC to remain a leading technical resource for Pacific Island countries on improving their macroeconomic management.

**By the end of FY10 consensus should be reached at the SC on the priorities for additional Resident Advisors.** The SC agreed that a controlled increase in advisors was appropriate and endorsed the evaluation’s recommendations: additional advisors in macroeconomics, statistics and PFM. The macroeconomic advisor has already been recruited and Phase IV includes plans for the two other advisors (subject to available funding).

**PFTAC should make greater use of short term experts, particularly in the financial sector supervision and statistics areas.** The SC agreed with this, but noted that this should be done in a controlled manner. The SC emphasized the importance of continuity of provision through the resident advisors rather than through regularly changing short-term experts. PFTAC has already scaled up the use of experts in the financial sector slightly. Further expansion in all areas is unlikely to be possible given Phase IV funding.

**Develop a strategy for increasing the probability that the benefits of PFTAC will be sustainable.** The steering committee agreed that this was an important issue but were cautious about the resource costs of developing separate strategies in the middle of the funding cycle. PFTAC will continue to target sustainability by focusing its activities on building systems rather than individuals, by ensuring that training is included in technical missions and by helping countries support each other through establishing professional associations. In Phase IV improvements in sustainability will be addressed through increasing the use of regional approaches.

**Make a more concerted effort to develop and use Pacific expertise.** The SC agreed with this recommendation, although did note the challenges involved and the importance of not pulling from the scarce pool of talent available to many PICs. PFTAC aims to increase the use of Pacific experts in the next funding cycle, and has already begun this in the tax area (see Box 5). PFTAC will also promote country to country cooperation.

**Develop a strategy to intensify and increase the use of regional approaches.** The SC agreed with this recommendation. This forms the core of PFTAC’s strategy to improve sustainability.

**Define medium term objectives to be achieved in each functional area in each country and verifiable indicators against which to monitor progress.** The new results framework (Annex C) outlines regional target results and likely priority countries that will be used as a basis for results-based management. This will be incorporated into Fund-wide reforms.

**Develop formal action plans and report to SC.** The Phase IV program document was the action plan and this initial annual report is the first report against that document.

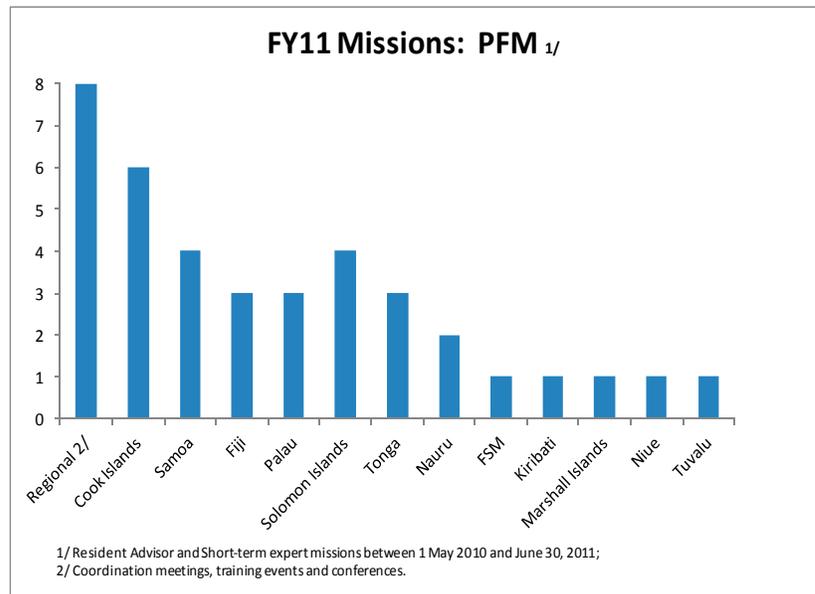
## B. FY11 Achievements

*This section outlines the main achievements between the beginning of FY11 (May 1, 2010) to the end of Phase III on June 30, 2011. It outlines the main themes in PFTAC's sectoral assistance over the period and identifies results that were achieved by countries as a result of PFTAC's assistance. Details on the activities underlying these achievements are in Table 1 of the Statistical Appendix.*

### Public Financial Management

**Reflecting the increased priority given to reform, Public Financial Management was a cornerstone of PFTAC's activities in FY11.**

Activities were broadly split between regional coordination and analysis, country activities and training. Partnerships with other development partners were important, with coordination particularly strong with the Asian Development Bank and Australia (AusAID and DoFD).



**Regional work was centered on the regional PFM Roadmap, which PFTAC took the lead in developing.** The roadmap was called for by Pacific Islands leaders as part of the Forum Compact aimed at improving development effectiveness and coordination. PFTAC was requested to take the lead in drafting this roadmap which was approved by Forum Economic Ministers in October 2010. The roadmap emphasized the importance of sound PFM systems to achieving the MDGs and to improving the effectiveness of development assistance. It also set out a number of principles to guide effective PFM reform in the region. These principles were based around: regular stocktakes of the strengths and weaknesses of the PFM system, centered on PEFA assessments; country-led development of realistic action plans based on these assessments; development partner support to the development and implementation of the actions plan. The roadmap also envisaged enhanced development support for the roadmap process, in particular through the establishment of a PEFA coordination resource within PFTAC. Box 4 summarizes progress so far on implementing the principles and recommendations of the roadmap.

**A guidance paper on good practices in the operation of IFMIS's was prepared drawing on the findings of PFTAC's country work.** The document, which drew on individual studies in six countries, identifies a number of issues that are critical to successful automation of PFM in small island economies of the Pacific. The most important include allowing adequate advance planning for new systems and involvement of representatives of major users (Finance and line ministry employees) in design and testing. The paper benefited from discussions at the annual meeting of PIFMA in September 2010.

**Country work emphasized strengthening the environment for effective PFM.** PFTAC, drawing on the expertise of short-term experts, assisted countries build up frameworks for more effective control of expenditures:

- **Formal accounting standards** – in Fiji and Solomon Islands, PFTAC assisted the authorities to draw up formal accounting standards (based on the internationally recognized IPSAS cash accounting standards). The expected result will be better and more consistent monitoring and reporting in future.
- **Modernized Financial Instructions** – PFTAC consultants assisted Nauru and Samoa modernize outdated financial instructions, the implementation of which should allow for more efficient and accountable PFM systems.
- **Enhanced internal audit** – in Fiji, PFTAC assisted the authorities develop an internal audit manual and train auditors in its use.

**Work on establishing effective medium-term budgeting capacity also continued.** In the Cook Islands, a 3 year effort to establish an effective medium-term framework at the central level was completed in early 2011. Medium term projections are now being made by line ministries and are being incorporated into the 2011 budget. PFTAC assistance has been slowly tapered off as the authorities have assumed full control of the process. Further training and development of the forward estimates process established with PFTAC support took place in Samoa. PFTAC is also working jointly with ADB in Tonga and Palau to develop medium-term budgeting capabilities.

**Training was delivered in partnership with the Australian DOFD and Australian National University (ANU).** This was the first in a series of training events aimed at enhancing collaboration between PFTAC and DOFD. The aim is to provide focused training on specific issues that will go hand in hand with structured follow-up and technical assistance. Topics are jointly identified by PFTAC and DOFD, in consultation with PIFMA with the aim that they address common issues arising out of PEFA assessment and PFM reform plans. The first course (February 2011) focused on cash management and accounting issues. Staff from 13 countries participated and all left with action plans to take forward in their home administrations.

#### **Box 4: Implementation of the Regional PFM Roadmap**

**PFTAC and other development partners supported countries in the implementation of the regional roadmap.** Although these activities were envisaged to begin in Phase IV, PFTAC began implementation at the end of phase III. In particular :

- PFTAC-supported PEFA assessments in **Cook Islands and Niue** provide the basis for enhanced reform plans to be produced in 2011. These assessments demonstrated a number of features that will form the basis of regional best practice. Particularly important is a structured process of preparation with strong government involvement and participation of key donors.
- PEFA training in **RMI and FSM** that aimed to build a good awareness of the PEFA process throughout government was undertaken in early 2011. Both countries followed up the training by confirming their intention to undertake PEFA's in late 2011.
- In **Tonga**, PFTAC worked with ADB to assist the government to revise its PFM reform plan on the basis of their PEFA and the principles of the regional roadmap.
- **Kiribati, with ADB and EU support**, developed a PFM reform plan based on a 2010 PEFA assessment which has been used to generate increased and more focused development partner support to the reform process. . This was discussed with donors in a June 2011 workshop.
- **Nauru**, supported by the ADB, undertook a PEFA and has developed a PFM roadmap.

**The regional coordination resource for PEFAs and associated activities recommended in the roadmap has been established as part of PFTAC's fourth phase.**

**PIFMA** held its fifth meeting at Port Vila in 2010 and will continue to be the main focus of regional activities. In this meeting it was proposed to move PIFMA towards a self-funding model in due course. This is likely to take the form of greater member country participation in the management and operation of its affairs and providing a strategic direction to PIFMA by establishing a feed-back loop from PIFMA members to PFTAC on their strategic requirements and their fulfillment.

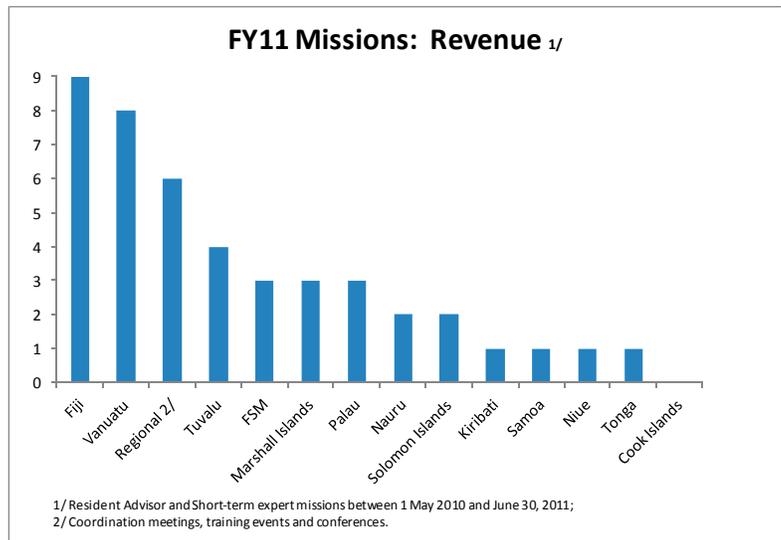
## Revenue

**A baseline assessment of tax administrations across the region provided the cornerstone for revenue sector activities in FY11.** The baseline assessment framework, driven from the PFTAC 2009 evaluation recommendation to define measurable achievements for each country, provides an objective framework for countries, PFTAC and other donors to determine the current status of tax administration nationally and regionally. The baseline results allow measurable reform objectives to be set.

**The baseline assessment framework measures nine core components of tax administration:** legislation framework, administrative framework, governance and accountabilities, corporate strategies, core processes, support processes, operating model, automation and Human Resources.

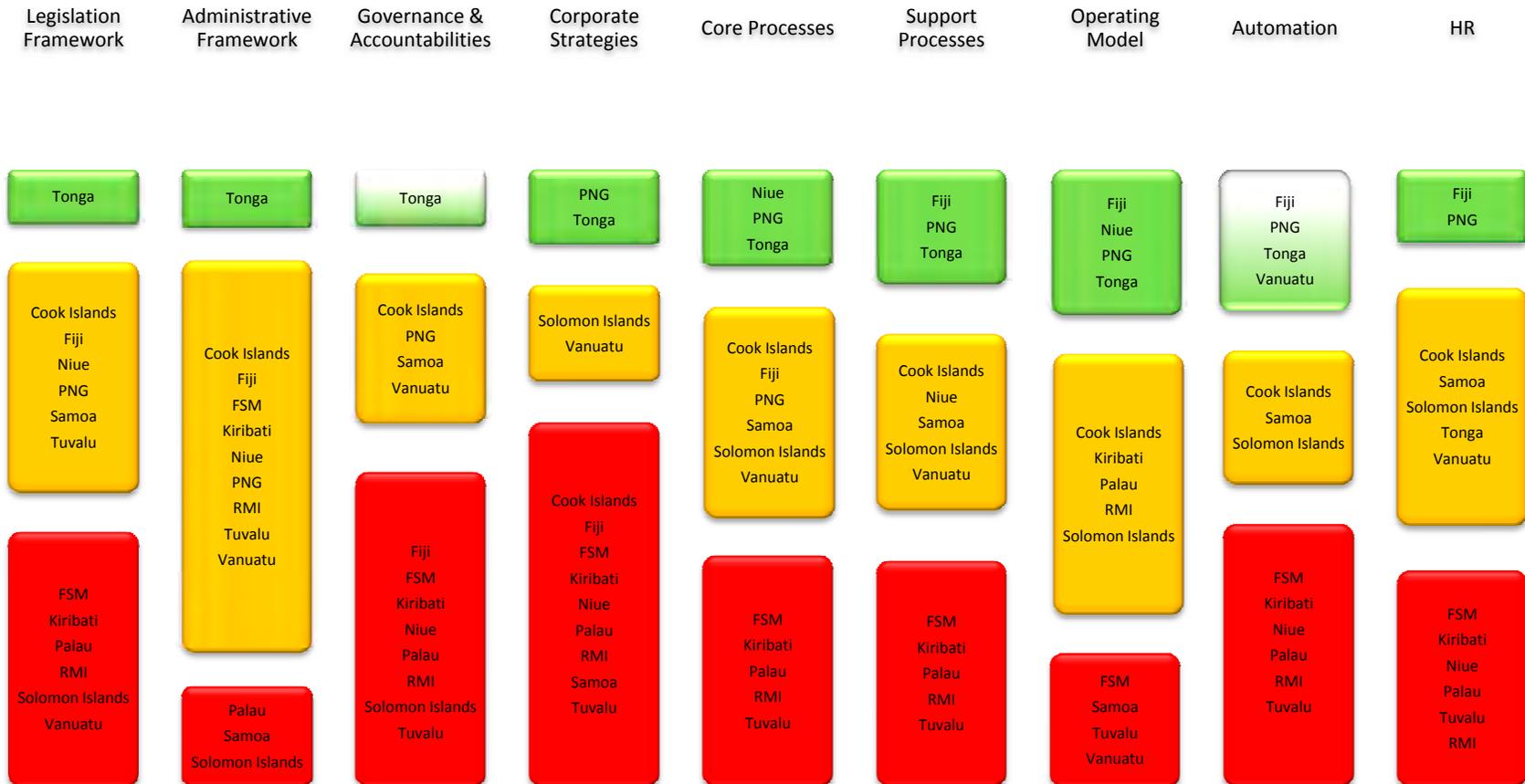
**The results highlighted sub-optimal administration in all core components with the 4 most common areas being governance and accountabilities, corporate strategies, legislation frameworks, and automation.**

The results (Figure 1) assessed nationally, regionally and sub-regionally, informed the technical assistance delivered in the revenue sector and whether the need was one-to-one assistance at country level, at the regional level provided through the Pacific Islands Tax Administrators' Association (PITAA) or through sub-regional training.



- Governance and Accountabilities, Corporate Strategies.*** These are foundation components of tax administration. PFTAC assisted two countries (Fiji and Vanuatu) develop draft corporate strategies and planning frameworks that will motivate tangible changes in their strategic direction and business planning and, over time, more efficient, effective and accountable operations. Sub-regional assistance was provided through PFTAC training program with the inaugural training course on Principles, Concepts and Practices of Modern Tax Administration provided for the Micronesian countries. A second course was delivered for senior staff in the larger South Pacific countries and the course was further adapted for delivery at the regional PITAA Heads' meeting executive management session.

**Figure 1: Revenue Administration Regional Baseline Assessment 2010**



- Legislation and Policy Framework.** Two countries (FSM & RMI) are undertaking fundamental reforms to modernize their legislation frameworks and broaden their tax bases. PFTAC has provided policy and legislation drafting assistance to these countries and both look set to pass the legislation into law by the end of 2011. PFTAC will continue to support them through implementation of their legislation. Fiji is modernizing its legislative framework and expanding the tax base to include a capital gains tax. PFTAC has provided assistance to draft the legislation and complementary technical assistance on assimilating implementation of the new legislation into the redesigned corporate strategy and business plans. PFTAC also provided support to Vanuatu and Solomon Islands on options for new revenue streams.
- Automation.** Improving IT capacity and capability are two of the most common strategic goals that PFTAC has worked on with PICs. The business environment has changed markedly over the last 10 years and most large taxpayers now operate in a computerized environment. At the same time, Governments are looking to their tax administrations to increase revenue collections and operate more efficiently and effectively. The adoption of modern business processes supported by IT has been a key method of improving the efficiency, effectiveness and transparency of tax administrations. Samoa, Kiribati, FSM and Palau have all received PFTAC assistance to develop IT strategic plans and PFTAC actively collaborated with other donors to help countries secure funding for implementation of their IT strategies.

At the regional level, PFTAC identified an opportunity for countries with common IT systems to provide cross-regional support. An officer from Vanuatu Customs and Inland Revenue was attached to PFTAC to help draft a Regional IT Support Strategy. Development and implementation of the strategy will continue into the next project cycle.

- Core Processes.** Work in this area has focused on two strands: strategic advice on modernizing collection techniques and hands-on support to build capacity. Niue and Fiji received advice on self assessment techniques and the business process changes resulting from making PAYE a final tax. Both plan to implement this in FY12. Fiji has also since undertaken a organization wide review of its business processes with a view to streamlining many of its core processes. Box 4 elaborates on the successful implementation of using regional expertise for on the job training in Tuvalu and Vanuatu.

### **Box 5: Using Regional Expertise for Intensive Support**

**Increasing the use of Pacific Island expertise is an important aim for PFTAC.** PIC consultants bring an understanding of cultural, environmental; and geographical factors which take time for non-PIC consultants to develop. This inherent understanding of the issues affecting PICs is particularly important in revenue administration where PFTAC has begun using regional experts to deliver in-country training. Regional experts understand the principles of the best practice approach recommended by PFTAC and adapt those principles to apply in the local context where they are able to quickly build rapport with recipient country officials.

**Using regional consultants is often more cost effective than non-regional consultants** because of the additional travel costs and the remuneration payable in their home currency. To that end PFTAC has been able to achieve longer periods of assistance for similar value. The ability to provide longer periods of assistance help bed down the technical assistance recommendations in the longer term achieving greater sustainability of PFTAC recommended reforms.

**In FY11, two local regional consultants were engaged to help Vanuatu and Tuvalu modernize their audit, return and debt collections skills.** The in-country training was provided on an intermittent basis over a number of months with homework type tasks set for the intervening weeks. This approach proved valuable for both PFTAC and the recipient countries; the time delay recognized that the life cycle of enforcement action is neither continuous nor quick and enabled the trainers to be available for the duration of some larger cases; the approach allowed iterative training where concepts needed to be reinforced; and allowed PFTAC to stretch its budget over a longer duration. It is expected this intermittent training approach will be continued in the next cycle.

**Tax administration heads showed their support for PITAA with most members agreeing to self-fund their attendance at PITAA meetings.** This allowed PFTAC to direct more funding to regional capacity building through the PITAA regional training program. Training topics and priorities are determined by PITAA members with reference to the baseline assessment findings. The PITAA Training sub-committee requested PFTAC develop and deliver the first module on the topic “Principles, Concepts, and Practices of Modern Tax Administration. The training was delivered in Guam for the Micronesian countries and in Fiji for the larger Southern Pacific countries.

**Encouraged by PFTAC, the PITAA Heads Meeting has changed direction to more of a decision making body aimed at setting priorities to progress and resolve regional issues.** Key issues identified in the PITAA strategic plan 2009-2012 are: PITAA strategic direction;

PITAA self-funding model; Regional Training Program; Model Tax Office Framework; Regional IT Support Strategy; and Regional Baseline Assessment Framework. The 2010 PITAA Heads meeting was the first meeting adopting this new direction and many of these issues will be raised again for discussion and further development in 2011.

**Taxation of revenues from the exploitation of natural resources and the increasing numbers of in-country resident advisors are two emerging initiatives expected to have implications for the revenue sector in FY12 and beyond. PFTAC is also starting to receive requests for Customs focused assistance.** There is increasing interest in the mineral wealth and natural resources available in the Pacific. PFTAC together with IMF HQ provided assistance to Solomon Islands to develop a regime for taxing revenues derived from exploitation of the natural resources: it is expected the legislation will be drafted and enacted in the 2011/12 year. Requests have been received from two other countries for technical assistance in this area and PITAA has expressed an interest in PFTAC providing training in this area, which will be taken up in FY12. It is expected that this interest will continue to grow in Phase IV.

## **Statistics**

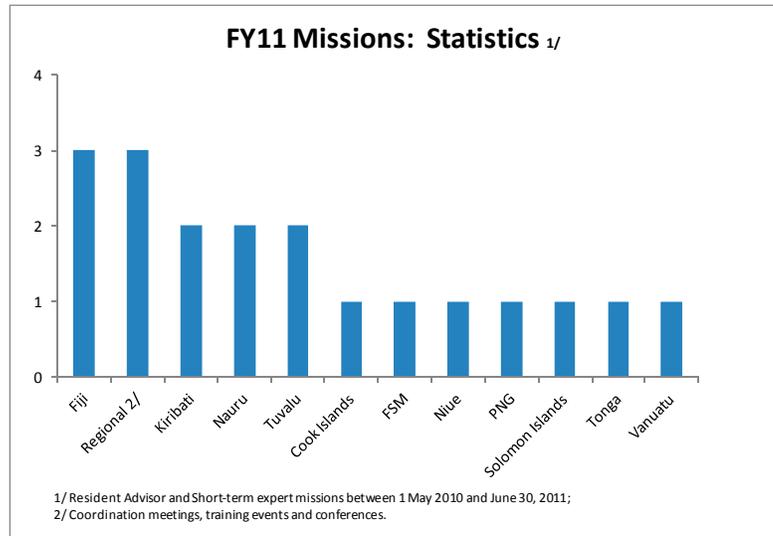
**PFTAC's statistics support is now undertaken within the framework of the regional Ten Year Pacific Statistics Strategy (TYPSS).** This strategy was approved by the 2010 regional Heads of Planning and Statistics meeting (HOPS)<sup>4</sup>. In addition to guiding technical development the strategy provides a useful framework for development partner coordination as all TA providers are expected to work within the TYPSS framework. Oversight of the implementation of TYPSS is provided by the Pacific Statistics Steering Committee (PSSC) which was formed by HOPS. The PFTAC statistics advisor advises the PSSC on macroeconomic statistics issues. The PFTAC statistics advisor also works closely with resident long-term economic statistics advisors in Solomon Islands and Tonga.

**Statistics advice in FY11 focused on improving the range and quality of balance of payments statistics (BOP) in the region.** Given the extremely open nature of the Pacific Island economies it is crucial for policy makers to have robust estimates of the size and type of international economic transactions. PFTAC therefore concentrated on this area while also providing more limited assistance in other sectors.

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<sup>4</sup> HOPS is held every three years, hosted by the Secretariat of the Pacific Community (SPC), Noumea, New Caledonia. Refer to the "Downloads" page of <http://www.spc.int/sdp/> for documents from the 2010 meeting.

**BoP assistance focused on assisting countries transition to the current international standard.** This standard is the IMF's *Balance of Payments Manual, 6<sup>th</sup> Edition*, released in 2009 and which develops previous practices by increasing harmonization with other macroeconomic statistics frameworks, clarifying and elaborating on the treatment of remittance flows in the BOP, and increasing the emphasis on, and integration with, balance sheet data (international investment position) which are important for PICs, especially those with sovereign wealth and other investment funds. In the Pacific nine countries now produce BoP statistics according to BPM6 standards and five are in the process of adopting the standards. PFTAC assisted the process by:



- **A regional training course** that was attended by 20 participants from 12 PFTAC member countries.
- **TA missions** to train staff in-country and to assist with converting BOP compilations to the new manual. 7 missions were conducted which focused on the transition of existing compilation methodologies to BPM6, improving existing source data and methodologies and extending the range of BOP statistics produced.
- **Hands on support to compilation.** Several countries do not currently have the capacity to compile BOP statistics unassisted and PFTAC continues to assist these countries to firstly develop that capacity and also to update the statistics (Federated States of Micronesia, Nauru, Niue and Tuvalu).

**In national accounts, PFTAC has helped members maintain production and also assisted in developing more frequent measures.** Given the FY11 focus on BOP, activities in the real sector focused on helping several countries (Tuvalu, Nauru, Tonga, Kiribati, Solomon Islands) to maintain and update their estimates, where capacity is insufficient to complete the work unassisted (in collaboration with SCP). In Fiji, development began on a quarterly national accounts series that is expected to lead to publication beginning in 2012 and which will provide a basis for better informed macro-economic policy.

**Fiscal statistics were also modernized in three countries.** Major improvements were made to Vanuatu's government finance statistics (GFS), with their transition to the *GFSM2001* basis, and compilation in the central government financial information management system,

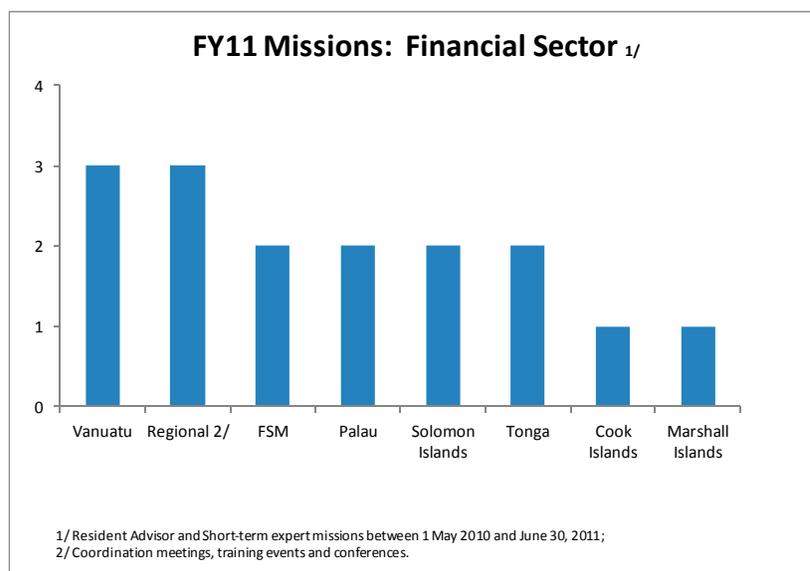
on a monthly basis. Progress was also made on the transition of GFS data to GFSM2001 basis in Kiribati and Solomon Islands.

**Two further countries agreed to participate in the General Data Dissemination System during the year with PFTAC and IMF Statistics Department help.** Samoa and Solomon Islands join Fiji, Kiribati, Tonga and Vanuatu<sup>5</sup>.

### Financial Sector Supervision

**During FY11, PFTAC continued to support countries to ensure commercial banks were sound.** This was addressed through continuing to build sustainable capacity in bank supervision by focusing on:

i) enhancing off-site monitoring by building tools and techniques to ensure regulators obtain robust and appropriate data on a regular basis and are able to interpret it; ii) strengthening on-site supervision to verify that off-site monitoring is working on valid data and that banks' credit and other polices are being appropriately implemented and in a manner consistent with financial sector stability.



**PFTAC has helped develop a base set of prudential returns to harmonize and strengthen off-site supervision.** PFTAC has worked closely with individual members, the Association of Financial Supervisors of Pacific Countries (AFSPC) and the South Pacific Central Bank Governors (SPCBG) to develop a “base” set of prudential returns for banking institutions and the development analytical output reports which provides for an array of key ratios and numbers to monitor and assess changes in the condition and performance of banks. The base set of prudential returns offers regionally-active banks increased efficiencies as a result of uniform/consistent reporting requirements while also allowing supervisory authorities to expand the details of the returns to accommodate local needs/requirements.

<sup>5</sup> Metadata of participating countries' macroeconomic statistics are available at <http://dsbb.imf.org/Pages/GDDS/CountryList.aspx>

**The base returns were implemented in two countries in FY11.** Solomon Islands successfully implemented the base set of returns and assistance was also provided to Tonga in tailoring the returns to their local needs. The base set of prudential returns will ensure that supervisory authorities have sufficient data to monitor and assess changes in the condition and performance of individual banks and the overall banking industry. Capacity in processing and analyzing the data will be built in assisting countries implement these returns along with continuing training to enhance off-site supervision capacity.

**On site supervision has been improved through the adoption of strengthened procedures and reports that provide for detailed examination findings and recommendations.** Key achievements include:

- the development of **examination report templates** for Marshall Islands, Palau, Solomon Islands, Tonga and Vanuatu to assist in presenting examination findings/conclusions and recommendations,
- the development of **written examination procedures** in Marshall Islands, Solomon Islands and Vanuatu to institutionalize training and encourage a minimum level of consistency in the examination of key functional areas of banks, and
- providing training in the use of **financial statement analysis** in Marshall Islands and Solomon Islands to allow supervisors to independently verify/assess the credit risk of large bank borrowers and better validate the adequacy of loan loss reserves held by banks.

**On-the-job training has also enhanced supervisory responses to the finding of on-site examinations.** As a result of the strengthened on-site examination capacity, assistance activities has also focused on providing training to Marshall Islands, Solomon Islands and Vanuatu in the use of different supervisory responses to ensure that appropriate measures are taken by banks to correct and address weaknesses and concerns, including requests for banks to submit written responses of actions taken or planned in response to examination findings to more serious actions such as drafting and issuing of an order to cease and desist and intention to revoke banking licenses.

**PFTAC has also assisted in the enhancement of regulatory frameworks.** PFTAC TA assisted the Cook Islands revise their banking law to which strengthen the authority of the Financial Supervisory Commission to respond to problem bank situations and to enforce banking laws and regulations without Court approval or consent. Legislation to amend the banking act is currently pending before the Cook Islands Parliament. Remote assistance was also provide to Tuvalu to enact an Basel compliant banking law in line with their international commitments. Implementation has, however, not yet begun.

### **Box 6: Strengthening Bank Supervision in the Solomon Islands**

**During Phase III of its operations, PFTAC has assisted the Solomon Islands strengthen all phases of its supervisory program for commercial banks.** This includes updating bank regulations and implementing new and comprehensive prudential reporting requirements for commercial banks. Implementation of the new prudential returns served as the basis for implementing a formal program of off-site monitoring of the condition and performance of commercial banks. Currently, assistance efforts are focused on the implementation of CAMELS-based on-site examinations. Key milestones were:

2008 – **Updated and new prudential guidelines** (regulations) were adopted for commercial banks. Issues addressed included, incorporating a charge for operational risk in capital calculations; minimum internal loan review and loan loss reserve requirements for banks; single borrower requirements; foreign currency open position limits, and liquidity planning and maintenance.

2009 – **New prudential returns and enhanced off-site supervision.** The new returns for commercial banks provided for expanded data to monitor and assess the condition and performance of banks. A formal system of off-site monitoring for commercial banks was implemented using data obtained from the new prudential returns. Staff was trained in the calculation and meaning of key ratios for monitoring and assessing changes in the performance and condition of CAELS components ((CAMELS without the assessment of Management, which can only be assessed through on-site examination) and a standardized template was implemented to assist staff in presenting risk assessments.

2010 - **CAMELS-based on-site examinations are implemented.** A program of developing written procedures for examining the functional areas of banks was undertaken. Initially, the program included expanded examination and assessment of credit risk in the loan portfolio of commercial banks. Training provided by PFTAC to staff has been instrumental in CBSI staff validating internal loan review processes and the adequacy of loan loss reserves resulting in more accurate capital adequacy and earning performance assessments.

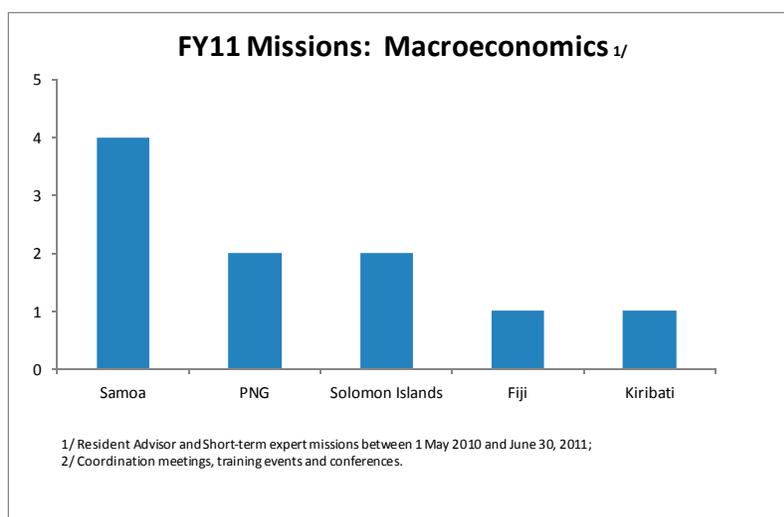
**A standardized on-site examination report** to guide staff in presenting examination findings and recommendations while encouraging a minimum level of review and analysis of CAEMLS components is implemented. As a result of the enhance on-site examination capacity, Solomon Islands is using new and enhanced supervisory responses to ensure banks implement appropriate measures to correct weaknesses and concerns.

**PFTAC analytical work also underpinned an enhanced dialogue between central banks and the main regional commercial banks.** At the request of the regional central bank governors PFTAC undertook an analysis of interest rates and commercial bank profitability in the South Pacific. The study, which was also discussed at the 2011 regional finance ministers meeting, was used for detailed policy discussions by central bank governors in April 2010 and for a substantive consultation with the main regionally-active commercial banks in December 2010. That consultation proved to be extremely valuable and will be repeated in the context of the 2011 annual meeting of central bank governors.

### Macroeconomic Analysis and Frameworks

**FY11 saw the beginning of PFTAC assistance in the macroeconomic area.** Following the evaluation in 2009, the PFTAC steering committee requested PFTAC to initiate the expansion planned for the next Phase by bringing forward the hiring of an advisor to assist building macroeconomic capacity in the region. The advisor position was established in November 2011. Prior to that some small scale inputs were made using short-term experts to assist two countries develop systems on exchange rate management.

**Demand has been strong for this new stream of work within PFTAC's operations.** The position is overseen by the Fund's Asia Pacific Department rather than the main TA departments. This is intended to ensure a close link between the macroeconomic issues identified by IMF surveillance and the capacity building in PFTAC countries. Based on this surveillance and separate scoping missions, work plans have been developed with 5 countries with others expected to be added in FY12.



**Strengthening capacity for macroeconomic analysis in central banks has been the starting point.** Macroeconomic policy making first of all requires analysis of current macroeconomic conditions and the identification of policy options/challenges arising from this analysis. The main work in this area has therefore focused on building analytical techniques in some of the key areas facing central banks in the region. This is seen as a

precursor to eventually enabling financial programming to take place within large macroeconomic frameworks. Four (related) areas have been focused on:

- **Inflation analysis:** one strand of work with the central banks of Fiji, Samoa, and Solomon Islands focused on identifying the sources of inflation by decomposing inflation rates into factors attributable to supply-side conditions (especially energy and food price changes), regulatory price adjustments, and demand side conditions (the remainder). Another strand focused on the pass through of international oil and food price shocks (Solomon Islands, Fiji).
- **Analysis of demand conditions:** measuring the output gap is the key tool for this purpose; in a number of countries, timely measurement of the output gap is hindered by the absence of quarterly GDP data, which is why constructing a quarterly output indicator was the first step in work with the central banks of Fiji and PNG. Regarding output gap estimations, preliminary estimates were computed for Fiji, PNG, and Samoa.
- **Measuring the monetary and fiscal policy stances:** These are indispensable inputs for the assessment of current macroeconomic conditions in general and the analysis of the monetary and fiscal policy transmission mechanisms in particular. Work in this area has begun with Fiji.
- **Macroeconomic models** are useful tools to investigate the interplay between macroeconomic variables such as inflation, output, the exchange rate, and monetary as well as fiscal policy variables. RBF has begun to develop a small model incorporating these variables, which in a first application is to be used for gaining a better understanding of the transmission mechanism of monetary policy as well as the impact of demand and supply disturbances. Another was strengthening of econometric skills through the launch of an econometric course for RBF staff.

**Improvements in macroeconomic forecasting for budget purposes were also achieved.** Building on the work with central banks, another focus was improving macroeconomic forecasts (and analysis of forecast errors) in the Ministries of Finance in Fiji and Samoa as an input for revenue forecasts. In Samoa, the work plan was structured around the budget calendar and focused on assisting the Ministry of Finance substantially overhaul and improve their existing forecasting model. Initial work was also conducted with the Kiribati Ministry of Finance, closely coordinated with existing ADB support in this area.

**In cooperation with IMF HQ, input has also helped Melanesian countries prepare for the macroeconomic management of natural resource inflows.** The main aspect has been with both the Treasury and the Bank of PNG to develop macroeconomic modeling tools that can help with this task and train staff in their use. These models have also informed joint work with IMF HQ on establishing appropriate fiscal rules for the management of the

resources. In the Solomon Islands support has also been provided on the refinement of the mineral fiscal regime.

**Partnerships have been sought with other development partners.** In particular with the ADB PEM TA project, which also has a focus on macroeconomic issues. Regular coordination in Suva has ensured complementarity and a joint scoping mission was conducted in Samoa.

### III. MOVING INTO THE FOURTH PHASE

**PFTAC began its fourth cycle of operations on July 1, 2011.** The cycle is scheduled to last until April 30, 2016. Following the recommendations of the 2009 evaluation, Phase IV envisages an increase in the scope of PFTAC operations to enable it to meet priority country demands. The strategy for the phase incorporates a new PFM advisor, primarily focusing on supporting the PEFA process advocated in the regional PFM roadmap, and a new statistics advisor in addition to the macroeconomic advisor added in FY11. In order to achieve these gains a total budget of US\$30 million over 5 years was targeted. These strategies were articulated in the program document that was endorsed by the PFTAC Steering Committee in September 2011 (available at [www.pftac.org](http://www.pftac.org)).

**Current commitments and pledges suggest a funding envelope of US\$27 million for the 5 year funding cycle.** This reflects generous financing contributions from AusAID, the Asian Development Bank, European Union, Korea, and the New Zealand Aid Programme. The Government of Fiji is also making a financial contribution for the first time, which is a signal of the value that members place on PFTAC services.

**Discussions with donors are continuing in an attempt to reach the US\$30 million funding target.** With a US\$27 million envelope, PFTAC will be able to employ a second PFM advisor and retain a macroeconomic advisor for the majority of the funding cycle. It will not be possible, however, to add a second statistics advisor. The level of diagnostic missions from IMF HQ will also have to be lower than envisaged in the program document. An indicative budget is shown in the table.

| <b>Table 1: PFTAC Summary Budget: FY12-FY16 (US\$ millions)</b> |                                |                    |
|---|--------------------------------|--------------------|
|   | FY12-16<br>Program<br>Document | FY12-16<br>Current |
| PFTAC Resident Advisors   | 12.1                           | 9.4                |
| <i>years</i>  | 35                             | 27                 |
| Travel  | 3.0                            | 2.7                |
| Short-Term Experts  | 3.2                            | 3.9                |
| <i>months</i>   | 76                             | 93                 |
| Seminars and training   | 2.6                            | 2.4                |
| Backstopping/project management                                 | 2.5                            | 2.0                |
| Diagnostic missions   | 1.2                            | 0.9                |
| Office Costs 1/   | 3.2                            | 3.1                |
| Governance costs 2/   | 0.5                            | 0.5                |
| <b>Total direct costs</b>                                       | <b>28.2</b>                    | <b>24.9</b>        |
| Trust Fund Management   | 1.8                            | 1.5                |
| Contingency   |                                | 0.5                |
| <b>Total expenditure</b>  | <b>30.0</b>                    | <b>27.0</b>        |
| <b>Financing</b>  |                                |                    |
| IMF   | 2.7                            | 2.7                |
| Recipient countries   | 0.0                            | 0.2                |
| External  | 27.3                           | 24.1               |
| 1/ Coordinator, office staff and running costs                  |                                |                    |
| 2/ Evaluation and steering committee meetings                   |                                |                    |

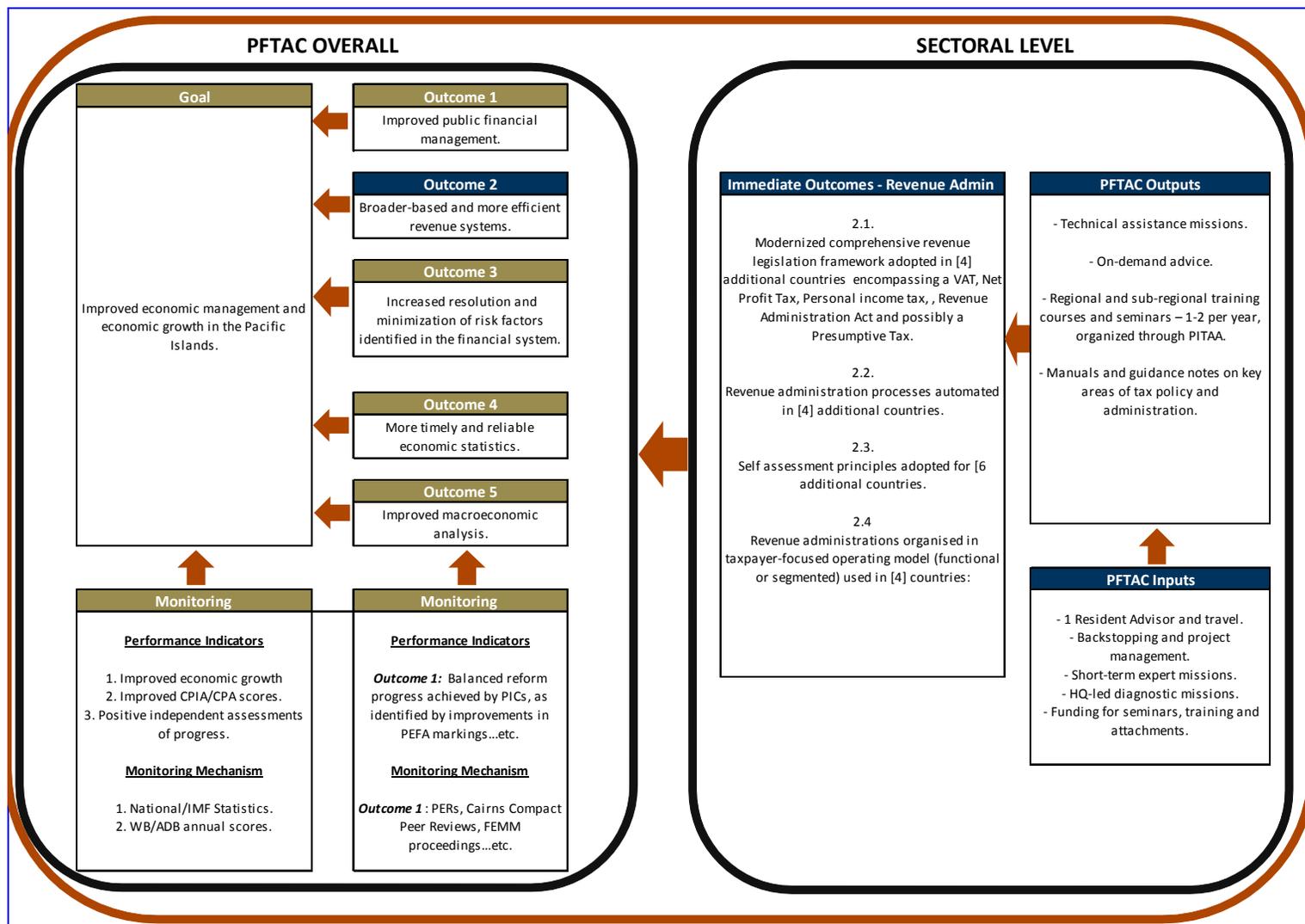
**For FY12 PFTAC’s staffing will remain stable with additional advisors expected to be added for FY13.** FY12 activities represent a year of transition to the scaled up operations envisaged for phase IV. This reflects the impact of the funding shortfall and a delay in further scaling up until all funds are fully committed. For the remainder of FY12, there will continue to be five resident advisors. Until the second PFM advisor comes on board the PEFA resource envisaged in the regional PFM roadmap will operate through the current PFM advisor and the use of short-term experts

**Although the transition between funding phases has been seamless, there will be some enhancements to PFTAC’s operations in Phase IV.** PFTAC will not depart from the working practices that have been core to its success so far—a relatively small, responsive provider of high quality technical assistance firmly rooted in regional structures with strong partnerships with development partners. However, there will be some improvements in reporting and management during the fourth phase. Most notably:

- **Public annual reporting** - this annual report is the first for PFTAC. Future reports will form the core of PFTAC’s accountability to its members, financiers and the broader public.
- **Enhanced transparency** – in line with the IMF’s dissemination policy on technical assistance all PFTAC TA reports will be made available to members on request.
- **An intensified focus on regional approaches to safeguard sustainability.** Regional associations will be critical to this agenda. PFTAC will continue to encourage them to move towards a more self-sustaining basis, particularly for the annual heads’ meetings.
- **Improved focus on results**-for Phase IV PFTAC developed a more specific results framework to guide the prioritization of its resources and to feed into monitoring and evaluation. Figure 3 summarizes the principles of the results framework. Annual reports will report on progress against this results framework, both at outcome and immediate outcome level. The framework will contribute to and be subsumed into a broader reform of results based management of TA in the IMF. The broader IMF reform may influence the nature of reporting in future years. Annex C presents the results framework specified in the program document for Phase IV updated in a number of important ways:
  - *A number of proposed refinements to the targeted results--reflecting developments since the program document was drafted. The most marked changes are in the macroeconomic analysis area, as a result of the increased knowledge about demand and capacity constraints since work started in this area in November 2010.*

- *Revisions to the target countries*--developments both in countries and in the nature of development support have changed the demand for PFTAC support in some areas and the results framework has been amended to reflect this.
- *Updated information on the baseline*--the results framework now contains information on the starting point in the region at immediate outcome level. A reporting format that includes full information on the baseline at the outcome level and information on progress at immediate outcome level will be presented to the steering committee in early 2012. This will form the basis for measuring progress over the course of the funding cycle.
- **More explicit country strategies** will be designed and discussed with country authorities to ensure countries' demands remain consistent with the results framework. This approach was recently piloted in Tonga and was useful to clarify the scope of PFTAC's activities, the complementarities between sectors and the synergies and potential overlaps with other development partner activities. Further strategies will be completed in FY12 and included in the FY12 annual report (and placed on the PFTAC website).

**Figure 2: PFTAC Results Framework**



<sup>1</sup> In some instances, differences exist between the RBM terminology used in PFTAC's logframe versus those used in this report.

#### IV. FY12 WORKPLAN

##### A. Context and Introduction

**The PFTAC FY12 workplan forms part of IMF's broader engagement in the region.** PFTAC's TA is closely linked with IMF surveillance activities in the region which help to identify key issues and capacity gaps that need to be addressed to improve economic performance. These are met through PFTAC TA and training complemented by some additional resources from IMF HQ.

**Key economic challenges in the coming years for the Pacific are managing fiscal consolidation and external sustainability in the face of an uncertain global economic environment.** Many PICs are recovering slowly from the impact of the global economic crisis and the scope for a macroeconomic policy response is constrained by weak private sectors, high public debt, poor monetary policy transmission and weak capacity in the public sector. Enhancing growth, reducing poverty, and ensuring macroeconomic stability therefore relies critically on improvements in the quality and effectiveness of public sector management, including through stronger PFM, more efficient and effective revenue collections and policy making based on better and more timely information and analysis. Strong oversight of the financial sector is required to improve its ability to generate the space for increased savings and investment to drive private sector growth and to enhance financial stability.

**The IMF technical assistance and training needed to address these issues are described in the regional strategy note (RSN) for the Asia and Pacific region.** The RSN prioritizes TA resources across the broader region. For the Pacific, in addition to earmarked PFTAC resources this also includes Fund-financed TA and externally-financed topical trust funds. In FY12 these include the Mineral and Natural Resources Trust Fund and the Japan-financed International Comparison of Prices (ICP) project which will strengthen national accounts and price statistics in Asia and the Pacific.

**The PFTAC work plan is the IMF's largest TA contribution to the Pacific for FY12.** It focuses on priorities identified in the results framework. Work planning is guided by a number of principles:

- **Sustaining progress towards results in existing areas** - although the results framework is new, the guiding objectives are the same as in the previous phase and programs of activities to achieve critical results in countries continue. Examples include tax reform in RMI and FSM and development of on-site bank supervision in Solomon Islands.

- **Responding to urgent demands** - responsiveness remains a central element of PFTAC's role in the region and where countries request urgent assistance it will continue to be incorporated as best possible as long as it remains within the framework established by the program document and its results framework. Recent examples include quick mobilization of advisory missions to address banking sector issues in Vanuatu and exchange rate issues in Fiji.
- **Working within coordinated responses to country demands.** The Pacific is making considerable strides towards more coordinated development partner and country relationships. This reflects a number of factors: international agreements such as the Paris principles for aid effectiveness, regional initiatives, most notably the Forum (Cairns) Compact on Development Effectiveness; and roadmap-associated PFM reform. It also reflects the move towards budget support in the region which has resulted in broader development partner cooperation around high-level policy goals. PFTAC is closely involved with development partner groups and its work plan in countries is increasingly located within broader country-led action plans, most notably in fiscal sectors in Tonga and Kiribati. This trend is expected to intensify in the future as countries and development partners become increasingly committed to this way of working.

**The indicative work plan is detailed in Annex D and E by sector and country respectively.** The work plan remains indicative and is subject to regular change due to the need to accommodate urgent requests and the changing nature of country demand and commitment. The work plan identifies the specific areas of the results framework that each activity aims to contribute to—there are often multiple results due to their interconnectedness and the need for advisors to maximize the use of their time when in countries.

**Training and longer-term capacity building will remain central to achieving PFTAC's objectives.** PFTAC will continue to work in partnership with other organizations to ensure a good match between skills and capacity gaps and to maximize the stretch of training resources. In FY12 training will be delivered in partnership with ADB, FDIC, the Australian DOFD and the PEM TA project.

## **B. PFTAC Operations by Sector**

### **Public Financial Management**

**Activities in FY12 will include both assisting countries establish effective reform processes and specific technical advice to ongoing reform initiatives.** With the formal establishment of the regional PEFA support mechanism under Phase IV PFTAC will continue to increase its support to PEFA assessments and the associated reform plans as envisaged in the regional PFM roadmap. Support to specific reform initiatives will continue to be a crucial element of PFTAC's engagement in the region, supported by training

activities. In both areas, PFTAC will work with key partners and ensure that its input is in line with its comparative advantage, both in terms of skills and flexibility.

**Two additional PEFAs are expected to be completed in FY12** (1.1 in the results framework). PFTAC will provide financial and technical support to the completion of PEFAs in FSM and RMI, building on the training delivered earlier in 2011. In order to maximize the chances of the findings of the PEFA being accepted and incorporated into reform planning, PFTAC will assist the countries develop self-assessments in advance of the full PEFA assessment.

**PFM roadmaps will be completed in at least two additional countries** (result 1.2). Following the PEFA assessments earlier in 2011, PFTAC will support the development of reform plans ("roadmaps") in the Cook Islands and Niue. Roadmaps are also expected to be developed in Tuvalu, Tonga and Nauru. While other development partners are leading the assistance in these countries, PFTAC will be available to lend support to those processes if required. PFTAC will assist Kiribati refine and prioritize its PFM reform road map in advance of more intensive donor support being fielded in 2012.

**Regional resources in the PEFA process will be made available through the PFTAC website.** PFTAC will establish a website based resource to provide information to governments and donors interested in activities related to PEFAs and the regional PFM roadmap. It is expected that this will include:

- full detailed information on all PEFAs conducted so far in the region-this should be in the form of a database accessible to all users for analysis and will, over time, be accompanied by analysis of trends in the region. Full reports will also be available.
- An indicative schedule of future PEFAs, based both on current commitments and likely requirements given the indicative framework of the regional PFM roadmap.
- Guidance on best practice in Pacific PEFAs, based on the lessons learned internationally and through recent practice in the region.

**Technical support will focus on strengthening accounting (result 1.4) and fiscal frameworks (result 1.5 and 1.3).** Specific country work is expected to be largely made up of continued support to ongoing initiatives: adoption of IPSAS based accounting standards in Fiji and Solomon Islands; strengthening of medium-term budgeting in Samoa and full implementation of new financial instructions in Nauru and Samoa. New activities will be increasingly linked to broad-based donors support to PFM reform plans and in FY12 are expected to include interim support to accounting in Kiribati and debt management in Tonga.

**Regional training will be focused on issues that have become central to a number of PFM reform initiatives in the region.** Building on PFTAC training in [2007], ADB and PFTAC will organize a detailed seminar aimed at distilling lessons learned from the

implementation of medium term budgeting in the region (result 1.5). Later in the year, a second leadership course will be delivered in partnership with the DOFD. Building on 2011's focus on cash management, 2012's course will be focused on accounting, reporting and audit (results 1.4).

**The annual PIFMA heads meeting will focus on the implementation of the regional PFM roadmap.** The meeting will consider lessons learned from PEFAs and the construction of roadmaps; develop principles for reporting to FEMM; the proposed model for DOFR engagement in the region and plans for making PIFMA more self-sustaining. These are expected to contribute to more effective PFM reform and donor support in the region.

## **Revenue**

**The baseline assessment of tax administrations across the region continues to provide the cornerstone for the revenue sector activities in FY12.** In keeping with the Phase IV PFTAC program document, six priority areas for the revenue sector technical assistance will be focused on: modernized and comprehensive legislation frameworks (result 2.1) in Samoa, Fiji, RMI, FSM, Solomon Islands; automation of revenue processes (result 2.2) in RMI, FSM, Palau, Kiribati and cross-regional IT support (result 2.7); introduction of self assessment into the administrative framework (result 2.3) in Fiji, RMI, FSM, adoption of integrated or functional operating models (result 2.4) in Samoa, FSM, RMI; expansion of the corporate strategy set to include risk management and compliance improvement strategies (results 2.5) in Fiji, Samoa, Tuvalu, Nauru, FSM, RMI.

**Many of these outcomes can only be achieved in collaboration with other donors able to fund long term in-country resident advisors.** A number of countries in the region, particularly the Micronesian countries, are undergoing transformational reforms in their tax administrations which can only be successfully implemented with long term donor support. PFTAC will work collaboratively with other donors to help identify and recruit appropriately skilled in-country resident advisors. Once in situ PFTAC will provide strategic guidance and assistance in specific technical areas (for example, legislation drafting, corporate strategies (including IT and compliance improvement), and organizational design), throughout the duration of the implementation program.

**The technical assistance work will be supported by the development of a model tax office toolkit (result 2.6).** The toolkit is a collection of generic 'model' products (e.g. reference materials, training packages handbooks, policy statements) which countries can use when considering introducing new concepts and practices into their tax office. As these products are identified and developed they will be added to the PITAA 'members' only' area of the PFTAC website. Priority products for 2012 are model legislation and corporate strategy documentation.

**The 2010 regional baseline assessment identified Tonga as a leader across all core components of revenue administration in the Pacific.** However, recent financial data indicate that the reforms Tonga implemented over the last 5 years need to be refreshed. PFTAC, with support from other development partners (World Bank, ADB, New Zealand, AusAid), will lead a comprehensive mission to review the revenue potential of the economy with a view to strengthening the revenue regime and improving revenue collection. Tonga is the first country in the region to have completed implementation of the IMF/PFTAC recommended reforms and it is expected that more countries will need comprehensive reviews of their reform programs as their current reform programs near completion. Over time this will also lead to the revenue administration baseline being raised across the Pacific region.

**PFTAC will continue to support the PITAA strategic direction, where possible identifying cross-regional support mechanisms for issues of regional priority.** In FY12 the regional issues PFTAC will support include the regional training program (IT workshop) and development of the regional IT support strategy and development of the model tax office toolkit.

### **Statistics**

**The FY12 workplan will work within the broad framework of the TYPSS, focusing primarily on national accounts.** The TYPSS provides a broad framework for progressing the development of economic statistics in a common manner across the region and will guide PFTAC's contributions and coordination with development partners. As the current funding situation does not allow the recruitment of a second statistics advisor, activities in FY12 will be more focused than envisaged in the baseline scenario of the program document. As indicated in the document the initial focus will be national accounts although short-term expert resources will be used to ensure that other areas can also be addressed.

**Activities will be geared towards assisting countries make progress on the national accounts results framework:**

- **Quarterly national accounts** are expected to be established in Fiji and initiated in Vanuatu (Result 4.4). Work in Fiji will build upon previous and ongoing methodological assistance by PFTAC on the annual accounts and on developing quarterly estimates. PFTAC will also work closely with IMF HQ TA in developing estimates of national expenditure (vital for international comparative purposes).
- Assist 3 countries to **rebase national accounts** based on updated survey data (result 4.2). Samoa, Tonga and Vanuatu to benchmark current price estimates and rebase their constant price estimates following completion of Household Income & Expenditure Surveys (HIES).

- Begin development of **expenditure measures of GDP** in Cook Islands, and Kiribati (Result 4.1). This process will build on HIESs and other key source data and will gradually develop methodologies and indicative estimates with publication expected to commence in 2013.
- Continue to provide **hands-on assistance to compilation** in those countries which do not have sufficient capacity to compile on their own (result 4.1). Where capacity remains insufficient to develop compilation methodologies, PFTAC will focus on assisting the authorities ensure annual estimates are produced in a form useful to decision makers and the development partners that support budgets in these countries. in 2012 this is expected to be a focus in Tuvalu, Palau, Nauru.

**Regional work through the PSSC will focus on laying the groundwork for future development of national accounts and balance of payments.** PFTAC will work with countries that are planning HIES's in 2012 or 2013, in collaboration with the HIES technical working group being established under the guidance of the PSSC and facilitated by SPC. The technical working group is redeveloping HIES methodology, providing an opportunity to ensure that the HIESs will better meet national accounts requirements. PFTAC will coordinate closely with SPC's two economic statisticians, one of whom assists countries with their price statistics and to some extent with national accounts, the second on improving surveys and administrative data for business statistics and trade statistics which will lead to improved source data and macroeconomic statistics. PFTAC will also continue to provide input to the PSSC on macroeconomic statistics.

**A training workshop is planned on expenditure measures of GDP, as part of the IMF Statistics Department Asia-Pacific regional program on the International Comparison Project (ICP) (result 4.1).**<sup>6</sup> A Pacific regional ICP project is also underway, undertaken by the Australian Bureau of Statistics, which will focus on price collections. The SPC is planning a regional workshop on price statistics. PFTAC will collaborate with these projects and workshops (result 4.10).

**In the balance of payments area, the focus will be in ensuring ongoing publication of robust statistics.** Significant progress has been made in the region on balance of payments, and further gains are dependant in part on improvements in source data likely to be made with the assistance of the new economic statistician in SPC. In FY12, PFTAC will continue to assist small countries with compiling and improving the quality of their balance of payments statistics (result 4.5) often in combination with work on national accounts. In FY12 this is expected to include work in Tuvalu, Palau, Nauru and Kiribati.

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<sup>6</sup> Fiji participates in the Asia-Pacific ICP project and will serve as the link to the Pacific ICP project.

**PFTAC's assistance to the development of price statistics will be mostly limited to regional training but some country inputs are anticipated.** Continued input to the development of producer price indices in Fiji will be delivered with the aim of official publication on a quarterly basis beginning in 2012 (result 4.9). Other inputs are also expected via collaboration with the and IMF and ABS ICP projects which are closely linked to the development of expenditure measures of GDP, to capacity building in price statistics in general and to improvements to the quality of price CPI statistics. Improvements and harmonization of HIES methodology, including adoption of standard product classification will aid improvements in HIES's, CPIs and national accounts

### **Financial Sector Supervision**

**Financial sector supervision activities will continue to assist countries identify risks to the banking system and respond to them in a timely manner.** As in previous years this will be achieved through assistance in on-site and off-site bank supervision, developing legal frameworks and supporting regional training activities. A key focus will be on assisting countries adopt similar formal procedures and systems for supervision so as to facilitate sharing of resources between supervision authorities in the region.

**PFTAC will continue to focus on strengthening on-site examination capacity through training in the completion of risk-based examination procedures (results 3.4-3.7).**

Procedures are expected to be adopted and implemented in Tonga, Solomon Islands and Marshall Islands during FY12. PFTAC will assist with the drafting of the procedures and train staff in their implementation.

**Regional training will support direct country assistance.** PFTAC will also work with the AFSPC to provide training and enhance the capacity of supervisors to analyze financial statements of large borrowers to assess credit risk by hosting a workshop on credit risk and financial statement analysis (result 3.7). This workshop will include perspectives from outside the Pacific region with presentations by representatives from the U.S. Federal Deposit Insurance Corporation on credit risk methodologies and examination procedures along with case studies in the assessment of credit risk using financial statement analysis. New bank products are also being introduced into the region, such as derivative products for interest rate, foreign currency and commodity swaps for which PFTAC will provide members assistance in developing regulations and provide training in measuring, monitoring and limiting risks in these products.

**Off-site activities will focus on the implementation of the harmonized prudential returns and associated reports.** This will include working with supervisory authorities (Cook Islands, Tonga) to implement the base set of prudential returns and regularly prepare the uniform bank performance report and financial soundness indicators. PFTAC will also continue its work with the Reserve Bank of New Zealand to make available an electronic

platform for receiving bank prudential returns and generating the analytical output reports (see Box 6).

**Box 7: A regional effort to enhance off-site supervision**

**PFTAC is working with RBNZ to make a common electronic platform available to regional financial supervisors.** The proposal is based around adapting RBNZ's in house statistical information system (FSIS) for use in the region's central banks. RBNZ developed FSIS as there were no appropriate commercial packages available. RBNZ is prepared to make the package, which is designed for use in central bank, available to the South Pacific central banks free of charge.

**The platform should allow for more robust supervision.** Currently, supervisors in the region spend excessive time in manually inputting data from prudential returns into Excel spreadsheets and calculating an array of ratios. This process is prone to errors, inefficient and takes away from the time that bank supervisors can or should be devoting to conducting on-site examinations. FSIS would allow banks to submit prudential returns electronically and also automate the preparation of analytical output reports (uniform bank performance reports).

**The proposal would help leverage the base set of prudential returns developed by AFSPC.** The similarity between the returns used in member countries will simplify the implementation of FSIS and allow PFTAC to assist countries use the system to generate enhanced off-site monitoring analysis, financial soundness indicator and financial statistics.

**The proposal would, however, not be costless to the region's central banks.** It will require an investment in appropriate hardware and also require resources to be devoted to supporting the new system, as neither PFTAC or RBNZ can backstop IT systems across the region. There is likely to be scope for collaboration between the banks to minimize costs and provide for necessary backstopping.

Meetings of the AFSPC and central bank governors in late 2011 will consider the proposal further and decide on next steps.

**There will also be contributions to building legal frameworks and supervisory capability (result 3.8).** PFTAC will assist two countries, Kiribati and Nauru begin to supervise the financial sector. In Kiribati, PFTAC will assist the authorities investigate establishing a regulatory structure for the financial system; if pursued this will require adopting a banking law (based on previous PFTAC advice) and recruiting and training of staff. In Nauru, PFTAC will assist the authorities establish effective oversight of mobile

money operations. PFTAC will also support the revision of existing banking laws in Vanuatu and Marshall Islands.

### **Macroeconomic analysis and frameworks**

**Macroeconomic analysis support will continue to pursue the themes established at the end of Phase III.** A combination of direct country TA and regional training will be used to build more robust modeling and forecasting abilities in the region's central banks and ministries of finance. The revised results framework at Annex C reflects these themes and the likely countries of focus.

**In the area of strengthened capacity of macroeconomic analysis activities will be focused in two areas:**

- **Enhanced analysis of current macroeconomic conditions (result 5.1):** this is the necessary precursor to more complex analysis using macroeconomic modeling tools and financial programming frameworks. In FY12, this will include activities in Fiji, Tonga, Solomon Islands and Samoa supported by regional training courses (see Box 7). Key results are likely to be that most central banks are able to estimate quarterly GDP and to use this to identify output gaps. Improved analysis of the determinants of inflation will also be targeted.
- **Introduction of macroeconomic modeling tools and financial programming frameworks (result 5.2):** this aims to take macroeconomic analysis to the next level by employing models/frameworks that allow analysis of interlinkages between sectors and the (likely) effects of policies. In FY12 this will include activities in Fiji, PNG and, Timor-Leste and will result in a better understanding of macroeconomic challenges and policy option to address them.

**Macroeconomic forecasting (result 5.3) will be developed in two areas.** Revenue forecasting, which is especially relevant for finance ministries, is critical for effective budget planning. In FY12 work will continue with Fiji and Samoa to strengthen core forecasting abilities and models in the Ministries of Finance and will also be expanded to include Kiribati and Tonga. General macroeconomic forecasting, which is relevant for central banks, will be a focus in Fiji, Solomon Islands, and Tonga.

**Regular production of tailored debt sustainability analyses (result 5.4) will also be targeted.** This involves both assessing the current debt situation and forecasting the debt trajectory, an issue that is relevant for providing a long-term fiscal anchor in countries such as Samoa, Tonga and Fiji where public debt has been increasing rapidly in recent years.

**Work on enhancing counties ability to manage natural resource inflows (result 5.5) will continue.** Better understanding of macroeconomic policy options related to natural resource inflows is important for a number of countries in the region. PFTAC will aim to support them by support to simulation of alternative fiscal regimes (Fiji), enhanced macroeconomic frameworks that incorporate realistic resource scenarios (PNG, Timor-Leste) and developing models that assist the authorities understand the macroeconomic impact of scale-up public investment (PNG, Timor-Leste).

**Linking enhanced analytical frameworks to policy making will be important.** PFTAC, in collaboration with the ADB's PEM TA, will be mounting a major training course for central bank analysis in late-2011. That course, which will build on earlier training will aim to assist the analysts to take stock of past and current macroeconomic conditions and to use these analytical frameworks to identify policy challenges. These policy challenges will then be discussed with central bank governors as a precursor to their annual meeting.

#### **Box 8 : Workshops for Sharing Tools and Knowledge**

**Training in the macroeconomics area in FY12 is focused on sharing of analytical tools between the region's central banks.** Some of these tools have been developed with assistance of the PFTAC macroeconomic advisor and others were pre-existing. A key focus of the training will a hands-on approach with participant generating datasets and analysis during the course that should be operationally useful after the course.

**An initial workshop was conducted in August 2011 in partnership with BPNG and RBF.** Staff members from the six central banks in the region (Fiji, PNG, Samoa, Solomon Islands, Tonga, Vanuatu) participated in a workshop in Suva on approximating quarterly GDP and estimating output gaps. It built on previous analytical work generated by PFTAC's work program with the Bank of PNG to approximate a quarterly GDP series given that national accounts data is available only on an annual basis and use the resulting series for estimating different output gap concepts. The final output was a preliminary estimate of quarterly GDP and output gap estimates for all six countries.

**A larger follow-up workshop to be held in Samoa in November ahead of the annual Governors' Meeting.** It will cover tools developed by central banks in the region for inflation analysis (Fiji, Solomon Islands), measuring the monetary policy stance (Fiji), external conditions (Fiji) and macroeconomic modeling tools (Fiji, Bank of PNG). The objective is to use these tools to generate an assessment of current macroeconomic conditions in the above-mentioned countries with respect to real conditions (using the output gap measures from the August workshop), inflation developments, and the monetary policy stance. This will set the stage for a discussion of policy challenges ahead by a panel of experts, with the last being organized in part by ADB's PEM TA program.

## Annex A : PFTAC Profile

The Pacific Financial Technical Assistance Centre (PFTAC) is an office of the International Monetary Fund that is responsible for providing technical assistance and training to Pacific Island Countries. It is a collaborative venture between the IMF, the recipient countries, and bilateral and multilateral donors.

PFTAC's guiding objective is improved economic management and sustainable economic growth across the Pacific Island Countries. It achieves this through responding rapidly and flexibly to country demand for high-quality technical assistance (TA) and training in improving their macroeconomic management.

PFTAC provides support to national government agencies and regional bodies operating in its key sectors of expertise (such as ministries of finance, revenue authorities, financial regulatory agencies, central banks and statistical offices), as well as to regional/subregional professional groups.

PFTAC serves the following sixteen countries: Cook Islands, Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tokelau, Tonga, Tuvalu and Vanuatu.

The Center is funded through contributions from:

- Asian Development Bank, AusAID, European Union<sup>7</sup>, and New Zealand Aid Programme who finance the technical assistance activities of the centre. Korea has also pledged support to PFTAC's activities.
- The Government of Fiji, which finances PFTAC's office facilities;
- The IMF, who provides the centre coordinator, office staff and oversight and management.

PFTAC also works closely with a number of other development partners who do not contribute to the centre including the World Bank, the Pacific Islands Forum Secretariat, the Secretariat of the Pacific Community, and the University of the South Pacific

PFTAC's work is guided by a steering committee consisting of its clients, development partners and the IMF. The IMF is responsible for the management and operations of the centre.

PFTAC is based in Fiji, in office space kindly provided by the Reserve Bank of Fiji.

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<sup>7</sup> In the framework of the Cotonou partnership agreement between the EU and the African, Caribbean and Pacific (ACP) states.

The Center is managed by a Coordinator and comprises nine resident advisors. PFTAC also employs short-term experts from the region and the IMF roster of experts.

**Matt Davies** is the Centre Coordinator and an IMF staff member. Prior to joining the Fund, he worked as an Economic Advisor with the UK Government and the Papua New Guinea Ministry of Finance and National Planning.

**John Vaught** is the Financial Sector Supervision Advisor. Prior to joining PFTAC, he provided IMF technical assistance to a number of countries including Swaziland where he was resident advisor for three years. He was previously a senior supervisor with the the State of Texas with responsibility for overseeing foreign bank operations in the State.

**Margaret Cotton** is the Revenue Advisor. In addition to her wide experience in theory and practice in the Pacific, she worked in a range of roles in the New Zealand Inland Revenue.

**Michael Andrews** is the Multisector Statistics Advisor. He has many years of experience in Statistics New Zealand and as an IMF Statistics expert in the Pacific and other regions.

**Jan Gottschalk** is the Macroeconomic Advisor. Prior to joining PFTAC in November 2010 he worked as a Senior Economist at the Fiscal Affairs Department at the Fund.

**Ron Hackett** is the new Public Financial Management Advisor. After many years of senior experience in the Minnesota State Government, he provided advice to many countries in the Middle East and Africe before joining PFTAC in 2011.

**Elenoa Bogiwalu** is the Senior Information Assistant. She is responsible for the general administration of the Centre, including documentation, IT development, and external relations and correspondence. She previously worked at the RBF and the ILO.

**Maria Nina Samuela** is the Senior Operations Assistant. She is responsible for accounting and payments and coordinating travel and seminar arrangements. She has been working for the Centre since 1993. Prior to this, she worked in the travel industry and for USAID.

**Peter Amputch** is the Logistics Assistant, he also supports the Operations assistant in the administration of travel and payment processing. Prior to this appointment, Peter was employed by the UNDP Office as a registry clerk.

**Rusila Bituwaqa** is Team Assistant. She joined PFTAC in May 2008. She is the Centre's receptionist and is also responsible for travel liaison. She has a Diploma in Business Accounting from FIT.

## **Annex B: Other IMF Regional Technical Assistance Centers**

**The Caribbean Regional Technical Assistance Center (CARTAC)** was established in Bridgetown, Barbados in 2001. It serves 20 Caribbean island countries and territories, including Anguilla, Antigua and Barbuda, Bahamas, Barbados, Belize, British Virgin Islands, Cayman Islands, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, and Turks and Caicos. Its new program cycle is funded by Australia, Canada, the Caribbean Development Bank, the United Kingdom, the host country Barbados, beneficiary countries, and the IMF. Discussions with several other donors are ongoing.

**The African Regional Technical Assistance Centers** are part of the IMF's Africa Capacity-Building Initiative launched in May 2002. Responding to calls from African leaders, including under the New Partnership for Africa's Development (NEPAD), the Initiative promotes strengthening the capacity of African countries to design and implement their poverty-reducing strategies, as well as to improve the coordination of capacity-building technical assistance in the PRSP process. As part of the Initiative, four African Regional Technical Assistance Centers (AFRITACs) have been established. East AFRITAC was opened in Dar es Salaam, Tanzania, in 2002, and now serves seven countries in East Africa (Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Tanzania, and Uganda). West AFRITAC was opened in Bamako, Mali, in 2003, to serve ten countries in West Africa (Benin, Burkina Faso, Côte d'Ivoire, Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Senegal, and Togo). Central AFRITAC was opened in Libreville, Gabon, in 2007, to serve countries in the CEMAC group, plus Burundi and the Democratic Republic of the Congo. South AFRITAC was opened in Port Louis, Mauritius, in May 2011, to serve 13 countries in Southern Africa (Angola, Botswana, Comoros, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Zambia, Zimbabwe). Work is in progress to open one more AFRITAC, covering the non-francophone countries in West Africa (AFRITAC West 2). The AFRITACs are financed by contributions from a number of donors, the IMF, as well as host and beneficiary countries. Current donors include the African Development Bank, Australia, Brazil, Canada, the European Investment Bank, the European Commission, France, Germany, Italy, Kuwait, Luxembourg, the Netherlands, Switzerland, and the United Kingdom.

**The Middle East Regional Technical Assistance Center (METAC)** was established in Beirut, Lebanon, in 2004, to serve ten countries/territories in the Middle East (Afghanistan, Egypt, Iraq, Jordan, Lebanon, Libya, Sudan, Syria, West Bank and Gaza, and Yemen). METAC's main objective is to help strengthen capacity for effective macroeconomic and financial management in the region, and to support the region's integration into the world economy. A particular focus is to help post-conflict countries in the region achieve macroeconomic stability and develop basic institutions for policy-making. METAC is designed to enhance coordination among development partners and to promote effective implementation of economic initiatives within the Middle East region. METAC's current program cycle is financed by contributions from the European Investment Bank, the European Commission, France, the IMF, Japan, Kuwait, Oman, the host country Lebanon, and beneficiary countries.

**The Central America, Panama and the Dominican Republic Regional Technical Assistance Center (CAPTAC-DR)** started operations in May 2009 in Guatemala. It serves Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama. The Center's technical assistance is focused on financial sector regulation and supervision, tax and customs policy and administration, public financial management, money and public debt markets, and macroeconomic statistics. Improved institutions and increased regional integration are the objectives. The Center is funded by Canada, the Central American Bank for Economic Integration, the European Union, Germany, the Inter-American Development Bank, the IMF, Mexico, Spain, the host country Guatemala, and beneficiary countries.

## Annex C: PFTAC Phase IV Results Framework (updated)

The results framework for the FY12-FY16 funding cycle is presented in two sections.

- 1) **An overall results framework** that specifies the high-level outcomes that PFTAC's technical assistance contributes towards.
- 2) **Immediate outcomes for each sector.** Frameworks are presented for each sector that detail the immediate outcomes that PFTAC's technical assistance and training will seek to help countries achieve. These immediate outcomes cannot be achieved solely through PFTAC's activities—they require country commitment and action—but are more closely related to PFTAC's outputs than the high level outcomes. The frameworks also detail:
  - **Current Status** – a summary of the status going into the funding cycle.
  - **Target countries** – the countries most likely to receive PFTAC assistance given current reform plans and priorities. These will change over the funding cycle according to country demand and reform progress.
  - **Risks and strategic partnership issues** – identifies key risks to achieving the identified result and/or partnerships that will be crucial to achieving the goal.
  - **Outputs** – what PFTAC will produce to assist countries achieve the immediate outcomes.
  - **Inputs** – the anticipated cost of the outputs.

**The results frameworks for each sector will guide the allocation of PFTAC resources.** They will also underpin reporting and accountability. The frameworks will be used for reporting to the steering committee throughout the project cycle, including as an organizing framework for the workplan. Steering committee members will be able to track how PFTAC countries are progressing towards the targeted results and how PFTAC allocates its activities and resources to specific results or groups of results.

**Frameworks will be updated as required.** The results framework will be refined over the coming months, in particular through firming up the baseline. Economic circumstances and changing reform priorities in PFTAC countries could also mean that new results are inserted during the funding cycle or that less emphasis is placed on a specific result than envisaged in this program document. If substantive changes to the results frameworks are proposed, steering committee members will be consulted.



|  |   |   |  |
|--|---|---|--|
| <p><b>3. Increased resolution and minimization of risk factors identified in the financial system.</b></p> | <p>i) Timely assessment of the condition and performance of individual banks and the overall banking system by supervisory authorities.</p> <p>ii) Increased frequency of on-site examinations of financial institutions.</p> <p>iii) Greater compliance with Basel Core Principles across the Pacific.</p> | <p>Financial Soundness Indicators.</p> <p>Administrative records</p> <p>IMF reports</p> | <p>Adequate financial and staff resources needed in supervisory institutions.</p>  |
| <p><b>4. More timely and reliable economic statistics.</b></p>   | <p>i) Improvement in PIC statistical capacity indicator scores</p> <p>ii) Improved GDSS participation and compliance.</p>   | <p>World Bank.</p> <p>IMF reports</p>   | <p>Requires political commitment and sufficient resourcing of NSOs and other statistical agencies.</p> <p>Increased and better coordinated development partner assistance required for continued progress.</p> |
| <p><b>5. Improved macroeconomic analysis.</b></p>  | <p>i) Increased and better quality official publications on macroeconomic issues (e.g. budget documentation, central bank quarterly economic reviews).</p>  | <p>Independent reviews (ADB, World Bank, IMF)</p>                                       | <p>- Requires political commitment to transparency of economic information.</p> <p>Staffing and resourcing of economic units required.</p> <p>Dependant on data availability and quality.</p>                  |

**See sectoral frameworks for immediate outcomes, outputs and inputs for each outcome area.**

**Public Financial Management: Results Framework**

| <b>Code</b> | <b>Immediate Outcome</b>  | <b>Current Status</b>   | <b>Target countries</b>   | <b>Risks and strategic/partnership issues</b>  |
|-------------|---|---|---|--|
| 1.1         | At least 1 PEFA assessment conducted in each PFTAC country during the funding cycle | 5 countries have had a PEFA assessment in the last 5 years  | All.<br>Priorities are: RMI, FSM, Solomon Islands   | Approval of PFM roadmap required by FEMM.<br>Continued commitment to process by development partners (with funding in some countries).   |
| 1.2         | Reform road maps developed following each PEFA assessment                           | Kiribati currently embarking on a roadmap, Tonga also (although divorced from PEFA assessment)  | All countries that have undertaken a PEFA assessment. (Nauru, Tonga, Solomon Islands)               | In many countries will require TA support, from PFTAC or other donors.   |
| 1.3         | Modernized legal frameworks and financial Instructions implemented in 5 countries.  | Financial Instructions have been updated in Palau in 2007, SI in 2007 and Nauru in 2010. Budget laws in some countries remain very old. | Financial instructions: Nauru, Solomon Islands, Palau and 2 more countries (work in Samoa underway) | Requires political and administrative commitment. Financial instructions need to be placed in appropriate overarching legal framework. Will be linked to regional work by ADB and Australia (MoFD) |

| <b>Code</b> | <b>Immediate Outcome</b>  | <b>Current Status</b>  | <b>Target countries</b>  | <b>Risks and strategic/partnership issues</b>   |
|-------------|---|--|--|---|
| 1.4         | Updated accounting standards implemented in 5 countries-  | Most countries operate accounting based on local cash based or modified accrual accounting standards.            | Fiji and Solomon Islands will be the immediate priorities. Lead to a guidance document on implementing IPSAS based cash accounting.                                | Regional model under development and ready to spread to other countries with interest. Sufficient capacity to implement required. ADB and Australia (MoFD) are likely TA partners.                  |
| 1.5         | Medium-term budgeting at line agency level adopted in 4 further countries                       | Samoa and Cook Islands have made significant progress. Tonga and RMI have partial systems, but limited efficacy. | Tonga, Kiribati, Solomon Islands   | Requires basics of reliable annual budgeting and execution to be in place first. TA to line agencies (in context of sector programs) vital for success. ADB and World Bank will be key TA partners. |
| 1.6         | Aggregated quarterly cash plan based on line agency forecasts regularly produced in 5 countries | Systems installed in RMI, Palau and Nauru.   | Palau, RMI and Nauru, moving towards commitment control systems integrated with cash management. Introduce cash management in Kiribati and advise Solomon's on it. | Requires political and administrative commitment. Capacity development in line ministries. Australia and World Bank would be key partners in Solomon Islands.                                       |

Means of verification will be: PEFA secretariat information, PEFA assessments, outputs from country reform processes, PFTAC and other development partner country reports and Cairns Compact Peer Reviews.

**PFTAC Outputs:**

- 1) Technical advice and capacity building delivered through advisory missions – around 20 per year.
- 2) Coordination of PEFA process in the Pacific.
- 3) Participation in and review of PEFAs.
- 4) On-demand remote advice (phone, email)
- 5) Regional and sub-regional training courses and seminars – 1-2 per year, organized through PIFMA and in coordination with partners including Australian Ministry of Finance and deregulation.
- 6) Manuals and guidance notes on good practice in PFM.

**Output Performance indicators:**

Quality: feedback from periodic questionnaires (biennial) and evaluations.

Rapid response: time between request and fielding of mission

Coordination: number of collaborations with other development partners.

| <b>PFM Inputs</b>                              | <b>Person months</b> | <b>Cost</b> |
|--|----------------------|-------------|
| 2 Resident Advisors and travel                 | 120                  | 4.3         |
| Backstopping and project management            | n/a                  | 0.6         |
| Short-term expert missions                     | 30                   | 1.3         |
| HQ-led diagnostic mission                      | 5.5                  | 0.5         |
| Funding for seminars, training and attachments | n/a                  | 0.6         |

### Revenue Policy and Administration: Results Framework

| Code | Immediate Outcome  | Current Status  | Target countries  | Risks and strategic/partnership issues  |
|------|--|---|---|---|
| 2.1  | Modernized comprehensive revenue policy and legislation framework adopted in 4 additional countries encompassing a VAT, Net Profit Tax, Personal income tax, , Revenue Administration Act and possibly a Presumptive Tax. Also including natural resources regimes where relevant. | Tonga, Tuvalu   | Comprehensive policy framework RMI, FSM, Kiribati, Vanuatu, Modernized legislation Fiji, Samoa. Natural resources, Fiji, Solomon Islands, Cook Islands. | Requires strong political commitment.   |
| 2.2  | Effective Corporate Strategy and planning processes in place for 5 additional revenue administrations.   | Samoa, PNG, Solomon Islands and Tonga have plans. Fiji and Vanuatu are developing them. | Vanuatu, Fiji, Palau, Nauru   | Corporate planning is an intermediate outcome but is necessary to achieve many other results in the revenue sector. Timing of assistance will be dependant on the capacity of individual revenue administrations. |
| 2.3  | Revenue administration processes automated in 4 additional countries   | Good Automation in Tuvalu, Cook Islands, Tonga, Vanuatu                                 | Introduce automation RMI, FSM, Kiribati, Improvements and refinements in: PNG, Samoa, Fiji, Palau   | Requires funding commitments from countries and, in many cases, donors. PFTAC focus will be on aligning IT strategy with overall the business strategy  |

| <b>Code</b> | <b>Immediate Outcome</b>   | <b>Current Status</b>  | <b>Target countries</b>                            | <b>Risks and strategic/partnership issues</b>   |
|-------------|--|--|--|---|
| 2.4         | Self assessment principles adopted for 6 additional countries:   | Currently used in Tonga and in principle in Tuvalu             | Fiji, RMI, FSM, Samoa, Kiribati<br>Vanuatu, Tuvalu | Requires legislative underpinning and change management program in the tax administration.<br>Substantial TA needed for success.  |
| 2.5         | Revenue administrations organised in taxpayer-focused operating model (functional or segmented) used in 4 countries: | Currently in Tonga,  | Samoa, FSM, RMI, Palau, Fiji, Kiribati             |   |
| 2.6         | Risk management and compliance improvement strategies adopted in 4 additional countries                              | Strategies in use in Palau and Vanuatu.                        | Fiji, Samoa, FSM, RMI, Kiribati                    | Substantial TA needed for success   |
| 2.7         | Model tax office framework and legislation developed and agreed by PITAA   | Draft for discussion at FY12 PITAA Meetings.                   | Regional.  | Model, if approved will represent a strong commitment to regional solutions on behalf of tax administrators.<br>Will require subsequent political commitment and TA, from PFTAC and others, for delivery. |
| 2.8         | Regional support office mechanism for countries with common IT systems. (e.g. PC Trade, RMS, CMS)                    | Draft proposal prepared by PFTAC and under regional discussion | Regional   | Modeled on the ASYCUDA regional support office.<br>Will require funding (from countries and/or donors)  |

The main means of verification will be: Country legislation, PFTAC reports, PITAA benchmarking, discussions and resolutions

**PFTAC Outputs:**

- 1) Technical advice and capacity building delivered through advisory missions – around 15 per year.
- 2) On-demand remote advice (phone/e mail)
- 3) Regional and sub-regional training courses and seminars – 1-2 per year, organized through PITAA.
- 4) Manuals and guidance notes on key areas of tax policy and administration.
- 5) Participation in recruitment and oversight of resident advisors recruited by AusAID (and others).

**Output Performance indicators:**

Quality: feedback from periodic questionnaires (biennial) and evaluations.

Rapid response: time between request and fielding of mission

Coordination: number of collaborations with other development partners.

**Inputs:**

| <b>Inputs</b>                                  | <b>Person months</b> | <b>Cost (US\$ millions)</b> |
|--|----------------------|-----------------------------|
| 1 Resident Advisor and travel                  | 60                   | 2.1                         |
| Backstopping and project management            | n/a                  | 0.4                         |
| Short-term expert missions                     | 31                   | 1.3                         |
| HQ-led diagnostic missions                     | 6.5                  | 0.6                         |
| Funding for seminars, training and attachments | n/a                  | 0.5                         |

## Financial Sector Supervision: Results Framework

| Code                          | Immediate outcome  | Current Status   | Target countries   | Risks and strategic/partnership issues   |
|-------------------------------|--|--|--|--|
| <b>Risk-based supervision</b> |  |  |  |  |
| 3.1                           | Improved bank reporting requirements allowing supervisory authorities to regularly calculate “core” Financial Soundness Indicators and improve the capacity to calculate “encouraged” FSIs prescribed by the IMF and perform enhanced monitoring and assessment of the financial condition and performance of banks. | Core FSIs are not regularly published in PFTAC countries. Some countries calculate them on a partial and periodic basis but participation in the AFSPC program of publication has been very limited. | Solomon Islands, Vanuatu, Fiji, Tonga, Cook Islands, Palau,, RMI | Based on the base prudential returns being developed by AFSPC with assistance from PFTAC.<br>Will lay the foundation for possible adoption of a common IT system for analyzing data to monitor and assess the condition and performance of banks and the overall system—this may require donor financial assistance. |
| 3.2                           | Prudential returns data regularly used to assess CAELS components of banks in 6 countries.   | CAELS are monitored and assessed through implementation of comprehensive off-site monitoring program in Palau, RMI, FSM, Tonga, Cook Islands and PNG. Assessment, however, remains weak.             | Palau, Tonga, Vanuatu, Solomon Islands, FSM, RMI                 | Requires management commitment to strict implementation of off-site monitoring policies and capacity to adequately process data.   |
| 3.3                           | Improved manuals for completing quarterly off-site monitoring report   | Manuals developed and adopted in: Palau, Solomon   | FSM, RMI, Vanuatu, Tonga   | Continuity of supervision staff is a key risk. While PFTAC provides training in calculation  |

| Code                       | Immediate outcome   | Current Status  | Target countries                                 | Risks and strategic/partnership issues   |
|----------------------------|---|---|--|--|
|                            |   | Islands.  |  | and meaning of key analytical ratios and use of level and trend analysis, experience is needed to fully understand the interrelationship of CAELS components.  |
| <b>On site supervision</b> |   |   |  |  |
| 3.4                        | Regular full-scope CAMELS examinations implemented in 5 countries   | While the composite CAMELS rating is currently disclosed in on-site examinations reports prepared by Palau and RMI, no country discloses individual CAMELS component ratings. | FSM, Palau, RMI, Tonga, Vanuatu, Solomon Islands | Continuity of supervision staff is a key risk. PFTAC will provide training in credit risk analysis and grading and other asset verification techniques to assist in validating compliance with lending and investment policies and the accurate disclosure of capital, earnings and loss reserves. |
| 3.5                        | Implementation of standardized examination reports summarizing the findings of on-site examination to assure all banks are subject to a minimum level of review and analysis in 5 countries | Progress made in Vanuatu, RMI, Palau,   | FSM, Palau, RMI, Solomon Islands, Tonga, Vanuatu | Continuity of supervision staff is the key risk. PFTAC will provide assistance to authorities in design of standardized CAMELS examination report to ensure every bank is subjected to a minimum level of review and analysis.   |
| 3.6                        | Completion of written procedures for examining functional banking activities/areas of operation   | Written procedures have previously been provided in   | Fiji, PNG, Tonga, Palau, FSM, Vanuatu, Solomon   | Continuity of supervision staff is the key risk. PFTAC can provide assistance in   |

| <b>Code</b>                            | <b>Immediate outcome</b>   | <b>Current Status</b>  | <b>Target countries</b>                                     | <b>Risks and strategic/partnership issues</b>   |
|--|--|--|---|---|
|  |  | PFTAC handbook but need to be tailored to individual jurisdictions.                    | Islands, RMI, Cook Islands                                  | tailoring procedures to individual jurisdictions and training in completion of procedures but continuity of staff is necessary to enhance capacity to properly assess unique and different issues which arise.                                |
| 3.7                                    | Financial statement analysis regularly used in 5 countries to enhance evaluation of credit risk and verify the adequacy of loan grading and provisioning by banks. | Currently used in Cook Islands, Palau and FSM  | Vanuatu, Fiji, PNG, Solomon Islands, Tonga, Samoa           | Continuity of staff is the key risk. While PFTAC can provide training and support in financial statement and credit risk assessment, this pro-active approach requires enhanced analytical skills which are generally gained with experience. |
| <b>Legal and Regulatory Frameworks</b> |  |  |   |   |
| 3.8                                    | Basel-compliant legal frameworks and supporting regulations in place   | Appropriate laws and regulations in place in: 6 central bank countries, FSM, and Palau | Banking laws/revisions: Tuvalu, Cook Islands, RMI, Kiribati | Considerable progress has been made in improving regulations in recent years. PFTAC's focus will now be on implementation. Nevertheless, some work on legal and regulatory framework is needed in some countries                              |

**PFTAC Outputs:**

- 1) Technical advice and capacity building delivered through advisory missions – around 12 per year.
- 2) On-demand remote advice (phone, email)
- 3) Regional and sub-regional training courses and seminars – 1-2 per year, organized through AFSPC.
- 4) Manuals and guidance notes.

**Output Performance indicators:**

Quality: feedback from periodic questionnaires (biennial) and evaluations.

Rapid response: time between request and fielding of mission

Coordination: number of collaborations with other development partners.

| <b>Financial Sector Inputs</b>                 | <b>Person months</b> | <b>Cost (US\$ millions)</b> |
|--|----------------------|-----------------------------|
| 1 Resident Advisor and travel                  | 60                   | 2.1                         |
| Backstopping and project management            | n/a                  | 0.4                         |
| Short-term expert missions                     | 18                   | 0.6                         |
| HQ-led diagnostic mission                      | 1.5                  | 0.1                         |
| Funding for seminars, training and attachments | n/a                  | 0.5                         |

### Economic Statistics: Results Framework

| Code                              | Immediate outcome   | Current Status  | Target countries   | Risks and strategic/partnership issues  |
|-----------------------------------|---|---|--|---|
| <b>National Accounts</b>          |   |   |  |   |
| 4.1                               | At least 8 countries compiling at least two independent measures of GDP to a high standard and improved coverage and quality of GDP measures in all countries | Currently 5 countries: Fiji, Palau, Samoa, Solomon Islands, Tonga | FSM, Kiribati, Marshall Islands, Nauru, Vanuatu          | Requires better use of administrative data (tax, NPF, etc)                          |
| 4.2                               | Rebased constant price GDP(P) and GDP(E) estimates  | Recent rebases in: Vanuatu, Fiji, Cook Islands, Kiribati, Tuvalu  | FSM, Marshall Islands, Niue, Palau, Samoa, Tonga         | Requires timely completion of HIESs and CPI rebases (TA mostly provided by SPC)     |
| 4.3                               | Compilation of regular annual GNI, GNDI, saving and net lending/borrowing aggregates by at least 8 member countries   | Currently 6 countries: Fiji, Palau, PNG, Samoa, Tonga, Vanuatu    | FSM, Kiribati, RMI, Solomon Islands                      | Requires NA and BOP   |
| 4.4                               | Quarterly National Accounts being produced in 4 member countries  | Samoa produces quarterly GDP, Fiji has begun developing.          | Cook Islands, Fiji, Vanuatu                              | Requires better use of administrative data (tax, NPF, etc)                          |
| <b>External sector statistics</b> |   |   |  |   |
| 4.5                               | Regular compilation of annual BOP estimates for countries with irregular compilation  | Irregular compilation by consultants/PFTAC.                       | Nauru, Niue, and Tuvalu                                  | Access to customs and other data  |
| 4.6                               | Improvement in the coverage, quality and timeliness of Current Account estimates  | Good estimates in Fiji, Samoa, Tonga, Vanuatu, PNG                | Cook Islands, FSM, Kiribati, Palau, RMI, Solomon Islands | Improvements to customs data and donors' data, additional surveys in some countries |
| 4.7                               | Improvements in the coverage and quality of investment income and external grants data  | Reasonable estimates in Fiji,                                     | Cook Islands, FSM, Kiribati, Palau,                      | Improvements to donors' data, additional surveys in some                            |

| Code                     | Immediate outcome  | Current Status   | Target countries  | Risks and strategic/partnership issues  |
|--------------------------|--|--|---|---|
|                          | and financial and IIP estimates for 8 countries  | Samoa, Tonga, Vanuatu, PNG                               | RMI, Solomon Islands, Vanuatu   | countries   |
| 4.8                      | Improved consistency of BOP and IIP estimates for at least 9 member countries with <i>BPM6</i> standards | Transition underway in most countries                    | Cook Islands, Fiji, FSM, Kiribati, Palau, RMI, Samoa, Solomon Islands, Tonga, Vanuatu | Requires improvement of data sources and methodology  |
| <b>Prices Statistics</b> |  |  |   |   |
| 4.9                      | Compilation of PPI and trade price indexes by 4 countries (Fiji both, other countries trade price index) | Under development in Fiji, Samoa, Solomon Islands, Tonga | Fiji (PPI and trade price), Samoa, Solomon Islands, Tonga                             | SPC to support completion.  |
| 4.10                     | Rebase of the CPI for at least 7 member countries  |  |   | Timing to quickly follow HIES completion. SPC to take the lead in CPI rebases, with PFTAC lending support as relevant |

Means of verification will be: Published statistics, GDDS metadata, PFTAC and SPC reports, PINACLE papers and meeting minutes.

**PFTAC Outputs:**

- 1) Technical advice and capacity building delivered through advisory missions – around 18 per year.
- 2) On-demand remote advice (phone, email)
- 3) Regional and sub-regional training courses and seminars – 1 per year.
- 4) Manuals and guidance notes on key areas of economic statistics.

**Output Performance indicators:**

Quality: feedback from periodic questionnaires (biennial) and evaluations.

Rapid response: time between request and fielding of mission

Coordination: number of collaborations with other development partners

| <b>Statistics Inputs 1/</b>                    | <b>Person months</b> | <b>Cost</b> |
|--|----------------------|-------------|
| 2 Resident Advisor and travel                  | 120                  | 4.3         |
| Backstopping and project management            | n/a                  | 0.6         |
| Short-term expert missions                     | 0                    | 0           |
| HQ-led diagnostic missions                     | 0                    | 0           |
| Funding for seminars, training and attachments | n/a                  | 0.5         |

These assume full funding of the Phase IV program

**Macroeconomic Analysis and Frameworks: Results Framework**

| <b>Code</b> | <b>Immediate Outcome</b>   | <b>Current Status</b>  | <b>Target countries</b>                         | <b>Risks and strategic/partnership issues</b>  |
|-------------|--|--|---|--|
| 5.1         | Enhanced analysis of current macroeconomic conditions (through inflation analysis, output gap measurement, and measurement of fiscal and monetary policy stance) | Partially implemented by central banks in the region.  | Fiji, PNG, Samoa, Solomon Islands, Timor-Leste. | Substantial TA needed for success.   |
| 5.2         | Introduction of macroeconomic modeling tools and financial programming frameworks  | Fiji's RBF is in the process of building a financial programming framework based on IMF training courses; Timor-Leste is using a macroeconomic framework built by IMF staff. | Fiji, PNG, Timor-Leste.                         | Substantial TA needed for success.<br>Requires sustained commitments of RBF and Bank of PNG and retention of trained staff.<br>Relies on effective coordination between central bank and Ministry of Finance.<br>Work will need to be coordinated with ADB TA. |
| 5.3         | Improved forecasting techniques  | Basic techniques are used by MoFs and central banks in all member countries.   | Fiji, Kiribati, PNG, Solomon Islands.           | Work will need to be coordinated with ADB TA.  |
| 5.4         | Regular production of tailored debt sustainability analyses.   | Countries currently rely on IMF/World Bank analyses.   | Fiji, Samoa, Tonga.                             | Work will need to be coordinated with EU TA (Samoa).   |

| Code | Immediate Outcome  | Current Status   | Target countries        | Risks and strategic/partnership issues   |
|------|--|--|-------------------------|--|
| 5.5  | Better understanding of macroeconomic policy options related to natural resource inflows | PNG implementing fiscal strategy managing recent commodity price boom, but coordination with monetary policy is lacking. | Fiji, PNG, Timor-Leste. | Substantial TA needed for success.<br>Relies on effective coordination between central bank and Ministry of Finance. |

Means of verification: IMF staff reports, country websites, PFTAC and ADB country reports.

#### PFTAC Outputs:

- 1) Technical advice and capacity building delivered through advisory missions – around 9 per year.
- 2) On-demand remote advice (phone, email)
- 3) Regional and sub-regional training courses and seminars – 1-2 per year.
- 4) Manuals ,guidance notes and regional analysis.

#### Output Performance indicators:

Quality: feedback from periodic questionnaires (biennial) and evaluations.

Rapid response: time between request and fielding of mission

Coordination: number of collaborations with other development partners

| Macroeconomics Inputs                          | Person months | Cost (US\$ millions) |
|--|---------------|----------------------|
| 1 Resident Advisor and travel                  | 60            | 2.1                  |
| Backstopping and project management            | n/a           | 0.3                  |
| Short-term expert missions                     | 0             | 0                    |
| HQ-led diagnostic mission                      | 0             | 0                    |
| Funding for seminars, training and attachments | n/a           | 0.5                  |

## STATISTICAL APPENDIX

**Table 1: Advisory Missions in PFTAC Phase III**

### 1A: Public Financial Management

| Mission Timing | Country                  | Subject  | Advisor Type      |
|----------------|--------------------------|--|-------------------|
| May, 2011      | Cook Islands             | PEFA Assessment in country team                            | Short-Term Expert |
| May, 2011      | Cook Islands             | PEFA Assessment  | Resident Advisor  |
| Feb, 2011      | Cook Islands             | Medium Term Budgeting - PHASE 5                            | Short-Term Expert |
| Feb, 2011      | Cook Islands             | PEFA Assessment  | Resident Advisor  |
| Nov, 2010      | Cook Islands             | Medium Term Budgeting - PHASE 4                            | Short-Term Expert |
| Jul, 2010      | Cook Islands             | Medium Term Budgeting- PHASE 3                             | Short-Term Expert |
| Feb, 2010      | Cook Islands             | Medium Term Budgeting - PHASE 2                            | Short-Term Expert |
| Feb, 2010      | Cook Islands             | Medium Term Budget Development                             | Resident Advisor  |
| Oct, 2009      | Cook Islands             | Public financial management project oversight              | Resident Advisor  |
| Oct, 2009      | Cook Islands             | Translating national plans into sectoral plans             | Short-Term Expert |
| Jul, 2009      | Cook Islands             | Public Financial Management                                | Resident Advisor  |
| Mar, 2009      | Cook Islands             | IFMIS Review   | Short-Term Expert |
| Mar, 2009      | Cook Islands             | Public Financial Management                                | Resident Advisor  |
| Nov, 2008      | Cook Islands             | PFM Internal Audit   | Short-Term Expert |
| Aug, 2008      | Cook Islands             | Medium Term Budgeting                                      | Short-Term Expert |
| Jul, 2008      | Cook Islands             | Medium Term Budgeting                                      | Short-Term Expert |
| Jul, 2008      | Cook Islands             | PFTAC Advisor -- Training of Trainers                      | Resident Advisor  |
| Jan, 2011      | Fiji                     | Framework to progress IPSAS cash accounting standards      | Short-Term Expert |
| Dec, 2010      | Fiji                     | IFMIS development  | Short-Term Expert |
| Jul, 2010      | Fiji                     | Internal Audit   | Short-Term Expert |
| Nov, 2009      | Fiji                     | Financial Reporting aiming for cash basis IPSAS Compliance | Short-Term Expert |
| Oct, 2008      | Fiji                     | Public Financial Management                                | Short-Term Expert |
| Apr, 2011      | Micronesia (Fed. States) | PEFA Training  | Short-Term Expert |
| Aug, 2011      | Kiribati                 | Developing a realistic plan for financial management       | Resident Advisor  |
| Dec, 2009      | Kiribati                 | IFMIS system review  | Short-Term Expert |
| Apr, 2011      | Marshall Islands         | PEFA Training  | Short-Term Expert |

| Mission Timing | Country          | Subject   | Advisor Type      |
|----------------|------------------|---|-------------------|
| Dec, 2009      | Marshall Islands | Medium term budget - scoping                          | Resident Advisor  |
| Dec, 2009      | Marshall Islands | Public Financial Management                           | Short-Term Expert |
| May, 2009      | Marshall Islands | Public Financial Management                           | Resident Advisor  |
| Jun, 2008      | Marshall Islands | Capacity Development in Revenue Estimation            | Short-Term Expert |
| Jun, 2011      | Niue             | PEFA Assessment in country team                       | Short-Term Expert |
| Aug, 2009      | Niue             | Medium Term Budget Development                        | Resident Advisor  |
| Dec, 2010      | Nauru            | Public Financial Management-Upload of software        | Short-Term Expert |
| May, 2010      | Nauru            | Public Financial Management Expert                    | Resident Advisor  |
| Apr, 2010      | Nauru            | Development of Financial Instruction                  | Short-Term Expert |
| Apr, 2010      | Nauru            | Development of Financial Instructions                 | Resident Advisor  |
| Jan, 2011      | Palau            | Debt Management                                       | Resident Advisor  |
| Nov, 2010      | Palau            | Debt Management                                       | Resident Advisor  |
| Aug, 2010      | Palau            | Cash Planning   | Resident Advisor  |
| Nov, 2009      | Palau            | Public Financial Management                           | Resident Advisor  |
| Jul, 2009      | Palau            | Public Financial Management                           | Resident Advisor  |
| Jan, 2009      | Palau            | Cash Management Training                              | Resident Advisor  |
| Nov, 2008      | Palau            | Internal Auditing                                     | Short-Term Expert |
| Jun, 2008      | Palau            | PFTAC Advisor -- Budget                               | Resident Advisor  |
| Jun, 2010      | Regional         | PIC-Development Partners Meeting                      | Resident Advisor  |
| Jan, 2011      | Solomon Islands  | Framework to progress IPSAS cash accounting standards | Short-Term Expert |
| Jul, 2010      | Solomon Islands  | Public Financial Management Mission                   | Resident Advisor  |
| Apr, 2010      | Solomon Islands  | PER Scoping Mission                                   | Resident Advisor  |
| Oct, 2010      | Solomon Islands  | Framework to progress IPSAS cash accounting standards | Short-Term Expert |
| Oct, 2010      | Solomon Islands  | Install IPSAS Expert                                  | Resident Advisor  |
| May, 2011      | Tonga            | Strengthening Debt Management Capacity                | Short-Term Expert |
| Aug, 2010      | Tonga            | Medium Term Budgeting                                 | Resident Advisor  |
| May, 2010      | Tonga            | Medium Term Budgeting                                 | Resident Advisor  |
| Mar, 2010      | Tonga            | Medium Term Budget Development                        | Resident Advisor  |
| Nov, 2009      | Tonga            | IFMIS system review                                   | Short-Term Expert |
| Oct, 2008      | Tonga            | Internal Audit  | Short-Term Expert |
| May, 2008      | Tonga            | Expenditure Management                                | Resident Advisor  |

| Mission Timing | Country  | Subject   | Advisor Type      |
|----------------|----------|---|-------------------|
| Feb, 2011      | Tuvalu   | Public Financial Management   | Resident Advisor  |
| Jun, 2008      | Vanuatu  | Training of PFM Trainers  | Resident Advisor  |
| Feb, 2011      | Samoa    | Consultancy to Update the Treasury Instructions and dissemination in Samoa                    | Short-Term Expert |
| Mar, 2011      | Samoa    | Public Financial Management   | Short-Term Expert |
| Oct, 2010      | Samoa    | Improved economic stability, budget sustainability and prioritization of resource allocations | Short-Term Expert |
| Sep, 2010      | Samoa    | Public Financial Management   | Short-Term Expert |
| Jan, 2010      | Samoa    | Medium Term Budget Development  | Resident Advisor  |
| Feb, 2011      | Regional | Public Financial Management Training  | Resident Advisor  |
| Feb, 2011      | Regional | JSA regional Seminar  | Resident Advisor  |
| Feb, 2011      | Regional | Coordination and Discussion of Cook Islands PEFA  | Resident Advisor  |
| Nov, 2010      | Regional | PFM Training with Australian DFD  | Resident Advisor  |
| Jun, 2010      | Regional | Public Financial Management Expert  | Resident Advisor  |
| Jun, 2010      | Regional | Public Financial Management - Lesson Learnt document on IFMIS                                 | Short-Term Expert |
| May, 2010      | Regional | Public Financial Management Coordination  | Resident Advisor  |
| Feb, 2010      | Regional | Study Tour to the Australia Treasury  | Resident Advisor  |
| Feb, 2010      | Regional | Asia Pacific PFM Conference   | Resident Advisor  |
| Dec, 2009      | Regional | Discuss Training in the field of Internal Audit at USDA Graduate School                       | Resident Advisor  |
| Sep, 2009      | Regional | Public Financial Management Training  | Resident Advisor  |
| Jun, 2009      | Regional | Tripartite Meeting  | Resident Advisor  |
| Mar, 2009      | Regional | PEFA Conference   | Resident Advisor  |
| Oct, 2008      | Regional | PIFMA Workshop  | Resident Advisor  |
| Aug, 2008      | Regional | US Treasury & IMF Visit   | Resident Advisor  |

### 1B: Revenue Policy and Administration

| Mission Timing | Country | Subject   | Advisor Type      |
|----------------|---------|---|-------------------|
| Mar, 2011      | Fiji    | Tax Administration reforms                              | Short-Term Expert |
| Mar, 2011      | Fiji    | Tax Administration Reforms Mission .                    | Short-Term Expert |
| Jan, 2011      | Fiji    | Technical assistance evaluation                         | Short-Term Expert |
| Sep, 2010      | Fiji    | Rewrite the Fiji income tax act, associated legislation | Short-Term Expert |
| Sep, 2010      | Fiji    | Tax and Customs Administration                          | Short-Term Expert |

| Mission Timing | Country          | Subject   | Advisor Type      |
|----------------|------------------|---|-------------------|
| Aug, 2010      | Fiji             | Tax and Customs Administration  | Short-Term Expert |
| Jul, 2010      | Fiji             | Develop a Regional IT support Strategy- Phase -1                                  | Short-Term Expert |
| Jun, 2010      | Fiji             | Tax Administration reform at FIRCA  | Short-Term Expert |
| May, 2010      | Fiji             | Tax and Customs Administration  | Short-Term Expert |
| May, 2009      | Fiji             | Tax and Customs Administration  | Short-Term Expert |
| Jul, 2008      | Fiji             | Tax Administration (31 days mission in 3 Phases)                                  | Short-Term Expert |
| Jun, 2011      | Micronesia       | Tax Administration  | Resident Advisor  |
| Oct, 2010      | Micronesia       | Tax Administration  | Resident Advisor  |
| May, 2010      | Micronesia       | Tax Administration  | Resident Advisor  |
| Jan, 2010      | Micronesia       | Scope IT - Strategies plan  | Short-Term Expert |
| Aug, 2009      | Micronesia       | Revenue Administration - Risk MGMT 1 of 2   | Short-Term Expert |
| Aug, 2009      | Micronesia       | Revenue Reform Implementation   | Resident Advisor  |
| May, 2008      | Micronesia       | Debriefing LT Advisor in FSM  | Resident Advisor  |
| Apr, 2011      | Kiribati         | Development of an IT Strategy   | Short-Term Expert |
| Nov, 2009      | Kiribati         | Reform Implementation   | Resident Advisor  |
| Sep, 2009      | Kiribati         | Tax Administration and Customs training mission .                                 | Short-Term Expert |
| Jun, 2011      | Marshall Islands | Tax Administration  | Resident Advisor  |
| Oct, 2010      | Marshall Islands | Revenue administration advisor mission  | Resident Advisor  |
| Jun, 2010      | Marshall Islands | Tax Administration  | Resident Advisor  |
| Oct, 2009      | Marshall Islands | Revenue Reform : Policy and Administration Training and Business Plan Development | Resident Advisor  |
| Sep, 2009      | Marshall Islands | Tax Administration Policy and Administration mission .                            | Short-Term Expert |
| Apr, 2009      | Marshall Islands | Revenue Administration  | Resident Advisor  |
| Sep, 2008      | Marshall Islands | Tax Reform Commission   | Resident Advisor  |
| May, 2011      | Nauru            | Selection of Nauru Tax Expert   | Resident Advisor  |
| Nov, 2010      | Nauru            | Establishment of National Revenue Office and Introduction of GST                  | Resident Advisor  |
| Mar, 2009      | Nauru            | Revenue Administration  | Resident Advisor  |
| Jul, 2010      | Niue             | Technical assistance evaluation   | Short-Term Expert |
| Jan, 2010      | Niue             | Reviewing the Tax System  | Short-Term Expert |
| Jun, 2011      | Palau            | Tax Administration  | Resident Advisor  |
| Aug, 2010      | Palau            | Customs Administration IT Strategy  | Short-Term Expert |

| Mission Timing | Country         | Subject   | Advisor Type      |
|----------------|-----------------|---|-------------------|
|                |                 | Mission   |                   |
| May, 2010      | Palau           | Tax Administration                                      | Resident Advisor  |
| Nov, 2008      | Palau           | Revenue Administration Capacity Strengthening           | Short-Term Expert |
| Sep, 2008      | Palau           | Tax Administration                                      | Resident Advisor  |
| Apr, 2009      | PNG             | Tax Administration IT                                   | Short-Term Expert |
| Aug, 2011      | Solomon Islands | Customs Training Risk Management and Post Clearance     | Short-Term Expert |
| Feb, 2011      | Solomon Islands | Revenue administration advisor mission                  | Resident Advisor  |
| Oct, 2010      | Solomon Islands | Natural Resources Tax Framework                         | Short-Term Expert |
| Apr, 2011      | Tonga           | Revenue administration advisor mission                  | Resident Advisor  |
| Feb, 2011      | Tuvalu          | Tax Administration                                      | Short-Term Expert |
| Apr, 2011      | Tuvalu          | Tax Administration                                      | Short-Term Expert |
| Mar, 2011      | Tuvalu          | Tax Administration                                      | Short-Term Expert |
| Aug, 2010      | Tuvalu          | Review of consumption tax                               | Short-Term Expert |
| Jun, 2008      | Tuvalu          | Debriefing LT Advisor in Tuvalu                         | Resident Advisor  |
| May, 2011      | Vanuatu         | Corporate Strategy and Operation Model                  | Short-Term Expert |
| May, 2011      | Vanuatu         | Tax Administration                                      | Short-Term Expert |
| Apr, 2011      | Vanuatu         | Tax Administration                                      | Short-Term Expert |
| Feb, 2011      | Vanuatu         | Corporate Strategy and Operation Model Review           | Short-Term Expert |
| Feb, 2011      | Vanuatu         | Tax Administration                                      | Short-Term Expert |
| Jul, 2010      | Vanuatu         | Develop a Regional IT support Strategy - Phase 1        | Short-Term Expert |
| Jun, 2010      | Vanuatu         | Framework for Direct Taxation and Review of VAT         | Short-Term Expert |
| Jun, 2010      | Vanuatu         | Revenue Administration                                  | Resident Advisor  |
| Mar, 2010      | Vanuatu         | Tax Administration                                      | Resident Advisor  |
| Oct, 2009      | Vanuatu         | Tax Administration-Enhancing Large Taxpayer Unit        | Resident Advisor  |
| Jul, 2011      | Samoa           | Customs Administration                                  | Short-Term Expert |
| Jan, 2011      | Samoa           | Development of an IT Strategy                           | Short-Term Expert |
| May, 2011      | Regional        | OCO Meeting   | Resident Advisor  |
| Mar, 2011      | Regional        | PITAA Training Delivery                                 | Short-Term Expert |
| Oct, 2010      | Regional        | Revenue administration advisor mission                  | Resident Advisor  |
| Oct, 2010      | Regional        | Pacific Islands Tax Administrators Association training | Short-Term Expert |

| Mission Timing | Country  | Subject   | Advisor Type      |
|----------------|----------|---|-------------------|
| Sep, 2010      | Regional | Tripartite Meeting                                    | Resident Advisor  |
| Jul, 2010      | Regional | PITAA Regional Training Program -                     | Short-Term Expert |
| Jul, 2010      | Regional | PITAA Regional Training Program                       | Short-Term Expert |
| Jul, 2010      | Regional | Develop a Regional IT support Strategy- Phase 1       | Short-Term Expert |
| Apr, 2010      | Regional | OCO Meeting   | Resident Advisor  |
| Mar, 2010      | Regional | Revenue implications of regional trade liberalization | Short-Term Expert |
| Mar, 2010      | Regional | Revenue Implication of regional trade liberalization  | Short-Term Expert |
| Sep, 2009      | Regional | PITAA Heads Meeting                                   | Resident Advisor  |
| Sep, 2009      | Regional | OCO Meeting   | Resident Advisor  |
| Aug, 2009      | Regional | Revenue Administration - Risk MGMT 1 of 2             | Short-Term Expert |
| Jun, 2009      | Regional | Tripartite Meeting                                    | Resident Advisor  |
| Mar, 2009      | Regional | Attend PIF Workshop                                   | Resident Advisor  |
| Dec, 2008      | Regional | Consultations with NZ Customs and IR                  | Resident Advisor  |
| Aug, 2008      | Regional | PITAA Heads Meeting                                   | Resident Advisor  |
| Apr, 2008      | Regional | OCO Conference  | Resident Advisor  |

### 1C: Statistics

| Mission Timing | Country      | Subject   | Advisor Type      |
|----------------|--------------|---|-------------------|
| Jan, 2011      | Cook Islands | Balance of Payments Statistics Follow-up Mission                          | Resident Advisor  |
| Dec, 2009      | Cook Islands | Government Finance Statistics   | Short-Term Expert |
| Aug, 2009      | Cook Islands | National Accounts Statistics  | Resident Advisor  |
| Mar, 2011      | Fiji         | Multisector Statistics Advisor  | Resident Advisor  |
| Nov, 2010      | Fiji         | Balance of Payments Statistics Mission                                    | Short-Term Expert |
| Jun, 2010      | Fiji         | Government Finance Statistics   | Short-Term Expert |
| Apr, 2010      | Fiji         | National Accounts Statistics  | Short-Term Expert |
| Jan, 2010      | Fiji         | Consumer Prices/Producer Price  | Short-Term Expert |
| Jul, 2009      | Fiji         | National Accounts   | Resident Advisor  |
| May, 2009      | Fiji         | National Accounts Statistics  | Resident Advisor  |
| Apr, 2009      | Fiji         | National Accounts Statistics  | Resident Advisor  |
| Apr, 2011      | Micronesia   | Balance of Payments Statistics Follow-up Mission                          | Resident Advisor  |
| May, 2009      | Micronesia   | STE Balance of Payments Statistics and External Sector Statistics Mission | Short-Term Expert |
| Oct, 2008      | Micronesia   | National Accounts   | Resident Advisor  |

| Mission Timing | Country          | Subject  | Advisor Type      |
|----------------|------------------|--|-------------------|
| Jan, 2011      | Cook Islands     | Balance of Payments Statistics Follow-up Mission   | Resident Advisor  |
| Dec, 2009      | Cook Islands     | Government Finance Statistics                      | Short-Term Expert |
| Aug, 2009      | Cook Islands     | National Accounts Statistics                       | Resident Advisor  |
| Mar, 2011      | Fiji             | Multisector Statistics Advisor                     | Resident Advisor  |
| Nov, 2010      | Fiji             | Balance of Payments Statistics Mission             | Short-Term Expert |
| Jun, 2010      | Fiji             | Government Finance Statistics                      | Short-Term Expert |
| Apr, 2010      | Fiji             | National Accounts Statistics                       | Short-Term Expert |
| Jan, 2010      | Fiji             | Consumer Prices/Producer Price                     | Short-Term Expert |
| Jul, 2009      | Fiji             | National Accounts                                  | Resident Advisor  |
| May, 2009      | Fiji             | National Accounts Statistics                       | Resident Advisor  |
| Apr, 2009      | Fiji             | National Accounts Statistics                       | Resident Advisor  |
| Apr, 2011      | Micronesia       | Balance of Payments Statistics Follow-up Mission   | Resident Advisor  |
| Mar, 2011      | Kiribati         | National Accounts Statistics follow up mission     | Short-Term Expert |
| May, 2010      | Kiribati         | Government Finance Statistics                      | Short-Term Expert |
| Apr, 2010      | Kiribati         | Balance of Payments Statistics                     | Short-Term Expert |
| Jan, 2010      | Kiribati         | STE: National Accounts Statistics                  | Short-Term Expert |
| Aug, 2008      | Kiribati         | BOP and National Accounts Statistics               | Resident Advisor  |
| Oct, 2008      | Marshall Islands | Balance of Payments and External Sector Statistics | Resident Advisor  |
| Jun, 2011      | Niue             | Balance of Payments Statistics Follow Up           | Resident Advisor  |
| Mar, 2011      | Nauru            | Balance of Payments Statistics Follow-up Mission   | Resident Advisor  |
| May, 2010      | Nauru            | Balance of Payments Statistics Mission             | Short-Term Expert |
| Nov, 2009      | Nauru            | National Accounts and BOP                          | Resident Advisor  |
| Oct, 2009      | Palau            | National Accounts Statistics                       | Resident Advisor  |
| May, 2009      | Palau            | Balance of Payments Statistics                     | Short-Term Expert |
| Sep, 2008      | Palau            | National Accounts                                  | Resident Advisor  |
| Apr, 2011      | PNG              | Balance of Payment Statistics Follow-up Mission    | Short-Term Expert |
| Nov, 2009      | PNG              | BOP Statistics                                     | Resident Advisor  |
| Jun, 2008      | PNG              | BOP and External Sector Statistics                 | Resident Advisor  |

| Mission Timing | Country         | Subject  | Advisor Type      |
|----------------|-----------------|--|-------------------|
| Jan, 2011      | Cook Islands    | Balance of Payments Statistics Follow-up Mission | Resident Advisor  |
| Dec, 2009      | Cook Islands    | Government Finance Statistics                    | Short-Term Expert |
| Aug, 2009      | Cook Islands    | National Accounts Statistics                     | Resident Advisor  |
| Mar, 2011      | Fiji            | Multisector Statistics Advisor                   | Resident Advisor  |
| Nov, 2010      | Fiji            | Balance of Payments Statistics Mission           | Short-Term Expert |
| Jun, 2010      | Fiji            | Government Finance Statistics                    | Short-Term Expert |
| Apr, 2010      | Fiji            | National Accounts Statistics                     | Short-Term Expert |
| Jan, 2010      | Fiji            | Consumer Prices/Producer Price                   | Short-Term Expert |
| Jul, 2009      | Fiji            | National Accounts                                | Resident Advisor  |
| May, 2009      | Fiji            | National Accounts Statistics                     | Resident Advisor  |
| Apr, 2009      | Fiji            | National Accounts Statistics                     | Resident Advisor  |
| Apr, 2011      | Micronesia      | Balance of Payments Statistics Follow-up Mission | Resident Advisor  |
| May, 2011      | Solomon Islands | National Accounts Statistics                     | Resident Advisor  |
| Apr, 2010      | Solomon Islands | National Accounts Statistics Mission             | Short-Term Expert |
| Apr, 2010      | Solomon Islands | BOP Mission                                      | Resident Advisor  |
| May, 2008      | Solomon Islands | National Accounts                                | Resident Advisor  |
| Mar, 2009      | Tokelau         | National Accounts and BOP                        | Resident Advisor  |
| Feb, 2011      | Tonga           | Balance of Payments Statistics Follow-up Mission | Resident Advisor  |
| Apr, 2010      | Tonga           | STE National Accounts Statistics                 | Short-Term Expert |
| Feb, 2010      | Tonga           | Balance of Payments Follow Up Mission            | Resident Advisor  |
| Feb, 2010      | Tonga           | National Accounts Statistics                     | Short-Term Expert |
| Mar, 2009      | Tonga           | National Accounts                                | Resident Advisor  |
| Jun, 2010      | Tuvalu          | Balance of Payments Statistics Mission           | Short-Term Expert |
| Oct, 2010      | Tuvalu          | National Accounts Follow-up Mission              | Resident Advisor  |
| Jul, 2009      | Tuvalu          | National Accounts Statistics                     | Short-Term Expert |
| May, 2009      | Tuvalu          | Multisector Statistics                           | Resident Advisor  |
| May, 2011      | Vanuatu         | Government Finance Statistics                    | Resident Advisor  |
| Apr, 2010      | Vanuatu         | Balance of Payments Review Mission               | Resident Advisor  |
| Sep, 2009      | Vanuatu         | National Accounts Follow up Mission              | Resident Advisor  |
| Jun, 2009      | Vanuatu         | National Accounts Statistics                     | Resident Advisor  |
| Nov, 2008      | Vanuatu         | National Accounts Statistics                     | Resident Advisor  |

| Mission Timing | Country      | Subject  | Advisor Type      |
|----------------|--------------|--|-------------------|
| Jan, 2011      | Cook Islands | Balance of Payments Statistics Follow-up Mission             | Resident Advisor  |
| Dec, 2009      | Cook Islands | Government Finance Statistics                                | Short-Term Expert |
| Aug, 2009      | Cook Islands | National Accounts Statistics                                 | Resident Advisor  |
| Mar, 2011      | Fiji         | Multisector Statistics Advisor                               | Resident Advisor  |
| Nov, 2010      | Fiji         | Balance of Payments Statistics Mission                       | Short-Term Expert |
| Jun, 2010      | Fiji         | Government Finance Statistics                                | Short-Term Expert |
| Apr, 2010      | Fiji         | National Accounts Statistics                                 | Short-Term Expert |
| Jan, 2010      | Fiji         | Consumer Prices/Producer Price                               | Short-Term Expert |
| Jul, 2009      | Fiji         | National Accounts  | Resident Advisor  |
| May, 2009      | Fiji         | National Accounts Statistics                                 | Resident Advisor  |
| Apr, 2009      | Fiji         | National Accounts Statistics                                 | Resident Advisor  |
| Apr, 2011      | Micronesia   | Balance of Payments Statistics Follow-up Mission             | Resident Advisor  |
| Apr, 2010      | Samoa        | Prices Statistics Mission                                    | Short-Term Expert |
| Oct, 2009      | Samoa        | Government Finance Statistics                                | Short-Term Expert |
| Oct, 2009      | Samoa        | National Accounts Follow-up Mission                          | Short-Term Expert |
| Feb, 2009      | Samoa        | National Accounts Statistics                                 | Resident Advisor  |
| Jul, 2008      | Samoa        | National Accounts Review                                     | Resident Advisor  |
| Dec, 2010      | Regional     | ESCAP meeting  | Resident Advisor  |
| Sep, 2010      | Regional     | Tripartite Meeting   | Resident Advisor  |
| Jul, 2010      | Regional     | PARIS 21 & Regional Heads of Planning and Statistics Meeting | Short-Term Expert |
| Jan, 2010      | Regional     | Statistics TA Coordination Meetign                           | Resident Advisor  |
| Aug, 2009      | Regional     | Consultations with Statistics NZ                             | Resident Advisor  |
| Jun, 2009      | Regional     | Tripartite Meeting   | Resident Advisor  |
| Jun, 2008      | Regional     | National Accounts TA Coordination                            | Resident Advisor  |
| May, 2008      | Regional     | National Accounts Training                                   | Resident Advisor  |

### 1D: Financial Sector Supervision

| Mission Timing | Country      | Subject                              | Advisor Type      |
|----------------|--------------|--------------------------------------|-------------------|
| Aug, 2010      | Cook Islands | Revision of Banking Law              | Short-Term Expert |
| Apr, 2010      | Cook Islands | Insurance Supervision and Regulation | Short-Term Expert |
| Dec, 2008      | Cook Islands | Financial Sector Supervision         | Resident Advisor  |
| Jun, 2008      | Cook Islands | Financial Sector Supervision         | Resident Advisor  |

| Mission Timing | Country          | Subject   | Advisor Type      |
|----------------|------------------|---|-------------------|
| Aug, 2010      | Cook Islands     | Revision of Banking Law                           | Short-Term Expert |
| Apr, 2010      | Cook Islands     | Insurance Supervision and Regulation              | Short-Term Expert |
| Dec, 2008      | Cook Islands     | Financial Sector Supervision                      | Resident Advisor  |
| Jun, 2008      | Cook Islands     | Financial Sector Supervision                      | Resident Advisor  |
| Oct, 2010      | Micronesia       | Financial Supervision                             | Resident Advisor  |
| Sep, 2010      | Micronesia       | Financial Supervision                             | Resident Advisor  |
| Jun, 2009      | Micronesia       | Bank Supervision                                  | Resident Advisor  |
| March, 2009    | Micronesia       | Financial Sector Supervision                      | Resident Advisor  |
| Feb, 2011      | Marshall Islands | Strengthening Bank Supervision and Regulation     | Resident Advisor  |
| Jan, 2010      | Marshall Islands | Bank and Financial Supervision                    | Resident Advisor  |
| Jul, 2008      | Marshall Islands | Financial Sector Supervision                      | Resident Advisor  |
| Jul, 2010      | Palau            | Financial Supervision Mission                     | Resident Advisor  |
| May, 2011      | Palau            | Strengthening the Capacity of the FIC             | Resident Advisor  |
| Aug, 2009      | Palau            | Bank Supervision                                  | Resident Advisor  |
| Jan, 2009      | Palau            | Financial Sector Supervision                      | Resident Advisor  |
| July, 2008     | Palau            | Financial Sector Supervision                      | Resident Advisor  |
| Mar, 2011      | Solomon Islands  | On-site Supervision Strengthening                 | Resident Advisor  |
| Oct, 2010      | Solomon Islands  | Strengthening Bank Supervision and Regulation     | Resident Advisor  |
| Sep, 2009      | Solomon Islands  | Off-Site Bank Supervision                         | Resident Advisor  |
| Aug, 2009      | Solomon Islands  | Prudential Reporting IT System Strengthening      | Short-Term Expert |
| Feb, 2009      | Solomon Islands  | Financial Sector Supervision                      | Resident Advisor  |
| Oct, 2008      | Solomon Islands  | Review Implementation of Base 1 Capital and Asset | Resident Advisor  |
| Apr, 2011      | Tonga            | Strengthening Bank Supervision and Regulation     | Short-Term Expert |
| Jun, 2010      | Tonga            | Off-Site Banking Supervision                      | Resident Advisor  |
| Jan, 2010      | Tonga            | Off-Site Bank Supervision                         | Resident Advisor  |
| July, 2008     | Tuvalu           | Financial Sector Supervision                      | Resident Advisor  |
| Jan, 2011      | Vanuatu          | Strengthening On-Site Bank Supervision            | Resident Advisor  |
| Sep, 2010      | Vanuatu          | Bank Supervision                                  | Resident Advisor  |
| May, 2010      | Vanuatu          | On-Site Bank Supervision                          | Resident Advisor  |
| Apr, 2009      | Vanuatu          | Bank and Financial Supervision.                   | Resident Advisor  |

| Mission Timing | Country      | Subject                                 | Advisor Type      |
|----------------|--------------|---|-------------------|
| Aug, 2010      | Cook Islands | Revision of Banking Law                 | Short-Term Expert |
| Apr, 2010      | Cook Islands | Insurance Supervision and Regulation    | Short-Term Expert |
| Dec, 2008      | Cook Islands | Financial Sector Supervision            | Resident Advisor  |
| Jun, 2008      | Cook Islands | Financial Sector Supervision            | Resident Advisor  |
| Oct, 2010      | Regional     | AFSPC Meeting                           | Resident Advisor  |
| Nov, 2010      | Regional     | Governors Meeting                       | Resident Advisor  |
| Jun, 2010      | Regional     | AFSPC Meeting                           | Resident Advisor  |
| Apr, 2010      | Regional     | Discussion of PFTAC Interest Rate Paper | Resident Advisor  |
| Oct, 2009      | Regional     | AFSPC Meeting                           | Resident Advisor  |
| Jun, 2009      | Regional     | TPRC MEETING                            | Resident Advisor  |
| Dec, 2009      | Regional     | Central Banks Governors meeting         | Resident Advisor  |
| Dec, 2008      | Regional     | Central Banks Governors meeting         | Resident Advisor  |

### 1E: Macroeconomics

| Mission Timing | Country         | Subject   | Advisor Type      |
|----------------|-----------------|---|-------------------|
| May, 2010      | Fiji            | Options for reform of the exchange rate system                            | Short-Term Expert |
| Dec, 2009      | Fiji            | Foreign currencies regime.  | Short-Term Expert |
| Jun, 2011      | Kiribati        | Scoping Mission for Macroeconomic Framework                               | Resident Advisor  |
| May, 2011      | PNG             | Developing Quarterly output indicators for PNG                            | Resident Advisor  |
| Jan, 2011      | PNG             | Stock-taking of existing macroeconomic framework                          | Resident Advisor  |
| May, 2011      | Solomon Islands | Forecasting on the Impact of International Food Price Shocks on Inflation | Resident Advisor  |
| Feb, 2011      | Solomon Islands | Tax Policy Mission  | Resident Advisor  |
| Apr, 2010      | Tonga           | Review of Exchange Rate System .  | Short-Term Expert |
| Apr, 2011      | Samoa           | Follow-up mission on revenue Forecasting                                  | Resident Advisor  |
| Mar, 2011      | Samoa           | Revenue Forecasting   | Resident Advisor  |
| Jan, 2011      | Samoa           | Macroeconomic Framework follow up   | Resident Advisor  |
| Dec, 2010      | Samoa           | Scoping Visit   | Resident Advisor  |

**Table 2: Seminars and Training in Phase III**

| Topic  | Location         | Number of Participants |
|--|------------------|------------------------|
| <b>A. PFM</b>  |                  |                        |
| PEFA Training  | FSM              | 14                     |
| PEFA Training  | Marshall Islands | 14                     |
| PFM Study tour to Australian Treasury  | Australia        | 4                      |
| PFM Training   | India            | 14                     |
| PFM Training for Line Ministries   | Tonga            | 15                     |
| PFM Training in Collaboration with Australia's Ministry of Finance & Deregulation    | Australia        | 9                      |
| PIFMA Annual Meeting   | Vanuatu          | 14                     |
| PIFMA Annual Meeting   | Cook Islands     | 26                     |
| Workshop on FMIS and Internal Audit  | Fiji             | 13                     |
| <b>B. Revenue</b>  |                  |                        |
| PITAA Heads Meeting  | Vanuatu          | 32                     |
| PITAA Heads meeting  | Marshall Islands | 22                     |
| Regional Training on Principles, Concepts and Practices of Modern Tax Administration | Fiji             | 13                     |
| Regional Training on Principles, Concepts and Practices of Modern Tax Administration | Guam             | 8                      |
| <b>C. Statistics</b>   |                  |                        |
| Balance of Payments Compilation  | Fiji             | 18                     |
| National Accounts Compilation  | Fiji             | 14                     |
| <b>D. Financial Sector</b>   |                  |                        |
| AFSPC Annual Meeting & Seminar on Liquidity Risk in Banking Organizations            | Fiji             | 22                     |
| AFSPC Annual Meeting & Seminar on Risk Based Supervision                             | Tonga            | 22                     |
| AFSPC Heads Meeting  | Fiji             | 22                     |
| AFSPC Working Group to Harmonizing Prudential Returns                                | Solomon Islands  | 14                     |
| Standardizing Prudential Reporting Requirements for Banking Institution              | Solomon Islands  | 10                     |
| <b>E. Macroeconomics</b>   |                  |                        |
| Financial Stability  | Tonga            | 22                     |
| Key Central Bank Modelling and Forecasting Issues affecting PICs                     | PNG              | 15                     |

**Table 3: Phase III Budget and Contributions**

| <b>PFTAC FY09-12 Estimated Externally Financed Project Budget (US dollars) - Revised October 2011 1/</b> |                  |                  |                  |                |                  |
|--|------------------|------------------|------------------|----------------|------------------|
|  | FY09             | FY10             | FY11             | FY12           | Final            |
|  | Expenditures     | Expenditures     | Expenditures     | Expenditures   | Budget           |
| <b>Resident Advisors</b>   | <b>1,057,100</b> | <b>1,090,248</b> | <b>1,192,194</b> | <b>209,250</b> | <b>3,548,792</b> |
| Public Financial Management  | 279,000          | 279,000          | 279,000          | 23,250         | 860,250          |
| Revenue Administration and Policy  | 238,700          | 266,751          | 260,853          | 46,500         | 812,804          |
| Economic and Financial Statistics  | 260,400          | 265,497          | 233,841          | 46,500         | 806,238          |
| Financial Sector Supervision   | 279,000          | 279,000          | 279,000          | 46,500         | 883,500          |
| Macro Technical  | 0                | 0                | 139,500          | 46,500         | 186,000          |
| <b>Regional Travel</b>   | <b>205,988</b>   | <b>280,811</b>   | <b>257,845</b>   | <b>120,718</b> | <b>865,362</b>   |
| Public Financial Management  | 68,027           | 69,121           | 61,609           | 51,391         | 250,147          |
| Revenue Administration and Policy  | 16,500           | 44,400           | 42,331           | 0              | 103,231          |
| Economic and Financial Statistics  | 44,277           | 89,149           | 53,237           | 11,525         | 198,188          |
| Financial Sector Supervision   | 77,184           | 78,141           | 67,965           | 26,222         | 249,512          |
| Macro Technical  | 0                | 0                | 32,703           | 31,581         | 64,283           |
| <b>Short-term Experts</b>  | <b>492,446</b>   | <b>645,381</b>   | <b>928,720</b>   | <b>188,892</b> | <b>2,255,439</b> |
| Public Financial Management  | 209,319          | 220,374          | 377,785          | 62,964         | 870,442          |
| Revenue Administration and Policy  | 132,504          | 157,410          | 346,302          | 110,187        | 746,403          |
| Economic and Financial Statistics  | 124,773          | 220,374          | 125,928          | 0              | 372,152          |
| Financial Sector Supervision   | 25,850           | 31,482           | 31,482           | 0              | 187,737          |
| Macro Technical  | 0                | 15,741           | 47,223           | 15,741         | 78,705           |
| <b>Local Consultants</b>   | <b>5,260</b>     | <b>0</b>         | <b>21,069</b>    | <b>59,986</b>  | <b>86,315</b>    |
| Public Financial Management  | 0                | 0                | 0                | 0              | 0                |
| Revenue Administration and Policy  | 5,260            | 0                | 21,069           | 59,986         | 86,315           |
| Economic and Financial Statistics  | 0                | 0                | 0                | 0              | 0                |
| Financial Sector Supervision   | 0                | 0                | 0                | 0              | 0                |
| <b>Contractual Services</b>  | <b>25,904</b>    | <b>22,007</b>    | <b>24,450</b>    | <b>11,447</b>  | <b>83,809</b>    |
| <b>Attachments</b>   | <b>50,447</b>    | <b>17,397</b>    | <b>35,348</b>    | <b>1,109</b>   | <b>104,302</b>   |
| Public Financial Management  | 29,615           | 1,911            | 13,537           | 1,109          | 46,173           |
| Revenue Administration and Policy  | 3,159            | 0                | 3,219            | 0              | 6,378            |
| Economic and Financial Statistics  | 17,673           | 0                | 0                | 0              | 17,673           |
| Financial Sector Supervision   | 0                | 15,486           | 18,591           | 0              | 34,077           |
| <b>Seminars</b>  | <b>205,159</b>   | <b>248,794</b>   | <b>164,220</b>   | <b>28,801</b>  | <b>646,974</b>   |
| Public Financial Management  | 65,471           | 110,265          | 28,921           | 6,866          | 211,523          |
| Revenue Administration and Policy  | 54,482           | 48,464           | 78,758           | 0              | 181,704          |
| Economic and Financial Statistics  | 0                | 52,231           | 21,056           | 21,935         | 95,222           |
| Financial Sector Supervision   | 60,206           | 37,834           | 18,358           | 0              | 116,398          |
| Macro Technical  | 25,000           | 0                | 17,126           | 0              | 42,126           |
| <b>Total TA Delivery</b>   | <b>2,042,304</b> | <b>2,304,638</b> | <b>2,623,846</b> | <b>620,204</b> | <b>7,590,992</b> |
| <b>Other</b>   | <b>58,153</b>    | <b>111,431</b>   | <b>59,899</b>    | <b>5,591</b>   | <b>235,074</b>   |
| Steering committee meeting   | 0                | 45,808           | 53,097           | 4,025          | 102,930          |
| Evaluation   | 48,907           | 61,049           | 0                | 0.15           | 109,957          |
| Equipment and website  | 232              | 225              | 1,496            | 441            | 2,394            |
| Miscellaneous  | 9,014            | 4,349            | 5,306            | 1,125          | 19,793           |
| <b>Total Externally Financed Expenditure</b>   | <b>2,100,456</b> | <b>2,416,069</b> | <b>2,683,745</b> | <b>625,795</b> | <b>7,826,066</b> |
| 13% overhead cost  | 273,059          | 314,089          | 348,887          | 81,353         | 1,017,389        |
| <b>Grand Total Phase III</b>   | <b>2,373,516</b> | <b>2,730,158</b> | <b>3,032,632</b> | <b>707,149</b> | <b>8,843,455</b> |
| <b>Total External Financing</b>  |                  |                  |                  |                | <b>9,279,791</b> |
| NZ   |                  |                  |                  |                | 2,676,735        |
| Australia  |                  |                  |                  |                | 2,200,000        |
| Japan  |                  |                  |                  |                | 1,939,912        |
| ADB  |                  |                  |                  |                | 999,999          |
| Korea (inc. reimbursement agreement)   |                  |                  |                  |                | 1,006,519        |
| Carry over from FY06-08  |                  |                  |                  |                | 456,626          |
| <b>Cash Balance in the Subaccount</b>  |                  |                  |                  |                | <b>436,336</b>   |

1/ Budget covers expenditures as at August 31, 2011

2/ Total expenditures and allocations between sectors are not yet final and may be amended as final receipts are received

**Table 4: FY12 Indicative Workplan by Sector****FY12 Indicative Advisory Mission Plan: Public Financial Management**

| Country                               | Topic                             | Month  | Status    | Main Result  |
|---------------------------------------|-----------------------------------|--------|-----------|--------------|
| <b>A. Long Term Advisor Missions</b>  |                                   |        |           |              |
| Regional                              | FEMM Meeting                      | Jul-11 | Completed | Multiple     |
| Regional                              | Coordination with Australian DOFR | Jul-11 | Completed | Multiple     |
| Kiribati                              | PFM Reform Plan Development       | Aug-11 | Completed | 1.2, 1.4     |
| RMI                                   | PEFA Self Assessment              | Sep-11 | Completed | 1.1          |
| FSM                                   | PEFA Self Assessment              | Sep-11 | Completed | 1.1          |
| Tonga                                 | PFM Roadmap/medium term budgeting | Oct-11 | Confirmed | 1.2, 1.5     |
| FSM                                   | PEFA Assessment                   | Nov-11 | Tentative | 1.1          |
| Regional                              | PIFMA Heads and MTB Workshop      | Nov-11 | Confirmed | 1.5,1.1, 1.2 |
| Cook Islands                          | PFM roadmap development           | Dec-11 | Tentative | 1.2          |
| Niue                                  | PFM roadmap development           | Jan-12 | Tentative | 1.2          |
| Solomon Islands                       | PEFA Self Assessment              | Jan-12 | Tentative | 1.1          |
| Regional                              | Leadership Development Programme  | Feb-12 | Tentative | Multiple     |
| Solomon Islands                       | PEFA Assessment                   | Feb-12 | Tentative | 1.1          |
| Palau                                 | PFM Scoping                       | Mar-12 | Tentative | Multiple     |
| <b>B. Short Term Advisor Missions</b> |                                   |        |           |              |
| Samoa                                 | IFMIS                             | Oct-11 | Tentative | n/a          |
| RMI                                   | PEFA Assessment                   | Oct-11 | Planned   | 1.1          |
| FSM                                   | PEFA Assessment                   | Nov-11 | Planned   | 1.1          |
| Cook Islands                          | MTB Follow Up                     | Dec-11 | Tentative | 1.5          |
| Solomon Islands                       | IPSAS follow up                   | Jan-12 | Tentative | 1.4          |
| Fiji                                  | IPSAS follow up                   | Jan-12 | Tentative | 1.4          |
| Samoa                                 | MTEF follow up                    | Mar-12 | Planned   | 1.5          |
| Kiribati                              | Accounting reform                 | Mar-12 | Tentative | 1.4          |
| Solomon Islands                       | PEFA Assessment                   | Mar-12 | Tentative | 1.1          |
| Kiribati                              | Follow up on accounting reform    | Apr-12 | Tentative | 1.4          |
| <b>C. HQ Mission</b>                  |                                   |        |           |              |
| Solomon Islands                       | Fiscal responsibility legislation | tbd    | Tentative | 1.3          |

**FY12 Indicative Advisory Mission Plan: Revenue Policy and Administration**

| Country                                | Topic  | Month  | Status    | Main Result areas  |
|--|--|--------|-----------|--------------------|
| <b>A. Resident Advisor</b>             |  |        |           |                    |
| Regional                               | IT for Revenue Administrations Workshop        | Aug-11 | Completed | 2.3                |
| Regional                               | PITAA Heads Meeting                            | Aug-11 | Completed | Multiple           |
| Kiribati                               | Implementation of revenue admin reforms        | Aug-11 | Completed | 2.3, 2.1           |
| Nauru                                  | Strategic guidance to new long term advisor    | Aug-11 | Completed | Multiple           |
| Tonga                                  | Revenue review                                 | Oct-11 | Confirmed | 2.1, 2.5, 2.6, 2.2 |
| Regional                               | Recruitment of PACTAM Advisors                 | Oct-11 | Planned   | Multiple           |
| Timor Leste                            | Revenue Administration Review Mission          | Nov-11 | Confirmed | Multiple           |
| Tuvalu                                 | Follow-up on Training Missions                 | Dec-11 | Tentative | 2.3, 2.4, 2.6      |
| FSM                                    | Strategic guidance to new long term advisor    | Feb-12 | Tentative | 2.1, 2.5           |
| RMI                                    | Strategic guidance to new long term advisor    | Feb-12 | Tentative | 2.1, 2.4           |
| Palau                                  | IT Scoping and VAT development                 | Mar-12 | Tentative | 2.3, 2.1, 2.2      |
| Kiribati                               | Strategic guidance to new long term advisor    | Mar-12 | Tentative | 2.3, 2.1           |
| <b>B. Short Term Advsiior Missions</b> |  |        |           |                    |
| <b>i) Administration</b>               |  |        |           |                    |
| Regional                               | PITAA training 2011 - IT workshop              | Aug-11 | Completed | 2.3                |
| Solomon Islands                        | Post Clearance Audit, Risk Assessment training | Aug-11 | Completed | n/a                |
| Palau                                  | Corporate Strategy & Business Processes        | Sep-11 | Confirmed | 2.2                |
| Kiribati                               | IT Strategy follow up                          | Feb-12 | Tentative | 2.3                |
| RMI                                    | IT Strategy                                    | Feb-12 | Planned   | 2.3                |
| Nauru                                  | Corporate Strategy & Business Processes        | Mar-12 | Tentative | 2.2                |
| Tonga                                  | Customs issues for Revenue Review              | Sep-12 | Confirmed | n/a                |
| Palau                                  | Corporate Strategy & Business Processes        | Nov-12 | Planned   | 2.2                |
| <b>ii) Policy</b>                      |  |        |           |                    |
| Cook Islands                           | Tax Policy --manganese nodules                 | Jul-11 | Completed | 2.1                |
| Tonga                                  | Policy issues for Revenue Review               | Oct-11 | Confirmed | 2.1                |
| Samoa                                  | Income Tax rewrite                             | Jul-11 | Completed | 2.1                |
| Samoa                                  | Legislation drafting finalise                  | Nov-11 | Planned   | 2.1                |
| Fiji                                   | Income Tax final                               | Nov-11 | Tentative | 2.1                |

## FY12 Indicative Advisory Mission Plan: Statistics

| Country                                    | Topic  | Month  | Status    | Result Area         |
|--|--|--------|-----------|---------------------|
| <b>A. First Long Term Advisor Missions</b> |  |        |           |                     |
| Vanuatu                                    | GFS Follow up                                    | May-11 | Completed | na                  |
| Solomon Islands                            | National Accounts                                | May-11 | Completed | 4.3                 |
| Niue                                       | Balance of Payments Statistics                   | Jun-11 | Completed | 4.5                 |
| Tuvalu                                     | Balance of Payments Statistics                   | Jul-11 | Completed | 4.5                 |
| Regional                                   | HIES Technical Working Group meeting             | Aug-11 | Completed | 4.1, 4.2, 4.6, 4.10 |
| Fiji                                       | National Accounts                                | Aug-11 | Completed | 4.4                 |
| Samoa                                      | Balance of Payments Statistics                   | Sep-11 | Completed | 4.6, 4.7            |
| Regional                                   | PSSC meeting                                     | Oct-11 | Confirmed | Multiple            |
| Palau                                      | BOP/Nat Acc                                      | Oct-11 | Confirmed | 4.3, 4.5            |
| Regional                                   | Training seminar price indexes - SPC             | Nov-11 | Confirmed | 4.1                 |
| Fiji                                       | National Accounts                                | Nov-11 | Confirmed | 4.4                 |
| Samoa                                      | National Accounts                                | Dec-11 | Confirmed | 4.2                 |
| Cook Islands                               | National Accounts                                | Jan-12 | Confirmed | 4.1                 |
| Regional                                   | Training seminar national accounts - with IMF HQ | Feb-12 | Confirmed | 4.1                 |
| Nauru                                      | Balance of Payments Statistics                   | Feb-12 | Tentative | 4.5                 |
| Kiribati                                   | National Accounts                                | Mar-12 | Tentative | 4.1                 |
| Regional                                   | Statistics Steering Committee meeting - Noumea   | Apr-12 | Tentative | Multiple            |
| <b>Short Term Advisor Missions</b>         |  |        |           |                     |
| Fiji                                       | Prices Statistics                                | Jul-11 | Completed | 4.9                 |
| Solomon Islands                            | Prices Statistics                                | Feb-12 | Tentative | 4.9, 4.10           |
| Fiji                                       | Balance of Payments Statistics                   | Dec-11 | Tentative | 4.6, 4.8            |
| Tuvalu                                     | Balance of Payments Statistics                   | Jan-12 | Tentative | 4.5                 |
| Kiribati                                   | Balance of Payments Statistics                   | Feb-12 | Tentative | 4.6                 |
| PNG  | Balance of Payments Statistics                   | Apr-12 | Tentative | 4.9                 |
|  | Prices Statistics                                | Apr-12 | Tentative | 4.9                 |

**FY12 Indicative Advisory Mission Plan: Financial Sector Supervision**
**A. Long Term Advisor Missions 1/**

| Country                    | Topic  | Month  | Status    | Results Area |
|----------------------------|--|--------|-----------|--------------|
| <b>A. Resident Advisor</b> |  |        |           |              |
| Nauru                      | Bank supervision and mobile money                        | Jul-11 | Completed | 3.8          |
| Regional                   | Workshop on credit risk and financial statement analysis | Aug-11 | Completed | 3.7          |
| Cook Islands               | Off-site monitoring and bank prudential reporting        | Aug-11 | Completed | 3.1          |
| Solomon Islands            | On-site bank supervision                                 | Sep-11 | Planned   | 3.4 - 3.7    |
| Regional                   | AFSPC Annual Meeting                                     | Oct-11 | Planned   | 3.7          |
| Tonga                      | Training on new prudential bank reporting requirements   | Nov-11 | Planned   | 3.1          |
| Regional                   | Governors meeting  | Nov-11 | Planned   |              |
| Kiribati                   | Discussion of financial sector supervision requirements  | Dec-11 | Planned   | 3.8          |
| RMI                        | On-site bank supervision                                 | Feb-12 | Tentative | 3.4 - 3.7    |
| FSM                        | On-site bank supervision                                 | Mar-12 | Tentative | 3.4 - 3.7    |
| Tonga                      | Off-site supervision                                     | Apr-12 | Tentative | 3.3          |

**B. Short Term Advisor Missions**

|         |                                    |        |           |           |
|---------|------------------------------------|--------|-----------|-----------|
| Vanuatu | Banking Law Review                 | tbd    | Tentative | 3.8       |
| Tonga   | Banking Supervision and Regulation | Sep-11 | Planned   | 3.4 - 3.7 |
| RMI     | Banking law review                 | tbd    | Tentative | 3.8       |

**FY12 Indicative Advisory Mission Plan: Macroeconomics**

| Country                    | Topic  | Month  | Status    | Result area   |
|----------------------------|--|--------|-----------|---------------|
| <b>A. Resident Advisor</b> |  |        |           |               |
| PNG                        | Macroeconomic modeling course; management of natural resources | Jul-11 | Completed | 5.2, 5.5      |
| Timor-Leste                | Strengthening macroeconomic framework                          | Jul-11 | Completed | 5.2, 5.5      |
| Regional                   | Outputgap modeling workshop (jointly with Bank of PNG & RBF)   | Aug-11 | Completed | 5.1           |
| Fiji                       | Macroeconomic analysis and modelling                           | Sep-11 | Likely    | 5.5           |
| Kiribati                   | Creating a macro-fiscal framework (implementation of workplan) | Sep-11 | Likely    | 5.3           |
| Samoa                      | Revenue forecasting (implementation of workplan)               | Oct-11 | Tentative | 5.3           |
| PNG                        | Macroeconomic modeling course (implementation of workplan)     | Oct-11 | Tentative | 5.2           |
| Solomon Islands            | Inflation forecasting (implementation of workplan)             | Oct-11 | Likely    | 5.3           |
| Regional                   | Macroeconomic modelling course                                 | Nov-11 | Tentative | 5.1           |
| Tonga                      | Scoping visit  | Dec-11 | Tentative | 5.1, 5.3, 5.4 |
| PNG                        | Macroeconomic modeling course (implementation of workplan)     | Jan-12 | Tentative | 5.2           |
| Kiribati                   | Creating a macro-fiscal framework (implementation of workplan) | Feb-12 | Tentative | 5.3           |
| Samoa                      | Revenue forecasting (implementation of workplan)               | Feb-12 | Tentative | 5.3           |
| Vanuatu                    | Scoping visit  | Mar-12 | Tentative | 5.1           |

**Table 5: FY12 Indicative Workplan by Country**

| Sector              | Type | Topic   | Month  | Status    | Result Area |
|---------------------|------|---|--------|-----------|-------------|
| <b>Cook Islands</b> |      |   |        |           |             |
| Revenue             | STX  | Tax Policy --manganese nodules                                    | Jul-11 | Completed | 2.1         |
| Financial Sector    | LTX  | Off-site monitoring and bank prudential reporting                 | Aug-11 | Completed | 3.1         |
| PFM                 | LTX  | PFM roadmap development   | Dec-11 | Tentative | 1.2         |
| PFM                 | STX  | MTB Follow Up   | Dec-11 | Tentative | 1.5         |
| Statistics          | LTX  | National Accounts   | Jan-12 | Confirmed | 4.1         |
| <b>Fiji</b>         |      |   |        |           |             |
| Statistics          | STX  | Prices Statistics   | Jul-11 | Completed | 4.9         |
| Statistics          | LTX  | National Accounts   | Aug-11 | Completed | 4.4         |
| Macroeconomics      | LTX  | Macroeconomic analysis and modelling                              | Sep-11 | Likely    | 5.5         |
| Revenue             | STX  | Income Tax final  | Nov-11 | Tentative | 2.1         |
| Statistics          | LTX  | National Accounts   | Nov-11 | Confirmed | 4.4         |
| Statistics          | STX  | Balance of Payments Statistics                                    | Dec-11 | Tentative | 4.6, 4.8    |
| PFM                 | STX  | IPSAS follow up   | Jan-12 | Tentative | 1.4         |
| <b>FSM</b>          |      |   |        |           |             |
| PFM                 | LTX  | PEFA Self Assessment  | Sep-11 | Completed | 1.1         |
| PFM                 | LTX  | PEFA Assessment   | Nov-11 | Tentative | 1.1         |
| PFM                 | STX  | PEFA Assessment   | Nov-11 | Planned   | 1.1         |
| Revenue             | LTX  | Strategic guidance to new long term advisor                       | Feb-12 | Tentative | 2.1, 2.5    |
| Financial Sector    | LTX  | On-site bank supervision  | Mar-12 | Tentative | 3.4 - 3.7   |
| <b>Kiribati</b>     |      |   |        |           |             |
| PFM                 | LTX  | PFM Reform Plan Development                                       | Aug-11 | Completed | 1.2, 1.4    |
| Revenue             | LTX  | Implementation of revenue admin reforms                           | Aug-11 | Completed | 2.3, 2.1    |
| Macroeconomics      | LTX  | Creating a macro-fiscal framework<br>(implementation of workplan) | Sep-11 | Likely    | 5.3         |
| Financial Sector    | LTX  | Discussion of financial sector supervision<br>requirements        | Dec-11 | Planned   | 3.8         |
| Revenue             | STX  | IT Strategy follow up   | Feb-12 | Tentative | 2.3         |
| Macroeconomics      | LTX  | Creating a macro-fiscal framework<br>(implementation of workplan) | Feb-12 | Tentative | 5.3         |
| Statistics          | STX  | Balance of Payments Statistics                                    | Feb-12 | Tentative | 4.6         |
| PFM                 | STX  | Accounting reform   | Mar-12 | Tentative | 1.4         |
| Statistics          | LTX  | National Accounts   | Mar-12 | Tentative | 4.1         |
| Revenue             | LTX  | Strategic guidance to new long term advisor                       | Mar-12 | Tentative | 2.3, 2.1    |
| PFM                 | STX  | Follow up on accounting reform                                    | Apr-12 | Tentative | 1.4         |

| Sector                  | Type | Topic  | Month  | Status    | Result Area   |
|-------------------------|------|--|--------|-----------|---------------|
| <b>Nauru</b>            |      |  |        |           |               |
| Financial Sector        | LTX  | Bank supervision and mobile money                              | Jul-11 | Completed | 3.8           |
| Statistics              | LTX  | Balance of Payments Statistics                                 | Feb-12 | Tentative | 4.5           |
| Revenue                 | STX  | Corporate Strategy & Business Processes                        | Mar-12 | Tentative | 2.2           |
| Revenue                 | LTX  | Strategic guidance to new long term advisor                    | Aug-11 | Completed | Multiple      |
| Statistics              | LTX  | Balance of Payments Statistics                                 | Jun-11 | Completed | 4.5           |
| PFM                     | LTX  | PFM roadmap development  | Jan-12 | Tentative | 1.2           |
| <b>Palau</b>            |      |  |        |           |               |
| Revenue                 | STX  | Corporate Strategy & Business Processes                        | Sep-11 | Confirmed | 2.2           |
| Statistics              | LTX  | BOP/Nat Acc  | Oct-11 | Confirmed | 4.3, 4.5      |
| PFM                     | LTX  | PFM Scoping  | Mar-12 | Tentative | Multiple      |
| Revenue                 | LTX  | IT Scoping and VAT development                                 | Mar-12 | Tentative | 2.3, 2.1, 2.2 |
| Revenue                 | STX  | Corporate Strategy & Business Processes                        | Nov-12 | Planned   | 2.2           |
| <b>Papua New Guinea</b> |      |  |        |           |               |
| Macroeconomics          | LTX  | Macroeconomic modeling course; management of natural resources | Jul-11 | Completed | 5.2, 5.5      |
| Macroeconomics          | LTX  | Macroeconomic modeling course (implementation of workplan)     | Oct-11 | Tentative | 5.2           |
| Macroeconomics          | LTX  | Macroeconomic modeling course (implementation of workplan)     | Jan-12 | Tentative | 5.2           |
| Statistics              | STX  | Balance of Payments Statistics                                 | Apr-12 | Tentative | 4.9           |
| <b>Marshall Islands</b> |      |  |        |           |               |
| PFM                     | LTX  | PEFA Self Assessment   | Sep-11 | Completed | 1.1           |
| PFM                     | STX  | PEFA Assessment  | Oct-11 | Planned   | 1.1           |
| Revenue                 | STX  | IT Strategy  | Feb-12 | Planned   | 2.3           |
| Financial Sector        | LTX  | On-site bank supervision                                       | Feb-12 | Tentative | 3.4 - 3.7     |
| Revenue                 | LTX  | Strategic guidance to new long term advisor                    | Feb-12 | Tentative | 2.1, 2.4      |
| Financial Sector        | STX  | Banking law review   | Mar-12 | Tentative | 3.8           |
| <b>Samoa</b>            |      |  |        |           |               |
| Revenue                 | STX  | Income Tax rewrite   | Jul-11 | Completed | 2.1           |
| Statistics              | LTX  | Balance of Payments Statistics                                 | Sep-11 | Completed | 4.6, 4.7      |
| PFM                     | STX  | IFMIS  | Oct-11 | Tentative | n/a           |
| Macroeconomics          | LTX  | Revenue forecasting (implementation of workplan)               | Oct-11 | Tentative | 5.3           |
| Revenue                 | STX  | Legislation drafting finalise                                  | Nov-11 | Planned   | 2.1           |
| Statistics              | LTX  | National Accounts  | Dec-11 | Confirmed | 4.2           |
| Macroeconomics          | LTX  | Revenue forecasting (implementation of workplan)               | Feb-12 | Tentative | 5.3           |

| Sector                 | Type | Topic  | Month  | Status    | Result Area        |
|------------------------|------|--|--------|-----------|--------------------|
| PFM                    | STX  | MTEF follow up   | Mar-12 | Planned   | 1.5                |
| <b>Solomon Islands</b> |      |  |        |           |                    |
| Statistics             | LTX  | National Accounts                                      | May-11 | Completed | 4.3                |
| Revenue                | STX  | Post Clearance Audit, Risk Assessment training         | Aug-11 | Completed | n/a                |
| Financial Sector       | LTX  | On-site bank supervision                               | Sep-11 | Planned   | 3.4 - 3.7          |
| Macroeconomics         | LTX  | Inflation forecasting (implementation of workplan)     | Oct-11 | Likely    | 5.3                |
| PFM                    | STX  | IPSAS follow up  | Jan-12 | Tentative | 1.4                |
| PFM                    | LTX  | PEFA Self Assessment                                   | Jan-12 | Tentative | 1.1                |
| PFM                    | LTX  | PEFA Assessment  | Feb-12 | Tentative | 1.1                |
| Statistics             | STX  | Prices Statistics                                      | Feb-12 | Tentative | 4.9, 4.10          |
| PFM                    | STX  | PEFA Assessment  | Mar-12 | Tentative | 1.1                |
| PFM                    | HQ   | Fiscal responsibility legislation                      | tbd    | Tentative | 1.3                |
| <b>Timor-Leste</b>     |      |  |        |           |                    |
| Macroeconomics         | LTX  | Strengthening macroeconomic framework                  | Jul-11 | Completed | 5.2, 5.5           |
| Revenue                | LTX  | Revenue Administration Review Mission                  | Nov-11 | Confirmed | Multiple           |
| <b>Tonga</b>           |      |  |        |           |                    |
| Financial Sector       | STX  | Banking Supervision and Regulation                     | Sep-11 | Planned   | 3.4 -3.7           |
| PFM                    | LTX  | PFM Roadmap/medium term budgeting                      | Oct-11 | Confirmed | 1.2, 1.5           |
| Revenue                | LTX  | Revenue review   | Oct-11 | Confirmed | 2.1, 2.5, 2.6, 2.2 |
| Revenue                | STX  | Policy issues for Revenue Review                       | Oct-11 | Confirmed | 2.1                |
| Revenue                | STX  | Customs issues for Revenue Review                      | Oct-11 | Confirmed | n/a                |
| Financial Sector       | LTX  | Training on new prudential bank reporting requirements | Nov-11 | Planned   | 3.1                |
| Macroeconomics         | LTX  | Scoping visit  | Dec-11 | Tentative | 5.1,5.3, 5.4       |
| Financial Sector       | LTX  | Off-site supervision                                   | Apr-12 | Tentative | 3.3                |
| <b>Tuvalu</b>          |      |  |        |           |                    |
| Statistics             | LTX  | Balance of Payments Statistics                         | Jul-11 | Completed | 4.5                |
| Revenue                | LTX  | Follow-up on Training Missions                         | Dec-11 | Tentative | 2.3, 2.4, 2.6      |
| Statistics             | STX  | Balance of Payments Statistics                         | Jan-12 | Tentative | 4.5                |
| <b>Vanuatu</b>         |      |  |        |           |                    |
| Statistics             | LTX  | GFS Follow up  | May-11 | Completed | na                 |
| Macroeconomics         | LTX  | Scoping visit  | Mar-12 | Tentative | 5.1                |
| Financial Sector       | STX  | Banking Law Review                                     | tbd    | Tentative | 3.8                |

| Sector           | Type | Topic  | Month  | Status    | Result Area         |
|------------------|------|--|--------|-----------|---------------------|
| <b>Regional</b>  |      |  |        |           |                     |
| PFM              | LTX  | FEMM Meeting   | Jul-11 | Completed | Multiple            |
| PFM              | LTX  | Coordination with Australian DOFR                            | Jul-11 | Completed | Multiple            |
| Revenue          | LTX  | IT for Revenue Administrations Workshop                      | Aug-11 | Completed | 2.3                 |
| Revenue          | LTX  | PITAA Heads Meeting  | Aug-11 | Completed | Multiple            |
| Revenue          | STX  | PITAA training 2011 - IT workshop                            | Aug-11 | Completed | 2.3                 |
| Macroeconomics   | LTX  | Outputgap modeling workshop (jointly with Bank of PNG & RBF) | Aug-11 | Completed | 5.1                 |
| Statistics       | LTX  | HIES Technical Working Group meeting                         | Aug-11 | Completed | 4.1, 4.2, 4.6, 4.10 |
| Financial Sector | LTX  | Workshop on credit risk and financial statement analysis     | Aug-11 | Completed | 3.7                 |
| Revenue          | LTX  | Recruitment of PACTAM Advisors                               | Oct-11 | Planned   | Multiple            |
| Statistics       | LTX  | PSSC meeting   | Oct-11 | Confirmed | Multiple            |
| Financial Sector | LTX  | AFSPC Annual Meeting   | Oct-11 | Planned   | 3.7                 |
| PFM              | LTX  | PIFMA Heads and MTB Workshop                                 | Nov-11 | Confirmed | 1.5, 1.1, 1.2       |
| Macroeconomics   | LTX  | Macroeconomic modelling course                               | Nov-11 | Tentative | 5.1                 |
| Statistics       | LTX  | Training seminar price indexes - SPC                         | Nov-11 | Confirmed | 4.1                 |
| Financial Sector | LTX  | Governors meeting  | Nov-11 | Planned   |                     |
| PFM              | LTX  | Leadership Development Programme                             | Feb-12 | Tentative | Multiple            |
| Statistics       | LTX  | Training seminar national accounts - with IMF HQ             | Feb-12 | Confirmed | 4.1                 |
| Statistics       | LTX  | Statistics Steering Committee meeting - Noumea               | Apr-12 | Tentative | Multiple            |

