

ANNUAL REPORT

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PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTER (PFTAC)



Statement by the Chairman of the PFTAC Steering Committee

It is a pleasure to introduce this second PFTAC Annual Report. It demonstrates the importance of PFTAC to Pacific Island Governments and Central Banks through the provision of detailed information on the strategies, activities and partnerships that PFTAC engages in to help the Pacific Islands in these challenging economic times.

The nature of these challenges and the policy choices that Pacific Island economies face were made clear in our gathering in Samoa in March of this year for a high-level IMF conference and the PFTAC Steering Committee. The conference showed that, although there are many differences between our island economies, we face common challenges. The macroeconomic policies that we choose are crucial to increasing our resilience to shocks and ensuring that economic growth is truly inclusive. Sharing experiences and expertise between the Pacific Island governments is crucial to our success in designing and implementing these policies, as is technical support from our development partners.

This report shows that PFTAC plays an important role as both a source of technical expertise and in facilitating partnerships between officials in the region. That it has been doing this for almost 20 years is a sign of its success and this is reflected in the fact that PFTAC's fourth phase of operations, which began a year ago, is now fully financed. We are grateful to the IMF, Australia, New Zealand, European Union, Korea and ADB for their generous financial support.

At the PFTAC Steering Committee, Pacific Island countries and development partners discussed and endorsed the strategies that are described in this annual report. The Steering Committee was delighted that there is now a stable financing position and a framework that clearly identifies the results that PFTAC aims to help us achieve. The combination of the commitment of Pacific Island countries to further improve their economic management and PFTAC's expertise and resources, means that I am confident that there will be continued success to report in next year's annual report.



Barry Whiteside, Governor of the Reserve Bank of Fiji

Foreword by the Center Coordinator

The PFTAC annual report is designed to demonstrate to our member countries, donors, and all PFTAC stakeholders what we do; why we do it and the impact it is having in the Pacific Islands. We hope that it is a useful publication.

This Annual Report covers PFTAC's operations during the first year of its fourth phase of operations—from July 1, 2011 to April 30, 2012. The year was a fruitful one, as we hope the report shows. It was rounded off by an excellent Steering Committee meeting that was kindly co-hosted by the Government of Samoa. The feedback and suggestions from our member countries and donors that we receive during the eighteen-monthly steering committees is extremely valuable to the PFTAC team. We are very grateful to the officials that participated for ensuring that the 2012 meeting continued the pattern.

The report also looks forward to the next year. By the end of 2012, with the recruitment of two additional advisors, PFTAC will have completed the expansion envisaged in the phase IV program document. We are grateful for the generous financial support from our development partners that has allowed this to happen. We remain committed to using these resources to help improve economic management in the region.

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 are what make our work so rewarding and enjoyable. We look forward to continuing to work closely with them all.

Matt Davies, PFTAC Centre Coordinator

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List of Acronyms (to be updated)

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)
ICD	Institute for Capacity Development
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 eight 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 has entered its fourth phase of operations, the IMF has been able to substantially increase its TA to the PICs. PFTAC has delivered TA to 16 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.

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 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, budget preparation, medium-term fiscal planning, 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.¹ 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.

¹ 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 center'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 center 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.

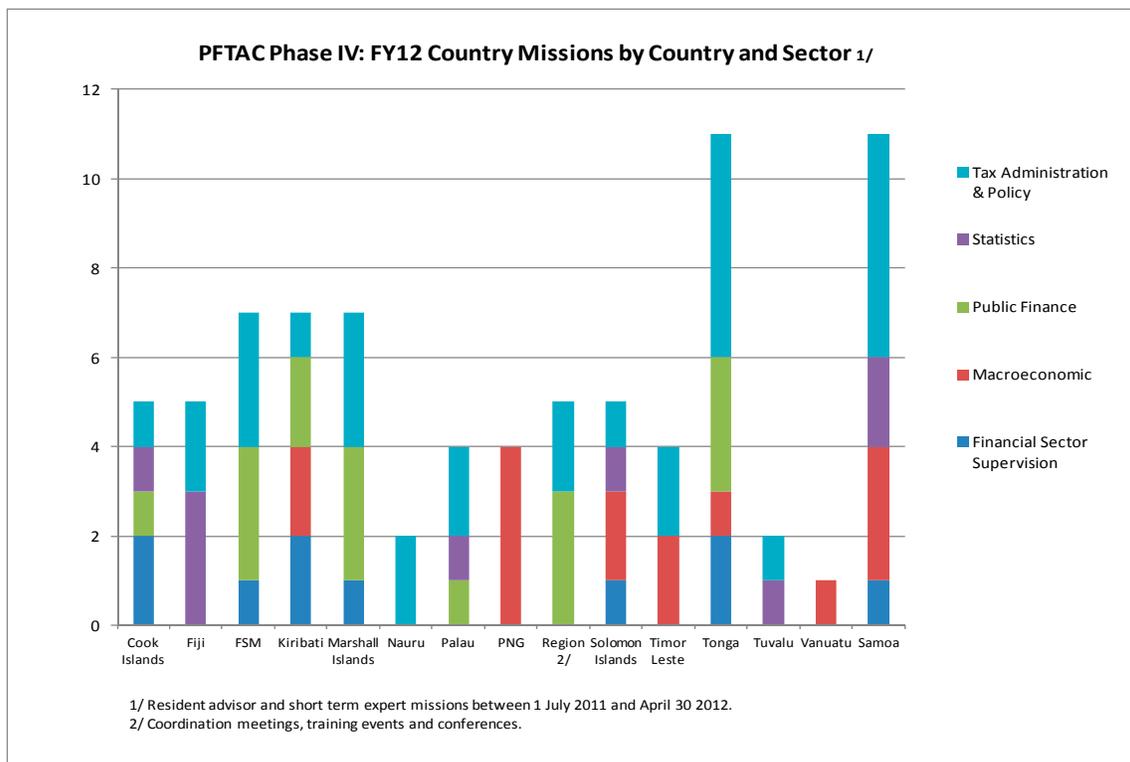
II. REVIEW OF FY12

A. Overview

FY12 was the first year of PFTAC's fourth phase of operations but, due to funding delays, operations were at a scale below that envisaged in the program document. As noted in the FY11 annual report, at the beginning of the cycle in July 2011, funding commitments and pledges were around US\$3 million short of the US\$30 million targeted in the program document. As a result, PFTAC postponed hiring additional public financial management (PFM) and statistics advisors and for the first year of the cycle operated with the existing complement of five advisors.

The fiscal year was also curtailed due to the two-month extension of Phase III. IMF fiscal years run from May 1 to April 30. However, due to funding delays Phase III, which was due to terminate in April 2011, was extended to June 30, 2011. Activities up to June 30, 2011 were reported on as part of the FY11 annual report. This report covers the remainder of FY12, from July 1, 2011 to April 30, 2012.

Overall sectoral progress has generally been good. Information on progress against the results targeted is contained in the sectoral results framework at Appendix A and a detailed activity report at Appendix B and highlights for each sector are described below. Given the relatively short time since the program was initiated, results thus far have, however, naturally been limited.



There have been some areas where progress was less than expected. These include slower than anticipated progress of key pieces of revenue legislation; and slower than anticipated development of PFM roadmaps following PEFA assessment in Niue and Tuvalu. Expenditure is therefore slightly lower than anticipated, reflecting these slippages and anticipated demands in some areas being taken on by other development partners.

Progress has also been made on a number of cross-sectoral initiatives designed to enhance transparency and results focus.

- **Country strategies.** In order to draw a tighter link between the regional results framework and the workplan and to assist medium-term planning, PFTAC has drawn up draft country strategies that outline the main results that PFTAC hopes to assist countries achieve. The draft strategies are attached at Annex C. These strategies reflect ongoing projects, activities under discussion and tentative plans based on initial discussions with countries. PFTAC remains committed to responding to country demand; it intends to discuss and agree the strategies with country authorities on a periodic basis to make sure that medium-term plans align with country priorities. Activity plans will continue to respond to urgent and emerging demands from countries.
- **Adoption of IMF-standard results framework format.** As part of the IMF's ongoing improvement of its results based management framework a standard format for RTAC results frameworks, including workplans, has been adopted. This format is largely consistent with PFTAC's results framework as shown in the program document and annual report. That framework is presented in the new IMF-standard format in this annual report (Annex D); the content is unchanged. The workplan format has also been adopted (Annex E). The key innovation in this is the articulation of milestones expected to be achieved as a result of the workplan's activities.
- **Website redesign and secure portal** – the PFTAC website has been significantly redesigned, including enhanced areas for the regional professional associations. These areas include password-protected information sharing and discussion areas, that are intended to facilitate interaction amongst country officials between training courses and association meetings.
- **TA report dissemination** – as stated in the program document, PFTAC intends to commence making TA reports available to steering committee members via the password protected area of the website. This is in line with the provisions of the IMF policy on TA dissemination.²

² See: <http://www.imf.org/external/np/pp/eng/2009/040609.pdf>

PFTAC continued to contribute to regional coordination in economic TA. A key event in FY12 was the Steering Committee (SC) meeting which took place in Samoa alongside a high-level IMF Conference. The SC meeting commended PFTAC's work and endorsed the strategy and workplans contained in this annual report. The high-level IMF Conference, which PFTAC helped plan, was a valuable opportunity to consider key macroeconomic issues in the region (Box 3). PFTAC also continued to chair the informal working group on economic TA and contributed to other regional mechanisms, including through papers and presentations for the annual finance minister and central bank governors meetings.

Box 3: IMF High Level Pacific Conference

The conference hosted by the IMF and the Government of Samoa brought together all the major stakeholders in Pacific macroeconomic management. These included: Finance Ministers, Central Bank Governors and senior officials from the Pacific Islands, IMF Management, represented by Deputy Managing Director Min Zhu, the vice presidents of the World Bank and Asian Development Bank, other development partners and regional agencies, commercial banks, the private sector, and academics. Peter Montiel—a world leading expert in development economics—delivered the keynote address. Two IMF executive directors also attended.

The conference signaled the IMF's strong engagement with the Pacific region. It formed part of a broader effort within the IMF to increase focus on the critical issues for the smaller member states: lack of diversification, low resilience to shocks and high vulnerability.

The key messages to emerge from conference were :

- Pacific islands are heterogeneous but face common challenges as small states
- Pacific islands countries need to enhance resilience to shocks by building policy buffers and by increasing spending on critical infrastructure, education, and health.
- Countries must broaden the base for growth and ensure that growth is more inclusive
- The Fund is committed to engage and better serve the Pacific island members through surveillance, programs, and TA. Sharing experiences with other islands across the globe is also important.

B. FY12 Achievements

This section outlines the main achievements in the curtailed FY12 (July 1, 2011 to April 30, 2012). 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 Tables 1 and 2 of the Statistical Appendix.

Public Financial Management

Public Financial Management remained a cornerstone of PFTAC's activities in FY12.

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

PFTAC remained central to the implementation of the regional PFM roadmap, which dominated PFM FY12 activities. Despite the delay in hiring the second PFM advisor, the PEFA/PFM Roadmap coordination mechanism recommended by the regional PFM roadmap has begun operating within PFTAC. In FY12, PFTAC funded PEFA assessments in RMI and FSM and began work on an assessment in Fiji. Assistance was also provided to Tonga and Tuvalu in developing associated PFM roadmaps. As envisaged in the program document, PFTAC has also begun to draw together lessons learned from the implementation of PEFA Assessments and PFM Roadmaps in the Pacific. These lessons, which were presented to regional finance ministers in early FY13 are summarised in Box 4.

Country work focused on measures to support PFM reform plan implementation. In Kiribati, PFTAC assisted the authorities refine their PFM roadmap to focus on key priorities and provided hands-on support in strengthening chart of accounts and associated budget execution practices. These inputs were designed to ensure the Kiribati Ministry of Finance had sufficient support available until the fielding of a larger support team under and ADB-funded TA project. Similarly in Tonga, PFTAC work on a strategy for upgrading the IFMIS system supported larger operations by other development partner.

Development of regional best practice in medium-term budgeting was undertaken in partnership with the Asian Development Bank. A joint PFTAC/ADB/ADB PEM TA workshop on MTB provided a valuable opportunity to reflect on successes and challenges in improving budgeting in the Pacific. The workshop agreed on the importance of sharing tools and expertise across the region. In that light participants agreed that priorities for the next year should be: development of citizens' guides on understanding the annual budget; sharing tools on budgeting between countries and further roll out of the ADB-designed Fiscal Management Model.

PIFMA will be central to the further development of good practice. The 2012 meeting, which was held alongside the MTB training, endorsed the development of a website-based tool for sharing medium-term budgeting section compiling good practice guidelines, materials from the workshop and a section where countries can upload their budget templates and tools. The meeting also mandated a small working group to develop proposals for enhancing PIFMA's impact on the development of capacity in the PFM area.

Training activities focused on budget execution and allowed the beginning of a productive partnership with the University of the South Pacific (USP). This partnership adds to the training collaboration that had already begun with the Australian DOFD. In FY12, PFTAC and DOFD delivered training on auditing and financial reporting. Structured follow-up has been maintained with course participants through the use of USP's faculty and IT tools and network. Course participants have welcomed the chance to have ongoing interaction with PFTAC, DOFD and USP mentors which should increase the impact of the training.

Box 4: Emerging Good Practice in Pacific PEFA Assessments and PFM Roadmaps

It is important for countries to take ownership of the PEFA assessment and PFM Roadmap.

This will ensure that the assessments contribute to the reform process. This requires engagement from senior and middle level staff in their preparation – not just as information providers, but as partners in the preparation of PEFA's and Roadmaps. This not only creates ownership, but also provides an educational opportunity, developing country staff so that over time they will be able to take more responsibility for driving PFM reform. It also institutionalizes the practice of regular self-assessment and self-improvement as part of the cultures of PIC finance ministries.

This requires time and careful planning. PEFA's and Roadmaps should only be started at a time of the year when key staff will be least distracted by other matters. A PEFA will require at least 4-5 weeks (2 weeks for a self-assessment and 2-3 weeks for a formal assessment) of fairly intense staff involvement.

Formal assessment teams should be appropriately staffed. Teams should be composed of around 3-4 people, with at least one member from the Government and one from a regional agency or peer country. Two experts will also normally be required (one of whom will probably have facilitated the self-assessment exercise). Additional expertise may also be required for additional assessments in areas such as procurement.

Consultation with development partners is also important. It should come both beforehand, through review of the terms of reference and team briefing, and also at the end of the process. The government should be in the lead in the consultation process

A “low” PEFA score does not necessarily require action. PEFA's only tell a government how they are performing relative to what is generally considered best practice. Countries may not consider it appropriate to move to better practice across the whole range of PEFA scores. This may be because of constrained resources/capacity or because a country does not consider a higher PEFA rating to be desirable. Desiring higher rating signals that a country wants to improve operations in a specific area, but there can be many routes to that condition.

Roadmaps should be about much more than just raising PEFA scores or meeting a donor requirement. They should not become just another plan-- created, published, and delivered to fulfill a donor requirement. Roadmaps should only be prepared if Government believes that improved PFM is important to improved delivery of public services; and they are committed to implementation. A properly prepared Roadmap will clearly indicate the actions that can and will be taken to arrive at the desired state and the timing of those actions. It should also identify the type of development partner support that will be required to achieve sustainable improvements—engaging key partners during drafting is therefore critical.

Sound and disciplined PFM is not just a technical matter. Many of its most significant aspects hinge on how Cabinets and Legislatures deliberate on fiscal and policy issues, and in particular on how they integrate thinking about public service policies, budgets, and revenue constraints in arriving at decisions. PFM Reform Roadmaps should address these issues and should be formally approved by Cabinets.

Revenue

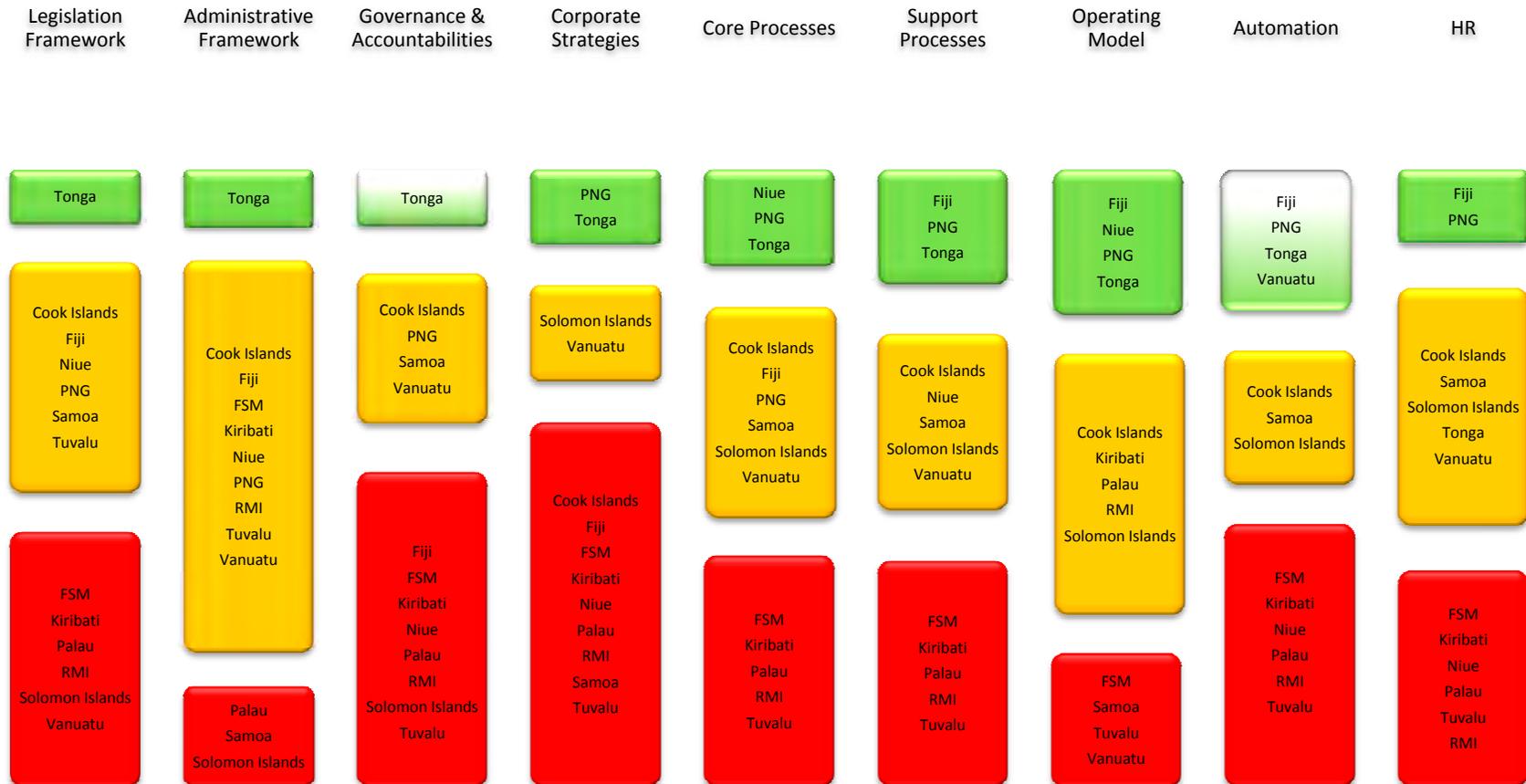
The baseline assessment of tax administrations across the region continued to provide the cornerstone for revenue sector activities in FY12. See the FY11 annual report for details on the assessment framework which is summarised in Figure 1.

Country work in FY12 focused on assisting countries make progress across the assessment framework. In FY12, the majority of PFTAC work was concentrated in two key areas: legislation/policy and IT development.

- ***Legislation and Policy Framework.*** PFTAC continued to support FSM & RMI undertake fundamental reforms to modernize their legislation frameworks and broaden their tax bases. In FY12 this involved further inputs on legislative drafting. Further support was also provided to Samoa and Fiji in modernizing income tax legislation, both of which are expected to be passed in FY13. In Fiji this also included preparation for the implementation of PAYE as a final tax, which is also expected to be finalized in FY13. A comprehensive review of revenue policy and administration was undertaken in Tonga that is being used by the authorities to implement policies that will increase their revenue performance and moderate fiscal pressures. In the Cook Islands, PFTAC recommended an underwater mineral resources taxation regime that is being implemented by the authorities.
- ***Automation.*** Improving IT capacity and capability continue to be highly demanded areas of PFTAC assistance. It is essential to implementing tax modernization and to increasing the efficiency of tax administration. In FY12 PFTAC provided assistance to RMI and FSM in developing IT strategic plans and provided further support to Kiribati in the implementation of their plan that was developed in FY11. All of these countries are in the process of procuring systems on the basis of the IT strategies. Reflecting the importance of this stream of work, PFTAC organized a regional workshop on IT Strategy and Management.

PFTAC has worked to ensure that revenue administrations with weak capacity have access to resident advice. This has been made possible by AusAID making funds available for resident revenue advisors in a number of countries. These advisors provide a vital source of day-to-day support to revenue administrations and are essential for small economies undertaking fundamental tax reforms. PFTAC has assisted in this process through a mixture of identifying opportunities; drafting terms of reference; participating in the selection of resident advisors and acting as a strategic resource once advisors are in place. In FY12 activities of this type occupied a significant amount of the revenue advisor's time and took place with regard to: Kiribati, Tuvalu, Tonga, Vanuatu, RMI and FSM.

Figure 1: Revenue Administration Regional Baseline Assessment 2010



PITAA made further progress towards becoming a self-sustaining organization. Tax administration heads continued to demonstrate their commitment to 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. In addition, the Fiji revenue authority (FRCA) who hosted the 2011 meeting, assigned a staff member to be a part-time secretariat to PITAA which was a significant step towards the sustainability of the association. The 2012 meeting will consider further steps towards establishing a permanent secretariat and a self-funding model for PITAA. The meeting also considered leadership development; natural resource taxation and a number of other common issues. A further innovation was the inaugural IMF/PFTAC awards for achievements in tax administration (Box 5).

Box 5: The IMF PFTAC Award for Achievements in Tax Administration

At the 2011 PITAA Heads meeting PFTAC presented the inaugural ‘IMF PFTAC Award for Achievements in Tax Administration in recognition of the work countries were undertaking in the area of revenue reform.

The award aimed to recognize countries which had made significant progress against the baseline, had adopted innovative approaches to reforms and who demonstrated the concepts and principles of modern tax administration in their organizations. It was hoped that in addition to recognizing achievements the award would assist in spreading best practice amongst Pacific Island Countries and to raise the profile of revenue modernization. The recognition of the award by the 2012 FEMM meeting was therefore extremely welcome.

The selection of countries to recognize was made by a panel consisting of the PFTAC revenue advisor and a representative from IMF’s Fiscal Affairs Department. The choice was difficult, given the pace of revenue reform around the region is gaining momentum and many countries had made progress since the baseline assessment was undertaken.

The panel decided that the 2011 Awards would recognize innovative approaches to community and staff engagement. The repositioning of the tax office as one which supports development of the country rather than focusing on internal drivers is a significant step in adopting concepts and principles of modern tax administration. This is an innovative approach in Pacific Island tax administrations and one IMF/PFTAC considered well deserved recognition. There were two recipients:

Solomon Islands, for their ‘Improving the Lives of Solomon Islander’s’ communications strategy. This strategy saw Inland Revenue change face from a regulatory agency to an agency that has a mandate that is vital to the welfare and development of the country.

Samoa, for the commencement of their institutional strengthening program centered on the theme “Working Together for a Secure and Prosperous Samoa”. The program and the theme helped boost the morale of the tax office staff and gave them a positive mandate for their reforms which, after a long hiatus, they were progressing with considerable pace.

Statistics

Following two years mainly on balance of payments statistics (BOP), statistics advice in FY12 focused on improving the range and quality of national accounts statistics.

PFTAC also provided limited assistance in other sectors, mainly BOP and price statistics.

National accounts assistance included assisting countries with insufficient capacity for annual compilation. This is consistent with the TYPSS, recognizing that small countries do not have, and are unlikely to have in future, sufficient capacity to produce complex statistics such as the national accounts without external assistance. Missions were conducted to Palau, Solomon Islands, and Tuvalu.

National accounts assistance also included improving the range and quality of national accounts statistics. In particular, the focus was on developing a second, independent measure of GDP. PFTAC assisted the process by:

- **A regional training course** that focused on the expenditure measure of GDP (GDPE) and was followed by a workshop for several countries to begin the development of their own estimates of GDP(E).
- **Missions** were conducted to Cook Islands, Fiji and Samoa for range and quality improvements.
- **Participation in a technical working group (TWG) on Household Income and Expenditure Survey (HIES) methodology.** The TWG was established by the PSSC to propose HIES methodologies that will produce more robust data for use in national accounts and poverty analysis.

In BOP statistics, PFTAC has helped members maintain production and improve quality. Missions were conducted to Palau and Tuvalu for annual compilation assistance. Assistance to Fiji and Samoa focused on quality improvement, while a mission to Niue redeveloped BOP methodology that had not been updated for several years.

Improvement of fiscal statistics was progressed by a regional training course conducted by the IMF and Australian Bureau of Statistics (ABS). The ABS will provide TA to select countries. An IMF Statistics Department project on Government Finance Statistics was also initiated and will continue into FY13, providing TA to IMF member countries not assisted by the ABS. PFTAC liaised with both agencies on their projects. The improvement of fiscal statistics complements improvements being made in several countries' central government financial information management systems.

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.

Financial Sector Supervision

During FY12, 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 policies are being appropriately implemented and in a manner consistent with financial sector stability.

Work on off-site monitoring focused on continued implementation of the base set of prudential returns. These base returns and their associated standardized analytical reports, which were described in the FY11 Annual Report, are designed to provide a cost-effective means of improving the data available to supervisors and freeing up time to undertake performance analysis and on-site examinations. In FY12, results were achieved in two areas:

- **Regional central banks committed to implementing RBNZ's Financial Sector Information System (FSIS).** FSIS will provide an excellent opportunity to automate prudential reporting in a common manner across Pacific jurisdictions (see FY11 Annual report for details). A proposal drawn up jointly by PFTAC and RBNZ was warmly received by central banks at their 2011 meeting. RBNZ will provide the software free of charge to regional central banks who will finance the costs of hardware and share the cost of an integrator to implement and support the system in the region.
- **Further implementation of base prudential returns.** FY12 saw full implementation in Tonga and Cook Islands, in addition to Solomon Islands.

On-site supervision was strengthened through a mixture of regional training and hands-on support. In collaboration with the FDIC, PFTAC delivered training on Credit Risk Analysis and Financial Statement Analysis. This passed on techniques and information from that the FDIC uses in its supervisory regime that can be used by Pacific jurisdictions in their supervision programs. PFTAC also provided hands-on support to Tonga and the Solomon Islands in the conduct of their on-site supervision regimes which resulted in the central banks further improving their ability to critically assess the quality of commercial bank operations in the country.

PFTAC also continued to engage with financial sector supervisors at the regional level. In addition to discussions on FSIS, the annual AFSPC meeting was a useful opportunity to discuss common issues with partner supervisory agencies and APRA. PFTAC also supported the regional central bank governors, including through an update of the analysis of interest rates and bank profitability.

Macroeconomic Analysis and Frameworks

A major focus of the work program in FY 2012 was the extension of the macroeconomic modeling toolkit that is available to economists in the region (result 5.2). Working with the Bank of PNG (BPNG) and the Reserve Bank of Fiji (RBF), this program resulted in the development of a number of tools, with most of them being shared with other central banks in the region:

- A key input into assessing macroeconomic conditions is measurement of the output gap, which requires a quarterly output series; Bank of PNG staff developed with PFTAC assistance an econometric procedure for generating such a series based on annual GDP and quarterly macroeconomic indicators, which was shared with other regional central banks during a workshop held jointly with RBF in August 2011.
- Small macroeconomic models can be very useful for assessing the transmission mechanisms of shocks to the economy, e.g., a decline in foreign demand. RBF staff developed first an Excel- and later an EViews-based model, which has been used, for example, to analyze the transmission of different shocks under a flexible and fixed exchange rate regime. These tools were shared with other central banks during workshops in Samoa and Solomon Islands in 2011 and 2012.
- Macroeconomic management of natural resource inflows is an important issue for PNG due to the LNG project currently underway (result 5.5); BPNG, PFTAC, and the IMF country team launched a major modeling project to assist in this task. A workshop was held in PNG during 2011 to share the modeling tools and practice their use, with Treasury staff participating as well.
- Analyzing the external account requires an understanding of the determinants of import and export demand, with the role of the real exchange rate being of especial interest. RBF has developed a small Excel-based model for analyzing import demand, which was shared with other regional central banks during the 2011 regional central banking workshop in Samoa.
- Drawing on training by the IMF Institute, RBF staff developed a rudimentary financial programming framework. A first set of results were presented during the 2011 Article IV consultations. RBF held a follow-up workshop with PFTAC participation during 2012 to extend the framework and provide practice in its use.
- PFTAC supported Timor-Leste's Ministry of Finance in improving their macroeconomic framework during visits in 2011 and 2012. A key issue here is the management of Timor-Leste's oil revenue inflows, especially the role of oil revenue-

financed public investment for economic growth, which was addressed in a number of seminars on this topic (result 5.5).

Analysis of current macroeconomic conditions and assessment of policy options (result 5.1) requires in addition to macroeconomic modeling tools a lot of practice: RBF staff prepared with PFTAC assistance an in-depth analysis of macroeconomic developments in Fiji in recent years, including a detailed analysis of the monetary policy stance. The analysis was presented to staffs of other regional central banks during the 2011 regional central banking workshop in Samoa and formed the template for a similar analysis by workshop participants for their countries; the results were presented to the Governors Meeting that took place following the regional central banking workshop. The presentations by workshop participants were complemented with a discussion of policy challenges in the region by IMF and ADB experts. The above-mentioned RBF financial programming workshop provided another opportunity to practice applied macroeconomic analysis. BPNG staff analyzed current economic conditions through the lens of one of the models developed as part of the above-mentioned modeling workshop in PNG; results were presented to senior BPNG staff.

With respect to improving macroeconomic forecasts (result 5.3), the work program focused on inflation and revenue forecasts. The first were at the center of three workshops with the Central Bank of Solomon Islands during 2011 and 2012. Regarding revenue forecasts, PFTAC helped Fiji's Ministry of Finance in assessing the quality of their revenue forecasts. In Samoa, PFTAC assisted the Ministry of Finance in updating their Samoa Economic and Revenue Forecasting model as part of the preparation of the 2012/13 budget.

In the area of debt sustainability (result 5.4), PFTAC held together with Samoa's Ministry of Finance a debt sustainability workshop that provided an introduction to debt sustainability methodology and generated a framework that can be used for this analysis going forward. In Kiribati, a related issue is the sustainability of the sovereign wealth fund; PFTAC assisted Kiribati's Ministry of Finance in integrating the corresponding sustainability calculations into their macro-fiscal framework.

III. FY13 WORKPLAN AND STRATEGY

A. Financing and Strategy

Phase IV is now fully financed and scaling up can begin. Since the FY11 Annual Report, Korea has confirmed its funding for Phase IV at 2.5 billion Korean Won (around US\$2.1 million) and Australia has committed a further US\$3 million making total pledged and committed financing at slightly below US\$30 million (see Table 3 in the Statistical Appendix). There are however some assumptions:

- The total remains vulnerable to exchange rate movements—New Zealand, Korea and EU contributions are denominated in their own currencies.
- It also is dependent on two tranches of pledged funding being finally committed: the second 3.5 million euro tranche of EU funding is due to be approved –during the last quarter of 2012 and Australia’s additional pledge of US\$3 million for the final two years of Phase IV is expected to be approved in FY14.
- The budget also assumes rollover of the funds remaining from Phase III—around US\$400,000 (see FY11 Annual Report, Table 3). This will require formal approval from Phase III financiers—Australia, New Zealand, ADB and Korea—which will be sought early in 2013.

FY13 will see the first year of full operations as envisaged in the program document, including 2 new resident advisors. The additional advisors in PFM and statistics were envisaged in the program document; recruitment of the advisors is well under way and both should be in place during 2012. Activities are expected to be broadly in line with the strategies outlined in the program document, although there are some adjustments to take into account regional developments. These are detailed in the sections below. The remainder of this section considers issues that span the sectors, many of which were highlighted in the program document.

The PFTAC FY13 workplan forms part of IMF’s broader engagement in the region. The IMF is stepping up its engagement with the Pacific and other small-island countries. In the Pacific, following the establishment of the regional resident representative office, this is taking the form of increased research, a high-level conference, more intensive surveillance, a new program in the Solomon Island, and an increase in the level of HQ-delivered TA (particularly in, but not limited to, the statistics sector). This is expected to lead to a step-up in the demand for PFTAC TA, as enhanced TA, surveillance and research identifies new country priorities.

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 Asia-Pacific region. For the Pacific, in addition to earmarked PFTAC resources this also includes Fund-financed TA and externally-financed projects and topical trust funds. In FY12 these include the Managing Natural Resource Wealth Topical Trust Fund and a number of Japan-financed statistics projects (see section C below for details).

The workplan also takes account of changing methods and levels of partner support to PFTAC countries.

- **Increased and better coordinated budget support.** Following the global financial crisis and the establishment of the Forum Compact on Development Effectiveness there have been a number of tangible changes in the type and level of donor support to PFTAC countries. A key feature has been higher levels of budget support, increasingly delivered in coordination behind government-owned policy frameworks with coordinated provision of supporting TA. PFTAC will continue to be an active member of donor coordination groups in a number of these countries (Tonga, Tuvalu, Kiribati) which is expected to continue to affect the nature of demand for its TA.
- **More intensive TA provision from development partners.** As a result of the joint policy framework process and as a result of increased donor resources devoted to the Pacific increased TA is being made available to support countries in areas where PFTAC has often taken the lead. In particular, AusAID has been increasing its range of resident advisors in the economic management area and has looked to draw on PFTAC's expertise to enhance their impact. A similar arrangement is also conducted with ADB advisors in some country projects. This has generally included providing input into the identification and terms of reference for assignments and participating

in the selection of resident advisors. This has been particularly intense in the revenue area (section C below) but is not restricted to it. An outstanding issue is what relationship PFTAC advisors should have with these advisors during their assignment and how the greater prevalence of resident advisors will change the nature of the PFTAC advisor's role.

PFTAC will continue to encourage progress towards self sufficiency of professional associations. This was an objective set out in the program document and is important for safeguarding sustainability. The 2012 SC endorsed this approach but noted that it should not be forced too quickly; noting that similar organizations in other areas gradually evolved over a lengthy time period. In FY12, PITAA and PIFMA are both planning to make further progress on strategic planning for their organizations, which PFTAC will support.

Partnerships in delivery of TA and training will continue to be crucial to achieving results. In addition to participation in many of the coordinated donor processes in the region, PFTAC is attempting to develop partnerships with a number of organizations to increase the effectiveness of its TA and training. These include:

- **The World Bank.** Phase III included a pilot of enhanced cooperation between PFTAC and the World Bank. Lessons from that experience, which have been reported to previous steering committees, have led to a reconfiguration of the arrangement. Beginning March 1, 2012 a World Bank staff economist is located in the PFTAC office in Suva. Their main focus will be: leading country program work, including development of grants and loans, on a number of South Pacific countries; supervising and participating in Bank analytical work in the PFM area, including expenditure policy work such as Public Expenditure Reviews. The economist's work will not duplicate the work of PFTAC's advisors but will enhance country level coordination of World Bank and PFTAC work. It will also enhance the linkages with IMF surveillance, through the regional resident representative office, and with donor coordination mechanisms in Suva.
- **ADM PEM TA.** The PEM TA project operates in a similar way to PFTAC (small-scale, responsive advisory TA) and in similar sectors to PFTAC. In line with Steering Committee guidance, care has been taken to ensure that duplications are avoided and that PFTAC and PEM TA activities are as complementary as possible. This has been achieved in a number of ways: the PFTAC coordinator sits on the PEM TA Steering Committee; regular coordination meetings in Suva between the PEM TA Team Leader, PFTAC Coordinator and PFTAC Macroeconomic Advisor; discussion of appropriate lead agency where country requests interest areas of activity and, where relevant, joint activities. These have included joint training courses in macroeconomic

and PFM areas and joint missions. To ensure continued coordination, PEM TA reported to the PFTAC Steering Committee on its activities and workplans.

- **Training partnerships.** PFTAC continues to partner with other organizations, both within and outside the region, to provide relevant training materials. Ongoing partnerships include Australian Department of Finance and Deregulation (DOFD) and ADB in PFM (see below) and, Bank of England Centre of Central Banking Studies (CCBS) in the macroeconomic area. Within the region, PFTAC partners with Bank of PNG and RBF staff in developing training programs. PFTAC is also looking to make increasing use of IMF HQ resources in the training areas, including a more substantial use of IMF Institute for Capacity Development (ICD) by drawing on their staff to deliver courses tailored to the Pacific context on a regular basis. One off collaborations such as with the US Federal Deposit Insurance Corporation (FDIC) in 2011 will also continue when possible. PFTAC aims, however, to draw tighter links between TA provision and training. This could take a number of forms: ensuring that topics are chosen in light of emerging regional/sub-regional priorities, by planning bilateral TA to follow-up on issues identified in training events; by planning training in a more medium-term context; by using IT to have a more structured follow up; and by taking a more proactive approach in identifying candidates for training.

The indicative work plan is detailed in Annex E. The principles that are used in choosing activities in the workplan are described in Box 6. As noted in section II, the format has been revised to adopt the new IMF-standard format that seeks to link workplans more explicitly with the guiding results framework (Annex D), including by identifying milestones expected to be achieved in each fiscal year. 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 milestones should therefore be taken only as indications of the progress that can be expected and will change as the workplan evolves.

Box 6: Principles used for PFTAC Work Planning

The PFTAC work plan is the IMF's largest TA contribution to the Pacific for FY12. It is guided by PFTAC's Country Strategies (Appendix C), which takes account of the broader IMF input and the RSN's priorities to articulate a consistent medium-term strategy for PFTAC in each country. The workplan and strategies are 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.

B. PFM

FY13 sees PFTAC move to two PFM advisors. Given that the two advisors have complementary technical skills and both have PEFA skills; the PEFA and technical assistance roles will be shared between the two advisors. This will not dilute the resources available to support regional PFM roadmap issues in Phase IV and will allow PFTAC to deliver hands on support across a broad range of PFM issues.

As envisaged in the program document, the advisors' work will be grouped into three general categories:

- PFM Roadmap support – support for PEFA assessments and the development of PFM Roadmaps.
- Specific TA missions or training designed to assess, discuss, and deliver solutions; and
- Delivering training and supporting the development of regional institutions or processes with the aim of long-term PFM system sustainability

PFM Roadmap support will be three pronged. PFTAC will make resources available to conduct PEFA assessments in Fiji, Solomon Islands and Palau (result 1.1). These will take into account lessons learned from recent regional PEFA, including the need to first undertake a self-assessment. Lessons learned will be collated on the PIFMA website and regional PEFA training (in collaboration with the PEFA Secretariat) will be delivered. Resources will also be made available to assist countries develop reform roadmaps (result 1.2); these may include RMI, FSM, Tuvalu and Fiji.

Technical assistance will be directed towards the priorities in the results framework. In addition to these planned TA activities PFTAC will continue its commitment to quickly respond to requests from countries for urgent assistance and from Donor Partners for TA assessment and planning.

- Support for accounting reform (result 1.4). This is expected to encompass training on reconciliation and accounting in RMI and potential support for IPSAS standards in Fiji and Solomon Islands. There will also be continued coordination with the ADB in Kiribati.
- Support for practical approaches to MTB development (1.5). This will focus on developing best practice guidelines based on regional experience (an action point from the regional seminar held jointly with ADB). It will also include country support to the Cook Islands in improving the underlying information system for the forward estimates and linking them to the Fiscal Management Model (developed with support from PEM TA).
- Assistance in evaluating proposals for IFMIS changes. Work will continue in Kiribati, although other partners' assistance will be in the lead, and also in Tonga.
- Support to improve cash flow forecasting and cash management in Kiribati (result 1.6).
- Support to improve legal framework (1.3). Using HQ resources funded by PFTAC recommendations on an enhanced legal framework for PFM will be provided in Solomon Islands.

Broader capacity development will include training and development of regional institutions and processes.

- **PIFMA will continue to be the focus of regional capacity building.** PFTAC will work with the PIFMA working group to investigate how PIFMA can expand its functions/services and get more PIC officials and development partners engaged. The annual meeting is expected to consider the proposals in more details. They are expected to include:
 - Sponsoring of critical training for a variety of PFM professionals.

- Maintaining a website for members with:
 1. good practice manuals,
 2. simple down-loadable software to solve common problems
 3. chat-rooms for PFM professional in similar positions to share ideas.

- **Training inputs in FY13 are likely to be in the procurement/asset management area.** The annual Leadership Development Programme, delivered in collaboration with the Australian DOFD is expected to focus on procurement and asset management (see Box 7).

- **PFTAC will also continue to build a sustainable partnership with USP to train more PFM professionals in the region.** With satellite campuses in 12 PICs and sophisticated 2-way video distance learning and other technology, USP has great potential to be able train much larger numbers of PFM professionals (both in Finance Ministries and LMs) than traditional and more expensive approaches to training (out-of-country workshops or flown-in experts).

Box 7: PFM Collaboration with Australian Department Of Finance and Deregulation (DOFD)

PFTAC and DOFD have agreed a training and technical assistance collaboration. DOFD wish to coordinate their assistance to the Pacific more firmly within regional institutions so that they can have a more lasting effect on capacity and see PFTAC as an ideal partner. PFTAC recognizes the large body of expertise in best practice PFM housed in DOFD and believes that a strategic partnership will improve the chances of achieving some of its key PFM objectives.

The Partnership is expected to have four elements. It will broadly follow the format of the 18 month pilot that is coming to a close. Subject to confirmation of funding, the program will consist of:

- **An annual training course** – the topic for which will be jointly decided by DOFD and PFTAC, in consultation with PIFMA. Participants will, as far as possible, be those already engaged in reform efforts in the specified area. The course will be developed and delivered by ANU in collaboration with DOFD and PFTAC staff. It is hoped that USP will also become a major partner with the possibility that ultimately participants could receive academic credit towards USP qualifications.
- **Structured course follow up.** Course participants will construct a project during the course to be implemented during their work over the following 9 months. PFTAC and DOFD will interact regularly with participants individually and as a group (using information technology such as USP video-conferencing and the PFTAC website) to monitor progress and isolate areas where more intensive TA support will be needed. It is hoped that the group work will help develop communities of practice in elements of PFM that can support broader PIFMA development.
- **Short-term TA assignments** from DOFD to support the PFTAC work program. These will be either to follow up on issues arising from course projects and to support the production of PEFAs and PFM roadmaps.
- **A stand-alone DOFD project**, consisting of TA and secondments to DOFD. The topic for this project will be discussed with PFTAC and agreed in advance with PIFMA.

C. Revenue

The baseline assessment of tax administrations across the region will continue to provide the cornerstone for the revenue sector activities in FY13. In keeping with the findings of the PFTAC Program Document, six priority areas for revenue sector technical assistance will be focused on: modernized and comprehensive legislation frameworks (Samoa, Fiji, RMI, FSM); automation of revenue processes (RMI, FSM, Palau, Kiribati) and cross-regional IT support; introduction of self assessment into the administrative framework (Fiji, RMI, FSM), adoption of integrated or functional operating models (FSM, RMI); expansion of the corporate strategy set to include risk management and compliance improvement strategies (Fiji, Tuvalu, Nauru, FSM, RMI).

The current baseline framework will be amended to take into account a major IMF initiative—RA FIT—intended to establish a global baseline. The Revenue Administration Fiscal Information Tool (RA FIT) will provide a consistent set of global revenue administration baseline data and will be used by the IMF to provide a common approach to RBM and evaluation of revenue technical assistance. It should also provide a valuable resource to countries and development partners in assessing the relative performances of revenue administrations and identifying opportunities for improvement. This will replace the quantitative element of the PFTAC-developed PITAA baseline framework. The 2nd assessment against the PFTAC framework will be undertaken in 2012, taking into account the information provided in the context of RA FIT. The high-level outcomes in the PFTAC results framework may also be amended to make them more consistent with the RA FIT initiative.

The expansion of resident advisors into more Pacific Island countries will affect the nature and scope of work undertaken by PFTAC. PFTAC will continue to work collaboratively with other donors to help identify and recruit appropriately skilled in-country resident advisors. The resident advisors, once in place, will assume responsibility for much of the general advice and hands on support for revenue administration strengthening that might otherwise have been provided by PFTAC. PFTAC instead is being called upon to act as a conduit from the principal donor to the resident advisors to ensure the proposed strategic reforms are being implemented as planned and provide guidance to the resident advisors.

PFTAC will focus more on niche specialist assistance, strategic advice and regional issues. PFTAC is well placed to provide niche assistance (for example, legislation drafting, corporate strategies and tax policy) and strategic advice. Requests for comprehensive strategic revenue reviews are expected to increase as more countries reach the point where they are ready for the second wave of revenue reforms. A comprehensive revenue review was undertaken in Tonga in late 2011 and it is expected that Samoa will request a similar review as it prepares for the second phase of its institutional strengthening programme. Other

reviews could also take place if countries request. PFTAC will seek to bring in IMF HQ expertise to supplement its inputs on these reviews

PFTAC will continue to support the PITAA strategic direction, where possible identifying cross-regional support mechanisms for issues of regional priority. In 2012 the regional issues PFTAC will support include the regional training program development of the regional IT support strategy, and a regional support for issues concerning natural resource taxation. This latter will be developed in conjunction with the work being undertaken by the World Bank in Solomon Islands and in cooperation with an SPC regional project. Cross-regional issues will also be identified as the baseline assessment is updated.

D. Financial Sector Supervision

Preparing for the regional implementation of the RBNZ FSIS system will be a key focus of FY13 activities (result 3.1). This will include working with RBNZ to deliver a firm proposal for Governors to consider. Following that, PFTAC will work with RBNZ to set up the base set of prudential returns developed under AFSPC guidance in the FSIS environment. This version will be piloted in the Solomon Islands and PFTAC will provide input on the bank supervision elements of the system into the training which will also include other regional central banks. PFTAC will also be available to adapt the base set of returns to the particular context of their countries; likely inputs are Vanuatu, Samoa and Fiji. In addition resources will be devoted to assisting the North Pacific countries establish their own set of base returns, for use by non-central bank jurisdictions.

Further development of off-site supervision manuals and procedures will also be developed (results 3.2 and 3.3). This will include preparing and providing training in the use of a “user’s guide” to output reports (uniform bank performance reports) for measuring and monitoring changes the CAELS components of banks. The output reports, which will be automatically generated by FSIS from the base returns, will include high level and detailed ratios necessary to properly monitor CAELS components and changes in the condition and performance of a bank. Solomon Islands, as the pilot for implementing FSIS, will also be the pilot for developing the user’s guide along with Tonga and Cook Islands who have expressed an interest in implementing FSIS and have moved to implement the base prudential returns. To provide a framework for monitoring and analyzing the condition and performance of banks a comprehensive off-site monitoring manual will be prepared for Palau.

Establishing stronger on-site supervision will continue to be emphasized. A particular focus will be Tonga, where PFTAC will build on TA delivered in FY12, to finalize the development of manuals and procedures and train staff so that the NRBT can effectively deliver a stepped-up on site supervision schedule (results 3.5, 3.6 and 3.7). This will be

supplemented by some follow-up assistance to the intensive program of support that has previously been delivered to the Solomon Islands.

Development and implementation of revised legal frameworks could require resources (result 3.8). PFTAC will support the development of a revised banking law in Marshall Islands, potentially drawing on IMF Legal Department resources. PFTAC will also provide support to Kiribati and Tuvalu if they decide to implement their banking legislation. This though is likely to require resources well in excess of PFTAC's availability and so PFTAC will work with partners to identify appropriate financial and technical assistance. PFTAC will also continue coordinating with ADB to assist Nauru re-establish banking services in the country.

Following on from analytical work on interest rates and bank profitability, an analysis of regional capital requirements will be developed. PFTAC will provide to the Governors group an analysis of how capital requirements in the region compare to other regions and international best practice. PFTAC will draw on AFSPC members to look at how actual capital holdings compare to minimum requirements.

E. Statistics

PFTAC's statistics support will continue to be 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).³ 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.

The TA resources available for economic statistics in the Pacific are increasing. In addition to PFTAC's imminent transition to two statistics advisors, SPC has also moved to two economic statisticians. The Australian Bureau of Statistics (ABS) is also stepping up its engagement, with separate training and TA programs in Government Finance Statistics and implementing the principles of the International Comparison Program (ICP) in the Pacific Islands. ABS' major bilateral interventions are expected to be in Fiji, Solomon Islands and Vanuatu.

³ 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.

IMF HQ is also significantly stepping up its statistical TA to the Pacific. The Statistics Department has accessed Japanese finance to fund four projects that will make substantial resources available to the Pacific Island Countries that are members of the IMF.

- Balance of Payments – This major 3 year project aims to strengthen Balance of Payments in Asia and the Pacific. The project will have a large Pacific module that will include an advisor stationed in the region to coordinate and deliver assistance; short-term expert assistance and training programs.
- Government Finance Statistics. This project aims to assist Asia Pacific countries to migrate their fiscal statistics to *GFSM 2001* standards. It is expected that it will assist up to ten Pacific countries and began with Pacific regional training conducted jointly with the ABS in June 2012. The project will also build on improvements to central government financial management systems underway in many countries.
- General Data Dissemination System (GDDS). A seminar in early 2012 will encourage participation and further TA will be provided to countries to develop relevant metadata.
- ICP project – in the Pacific only Fiji is a full partner in the ICP process, and they will be receiving TA from this project. The project also has funds for training, which the Pacific benefitted from in early 2012 through a joint STA/PFTAC training course. A further regional course on price statistics is likely to be delivered, depending on planned inputs from other development partners (ABS, SPC).

Given these developments, PFTAC intends to focus the inputs of its two resident advisors on achieving substantial improvements in national accounts in the Pacific. This approach assumes that balance of payments and government finance statistics needs of the IMF members will be to a large extent handled by the IMF HQ projects. The increased PFTAC resources available for national accounts will be used for more intensive delivery and support and also to develop regional best practice and guidance. The two advisors will also act as a coordinating point for IMF activities and ensure that they are coordinated with other partners' work in the context of the TYPSS and handling residual demand in balance of payments in countries that are not IMF members. PFTAC will also discuss with SPC whether, given this increase in TA availability on the main macro datasets, if they can focus their work in PFTAC member countries on price statistics and on the development of source data for national accounts and balance of payments.

Progress on the national accounts results framework will include:

- **Quarterly national accounts** are expected to be established in Fiji and initiated in Cook Islands and 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 work closely with IMF HQ TA in developing estimates of national expenditure (vital for international comparative purposes and for internal confrontation of GDP estimates).
- Assist 3 countries to **rebase national accounts** based on updated survey data (result 4.2). Samoa, Tonga and Vanuatu will develop revised benchmarks of current price estimates and rebase their constant price estimates following completion of Household Income & Expenditure Surveys (HIES)⁴.
- Begin development of **expenditure measures of GDP** in Cook Islands, and Kiribati and improve the experimental measures of GDP(E) in Samoa and Vanuatu (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. Some assistance will also be provided on GDP(E) under the IMF Statistics Department Asia-Pacific regional program on the International Comparison Project (ICP). Following the price statistics workshops in FY12 some follow-up TA on price statistics may be required from PFTAC, depending on SPC's ability to meet countries' needs.
- 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, 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 2013 this is expected to be a focus in Nauru, Palau and Tuvalu⁵.

Regional work through the PSSC will focus on laying the groundwork for improvement and development of national accounts and balance of payments. 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 for macroeconomic statistics. PFTAC will also continue to provide input to the PSSC on macroeconomic statistics.

⁴ TA will be provided by the Samoa Institutional Strengthening Project, a resident advisor in Tonga and PFTAC respectively.

⁵ Collaboration with SPC will be a key part of assistance with hands-on assistance to compilation.

On balance of payments, assistance will include ensuring ongoing publication of robust statistics for small countries, and improvements to source data to facilitate the transition to BPM6. Significant progress has been made in the region on balance of payments, and further gains are dependant in part on improvements in source data. A key data source needing improvement is trade statistics, a need recognized by the TYPSS, resulting in the appointment of a second economic statistician at SPC with a key result area being improvement of trade statistics. Beginning with the August 2012 release of the *International Financial Statistics* and *Balance of Payments Statistics* online databases, the IMF will disseminate BOP and IIP statistics on a *BPM6* basis, raising the importance of countries' transition to the current international standard.

F. Macroeconomic Analysis and Frameworks

The key theme will be the introduction of financial programming techniques in central banks and finance ministries (result 5.2). The initial work program in the macroeconomic area has been on training central banks and, to a lesser extent, finance ministries on the essential building blocks for establishing robust financial programming frameworks. This has included training in the general macroeconomic analysis of current conditions, forecasting techniques, and modeling of behavioral relationships. Financial programming requires a big picture analysis of current economic conditions, a model of key behavioral relationships and adequate forecasts. Having done this in many countries in the region, the focus will be to move on towards financial programming exercises. This will be done through country level financial programming workshops (Fiji, Vanuatu, Solomon Islands, and PNG). These will provide background to a financial programming course for the whole region course to be mounted jointly with the ICD in late 2012. The course will use a Pacific case study.

Building better understanding of the interactions between exchange rates and inflation will also be an important focus (result 5.1). The small, highly open nature of the Pacific Islands economies requires careful usage of standard macroeconomic models. PFTAC will continue to support research initiatives in central banks—Solomon Islands, Fiji, Vanuatu and PNG—to improve understanding of the local driving forces as well as the key behavioral relationships. For example, RBF staff is looking into the long-run determinants of inflation in Fiji. These research initiatives will be supported in FY13, with a regional central banking workshop organized jointly by PFTAC and the Bank of England providing an opportunity to share first results as well as to draw on the knowhow of Bank of England staff. The workshop will also look into policy issues shared across the region such as the management of excess liquidity.

Building on work in Kiribati, PNG, and Samoa during FY 2012, fiscal sustainability will be another theme for FY 2013 (result 5.4). In Samoa, the underlying issue is one of debt sustainability, whereas for Kiribati and PNG the issue is one of preserving natural

resource wealth. The work program for FY13 will follow two tracks. One is further investigation of the broader macroeconomic implications of different fiscal policy choices regarding natural resource wealth, an issue that is going to be pursued together with staffs of the Bank of PNG, Treasury, and the IMF. The second track is linking fiscal sustainability considerations to fiscal policy choices in the budget preparation process. Here, simple fiscal frameworks that provide information on sustainable expenditure levels can be useful tools. Initially, the focus for this second track is going to be on Samoa; at a later stage, dissemination of the related techniques and policy issues is envisioned through a regional fiscal policy workshop organized in conjunction with PFTAC's PFM advisor and ADB's PEM program.

The work program will also continue to offer a broad range of capacity building activities. These programs range from providing training in basic bottom-up inflation forecasting techniques (Solomon Islands) to the more advanced operation of Excel-based revenue forecasting and fiscal frameworks (Samoa), with support for dynamic stochastic general equilibrium (DSGE) macroeconomic modeling representing the apex in terms of sophistication of the underlying methodology (PNG, Fiji). Many of the training modules require repetition in order for staffs to gain familiarity with the materials and for the training to sink in. Even then success cannot be guaranteed due to staff turnover and very limited capacity to institutionalize knowledge.

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-Pacific Islands Forum Secretariat, Korea, and New Zealand Aid Programme who finance the technical assistance activities of the center.
- 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 center including the World Bank, 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 center.

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

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 State of Texas with responsibility for overseeing state and foreign bank operations.

Jennifer Regan is the Revenue Advisor. She has a wide range of experience in tax administrations in Canada, the Middle East and Central Asia.

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 a 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 Africa before joining PFTAC in 2011.

Stephen Mayes is a Public Financial Management Advisor. He has worked in senior PFM roles for the IMF, Australian Government, World Bank and European Union.

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, Bermuda, 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 current program cycle is funded by Australia, Canada, the Caribbean Development Bank, the European Union, the IMF, the United Kingdom, the host country Barbados, and beneficiary countries. Discussions with several other donors are ongoing.

The African Regional Technical Assistance Centers (AFRITACs) 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 Poverty Reduction Strategy Paper (PRSP) process. As part of the Initiative, four African Regional Technical Assistance Centers have been established. East AFRITAC was opened in Dar es Salaam, Tanzania, in 2002, now serves seven countries in East Africa (Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Tanzania, and Uganda). West AFRITAC was opened in Bamako, Mali, in 2003 and moved to Abidjan, Côte d'Ivoire, in mid-2012 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. AFRITAC South was opened in Port Louis, Mauritius, in June 2011, to serve 13 countries in Southern Africa (Angola, Botswana, Comoros, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Zambia, and Zimbabwe). Work is in progress to open one more AFRITAC in 2013, 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 policymaking. 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, 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 supervision, tax and customs administration, medium-term expenditure frameworks and public financial management, money 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 Commission, Germany, the Inter-American Development Bank, the IMF, Mexico, Spain, the host country Guatemala, and beneficiary countries.

Annex C: Country Strategies

Cook Islands: PFTAC Country Strategy 2012-2014

Background

The Cook Islands has returned to growth following the global economic crisis. After two years of negative growth, GDP grew moderately in 2009/10 and is expected to pick up, mainly on the back of a strong tourism sector. However, the economy remains highly reliant on tourism, which, along with aid, underpins the government budget. The authorities have been gradually rolling back the role of the offshore financial sector.

The Cook Islands has been a heavy user of PFTAC TA. This has mainly been the result of a sustained period of assistance to support the introduction of medium-term budgeting in the ministry of finance. Support has also strengthened off-site bank supervision and the development of national accounts and balance of payments statistics. Recently, PFTAC also took the lead in a PEFA assessment and helped the authorities develop a draft revenue policy framework for future sea-bed mining operations.

Strategy 2012-2014

PFTAC's TA strategy is guided by the APD regional strategy note and is planned within the results framework for the current PFTAC funding cycle.⁶

PFTAC TA aims to support the authorities consolidate and build upon results of recent PFTAC TA. Assistance is expected to focus on further extension of the medium-term budget framework and on development of broader, more frequent national accounts aggregates. This is likely to mean a decline from recent high volumes of support.

In the **Public Financial Management** area, PFTAC will support areas specified in the authorities' PFM Roadmap (for which the PFTAC-supported PEFA assessment was a key input). In the short-term assistance is expected to focus on streamlining information systems that underlie the budgeting process and training central and line agency staff on MTB development (*1.5*).

In the **revenue** area, the Cook Islands receives ongoing support from New Zealand and is not expected to draw significantly on PFTAC resources. PFTAC will provide support will

⁶ The specific result in the framework that activities target is identified in italics in the section, for example cash management is referred to as (*1.6*), where 1.6 is the code in the result framework in the program document.

primarily be in the policy area and include support as required for implementation of the recent sea-bed mining policy recommendations (2.1) and possibly a high-level review of revenue policy and administration priorities.

In **statistics**, PFTAC will provide detailed support to moving accounts towards the production of quarterly accounts (4.4) in 2013; and to broadening the scope of Balance of Payment and GFS statistics and bringing them more into line with international standards.

In **financial sector supervision**, PFTAC will assist Financial Institutions Commission finalize the base set of prudential returns developed by AFSPC to the Cook Islands context in advance of the regional implementation of RBNZ's information system (FSIS) (3.1, 3.2).

No bilateral support is currently envisaged in the **macroeconomics** area.

Fiji: PFTAC Country Strategy 2012-2014

Background

Fiji has faced a difficult macroeconomic environment in recent times. Growth has begun to recover after being anemic for a number of years. Reserves have recovered since the 2009 devaluation but high public debt and contingent liabilities arising from state-owned enterprises constrain the space for fiscal stimulus. The financial sector is sound but monetary policy transmission has been weak—credit growth is slow despite reductions in policy rates and high liquidity in the banking sector. Political developments have meant that few development partners are active in PFTAC’s focus areas.

Fiji has been PFTAC’s largest user of TA in recent years. The revenue sector has been the main area of focus. PFTAC has supported FIRCA in a comprehensive modernization process including the development of enhanced corporate planning, simplified income tax legislation and streamlined personal income taxation policies and procedures. There has also been significant progress made in the statistics area with improved national accounts balance of payments and price statistics. In the PFM area, support has been focused on building internal audit and accounting capacity while in macroeconomics the focus has been on building modeling skills, including for potential natural resource revenues.

Strategy 2012-2014

PFTAC’s TA strategy is guided by the APD regional strategy note and is planned within the results framework for the current PFTAC funding cycle (Annex D).¹

PFTAC TA aims to support the authorities sustain progress on fiscal consolidation and enhance the framework for macroeconomic policy making. In the fiscal area, the majority of inputs will continue to be in revenue supported by work on assessing PFM systems and fiscal forecasting. Enhanced statistics will support strengthened modeling capacity in RBF and Ministry of Finance which should ensure policy makers are better informed.

In the **Public Financial Management** area, the main focus will be assisting take stock of systems and the institutional environment through a PEFA assessment in mid-2012 (*1.1*). This process may also include assistance in looking at the roles, responsibilities and structure of the Ministry of Finance, perhaps drawing on IMF HQ expertise. Areas or specific follow-up assistance will be influenced by the action plan drawn up following the PEFA (*1.2*) but

¹ The specific result in the framework that activities target is identified in italics in the section, for example cash management is referred to as (*1.6*), where 1.6 is the code in the result framework in the program document.

are likely to be focused on accounting and budget execution (1.4). Assistance in cash and debt management may also be a focus (1.6), if resources are available. PFTAC will coordinate closely with the ADB's PEM TA project.

In the **revenue** area, Fiji is one of the regional leaders in terms of administrative processes but is keen to improve revenue performance. PFTAC assistance in the near-term will focus on bringing to fruition a number of initiatives: a thorough modernization and simplification of the income tax law that will pave the way for effective self-assessment; subsequent modifications to the VAT law and the implementation of PAYE as a final tax, including potential IT enhancements (2.1, 2.4). Some further support to the implementation of the new corporate plan may also be required (2.2, 2.5) PFTAC will also contribute to the development of a fiscal regime for the mining sector (2.1), although HQ-financed resources will also be needed on the policy and drafting side. Following the completion of these projects, potential areas for assistance include building capacity in dealing with transfer pricing (2.6) and implementing the 2009 FAD recommendations on streamlining tax incentives (2.1). The authorities have also expressed interest in support in the customs area, which is unlikely to be possible given resource constraints.

In **statistics**, the focus of support will be further development of the national accounts. The ultimate aim is to have quarterly national accounts being produced by 2013 (4.4), but in advance of that PFTAC will support the implementation of recommendations from the recent review of national accounts methodology, including the rebase planned in 2012 (4.1, 4.2) PFTAC will also support HQ-financed work on the further development of GDP-E (4.1) and will continue to provide limited follow up on price indices (4.8). IMF HQ will provide support for enhancing balance of payment statistics and government finance statistics.

In **financial sector supervision**, PFTAC will continue to be available for consultations with RBF and will work on regional issues with the RBF's head of bank supervision who is executive director of AFSPC. PFTAC will be ready to assist RBF adapt the base set of prudential returns developed by AFSPC to the Fijian context in advance of the regional implementation of RBNZ's information system (FSIS) (3.1, 3.2). RBF currently relies on APRA for support to on-site supervision; PFTAC could supplement this if requested.

In the **macroeconomic** area, work will focus on building macroeconomic modeling and analysis capacity in RBF (5.1, 5.2) with the aim of having better inflation and external forecasts to feed into monetary policy making. Work on developing fiscal forecasts, including for the natural resource sector will continue with the Ministry of Finance (5.3, 5.5). Subject to inputs from the PEM TA project, capacity building in debt-sustainability analysis could take place in 2012 (5.4). It is hoped that the regional financial programming course planned for late-2012 in cooperation with the IMF Institute will be based around a Fiji case study—PFTAC hopes to involve Fijian staff in the preparation of the course.

Kiribati: PFTAC Country Strategy 2012-2014

Background

Kiribati has faced a difficult macroeconomic environment in recent times which has resulted in pressures on fiscal sustainability. Following the global economic crisis growth stagnated, the RERF (Kiribati's sovereign wealth fund) dropped in value and revenue declined. With state-owned enterprises continuing to require budgetary support budget deficits were increased financed by increased drawdowns from the RERF. These drawdowns were well in excess of sustainable levels. Fiscal adjustment and increases in donor support are required to return Kiribati to fiscal sustainability. Development partners are discussing a shared policy matrix to coordinate this support and have coordinated well behind a government-owned PFM reform plan.

PFTAC has stepped up its TA to Kiribati. This reflects increased commitment from the authorities to improve public financial management systems, in part to trigger development partner budget support. PFTAC is taking the lead in supporting revenue reforms envisaged under the PFM roadmap and working closely with ADB, EU and other partners to support budget execution reforms. In addition, PFTAC has been assisting building capacity in simple macroeconomic analysis to underpin the budget and in developing enhanced methodologies for macroeconomic statistics. Initial work has been undertaken to build capacity to supervise the financial sector.

Strategy 2011-2013

PFTAC's TA strategy is guided by the APD regional strategy note and is planned within the results framework for PFTAC's current funding cycle.¹

PFTAC TA aims to support the authorities sustain progress on improving fiscal sustainability. PFTAC will continue to work closely with the broader development partner group to ensure coherence and will aim to support implementation of actions in the authorities' PFM roadmap and shared policy matrix (once it emerges). Revenue is expected to be the most intensive area of assistance, reflecting the agreed division of labor in supporting the PFM roadmap. Support in cash management and macroeconomic analysis is likely to continue, delivered in coordination with the ADB and others. This will be supported by further development of national accounts. PFTAC will stand ready to support

¹ The specific result in the framework that activities target is identified in italics in the section, for example cash management is referred to as *(1.6)*, where 1.6 is the code in the result framework in the program document.

the establishment of financial sector regulation but given resource constraints will not be able to take the lead.

In the **Public Financial Management** area, the focus will primarily be on supporting the strategic oversight of the PFM roadmap (1.2). Other development partners are taking the lead in supporting the implementation, in particular ADB with a focus on strengthening accounting and cash management (1.4). PFTAC will maintain close links with the ADB financed support, including participating in the inception and review mission for the project. PFTAC will also contribute additional expertise to assist the government move to better financing of short-term cash shortfalls (1.6). In addition **macroeconomic** support will be provided, in coordination with the ADB-financed budget advisor, to improve forecasting (5.3) and create a better framework for RERF management (5.5). In the medium-term, PFTAC would look to assist the authorities implement a follow-up PEFA assessment, probably in 2014 (1.1).

In the **revenue** area, the main focus will be on improving domestic revenue collections, in particular through supporting the implementation of IT systems that will allow Kiribati's scarce administration resources to achieve better collection performance (2.3). This will include strategic guidance to the AusAID-supported resident advisor. Following this, PFTAC will provide support to enhancements of the policy framework, including possible implementation of a VAT (2.1) which may include legislation drafting support.

In **statistics**, PFTAC advice will focus on national accounts, in particular developing expenditure side GDP accounts (4.1) and maintaining an annual series of broader measures of national income and saving (4.3). IMF HQ will provide resources to produce better current and capital accounts of the balance of payments (4.6-4.8).

In **financial sector supervision**, PFTAC will continue to provide strategic guidance to the authorities as they move to implement the Financial Institutions Act that was drafted some years ago with IMF assistance (3.8). Given the lack of in-country capacity establishing a basic on and off site supervision program (3.1 and 3.4) will require TA resources well in excess of PFTAC's availability. As in other sectors though, PFTAC would be able to provide strategic oversight to the process if other partners were able to provide resources for on the job support.

Marshall Islands: PFTAC Country Strategy 2012-2014

Background

Marshall Islands has recovered steadily since the global economic crisis but faces a need for considerable fiscal adjustment. Growth has picked up, led by fisheries and construction and public spending has been kept under control. However, continued losses in the state-owned enterprise sector, growing shortfalls in social security, high public debt and the potential loss of compact grants mean that urgent measures are needed to ensure fiscal sustainability. These include implementation of a planned tax reform, SOE reform and containing public sector pay.

Marshall Islands has been a moderate user of PFTAC TA. The most significant input has been in the revenue area where PFTAC has supported the design of revenue policy and administration reforms, including the drafting of legislation that awaits approval. There has also been input in PFM, most recently through support for a PEFA assessment, and financial sector supervision.

Strategy 2012-2014

PFTAC's TA strategy is guided by the APD regional strategy note and is planned within the results framework for current PFTAC funding cycle.¹

PFTAC TA aims to support the authorities move towards long-term fiscal sustainability. Activities will focus on assisting the authorities achieve tangible results from the foundations laid with previous PFTAC assistance, and include strategic and detailed support in the PFM area and continued input on revenue, in coordination with AusAID and ADB. Financial sector work will continue, with a focus on strengthening the legal framework and off-site supervision. Statistical and macroeconomic capacity building is expected to be led by other development partners.

In the **Public Financial Management** area, the focus will be on completing the PEFA assessment (1.1) and supporting the authorities develop a PFM roadmap (1.2). Activities to support the roadmap's implementation will be planned in coordination with other partners, in particular the ADB, but are expected to include moving towards medium-term budgeting (1.5), modernization of legislation and financial instructions (1.3) and strengthened cash management and accounting (*1.6*).

¹ The specific result in the framework that activities target is identified in italics in the section, for example cash management is referred to as (*1.6*), where 1.6 is the code in the result framework in the program document.

In the **revenue** area, the nature of assistance will be dependent on the approval of tax reforms designed with PFTAC-assistance (2.1). PFTAC will coordinate closely with and support a proposed AusAID-funded resident advisor who will be responsible for day to day support to the tax administration. Assuming the reforms go ahead, PFTAC will also deliver support on specific technical areas, including development of an IT strategy (2.3), analytical support on the impact of the tax reforms (2.1), corporate planning (2.2) and, ultimately, compliance improvement strategies (2.6).

Marshall Islands' economic **statistics** are mainly produced by Compact-funded projects and there are few local counterparts for PFTAC TA. Little input is therefore expected in this area in the medium-term. If staffing levels improve, PFTAC will look to support enhancements in the range of national accounts aggregates that are produced (4.3) while IMF HQ will provide support on balance of payments development (4.7).

In **financial sector supervision**, PFTAC will focus on assisting the Banking Commission to modernize the Banking Act (3.8) and to strengthen off-site reporting through the adoption of enhanced prudential returns and better, more-automated analysis (3.1, 3.2, 3.3). Strengthening of the ability to assess banks on a CAMELS basis (3.4) will also continue.

In **macroeconomics**, no direct input is currently anticipated but PFTAC could lend support the development of enhanced debt sustainability analysis if requested (5.4).

Federates States of Micronesia: PFTAC Country Strategy 2012-2014

Background

FSM has rebounded well from the global economic crisis but needs to take continued action to safeguard long term fiscal sustainability. The economic recovery is expected to continue in the near term supported by ongoing construction activities and expansion of the fisheries sector, but faces headwinds over the medium-term from the scheduled declines in Compact sector grants. Continued efforts to advance tax reforms, targeted expenditure cuts, and structural reforms to nourish private sector growth are essential to secure long-term fiscal and economic sustainability.

FSM has been a moderate user of PFTAC TA. The most significant input has been in the revenue area where PFTAC has supported the design of revenue policy and administration reforms, including the drafting of legislation that awaits approval. There has also been input in PFM, most recently through support for a PEFA assessment, and financial sector supervision.

Strategy 2012-2014

PFTAC's TA strategy is guided by the APD regional strategy note and is planned within the results framework for current PFTAC funding cycle.¹

PFTAC TA aims to support the authorities continue to move towards long-term fiscal sustainability. Activities will focus on assisting the authorities achieve tangible results from the foundations laid with previous PFTAC assistance, and will include strategic support in the PFM area and continued input on revenue, in coordination with AusAID. Financial sector work will also continue, with a possible expansion into the insurance sector.

In the **Public Financial Management** area, the focus will be on completing the PEFA assessment (1.1) and supporting the authorities develop a PFM roadmap (1.2). Activities to support the roadmap's implementation will be planned in coordination with other partners, in particular the ADB, but are expected to include strengthened cash management (*1.6*).

In the **revenue** area, the nature of assistance will be dependent on the approval of tax reforms designed with PFTAC-assistance (2.1). PFTAC will coordinate closely with and support an AusAID-funded resident advisor who will be responsible for day to day support to the tax

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administration. Assuming the reforms go ahead, PFTAC will also deliver support on specific technical areas, including further development and implementation of an IT strategy (2.3), and in the more medium-term corporate planning (2.2) and compliance improvement strategies (2.6).

FSM's economic **statistics** are mainly produced by Compact-funded projects and input is therefore expected to be relatively limited in this area in the short-term. Provided adequate staffing remains available in the statistics office, PFTAC will look to support enhancements in the range of national accounts aggregates that are produced (4.3) and provide hands-on training in compilation methods while IMF HQ will offer support on balance of payments development (4.7).

In **financial sector supervision**, PFTAC will focus on assisting the Banking Commission to modernize the Banking Act (3.8) and to strengthen off-site reporting through the adoption of enhanced prudential returns and better, more-automated analysis (3.1, 3.2, 3.3).

Strengthening of the ability to assess banks on a CAMELS basis (3.4) will also continue. PFTAC will coordinate with IMF HQ and other TA providers to ensure that the newly-formed insurance commission has access to suitable capacity building but is unlikely to be able to devote significant resources to this area given resource constraints and that insurance does not feature in Phase IV's results framework.

In **macroeconomics**, no direct input is currently anticipated.

Nauru: PFTAC Country Strategy 2012-2014

Background

Nauru's economy remains reliant on phosphate exports and aid. Nauru has recently returned to growth following years of stagnation, mainly due to a pick-up in phosphate exports. The fiscal position has stabilized, but remains compromised by high debt, low revenues and poor state-owned enterprise performance. There is no domestic financial sector, following the collapse of the Bank of Nauru in 1995.

Nauru has been a relatively light user of PFTAC TA. This reflects a number of AusAID financed resident advisors and the limited absorption capacity in the main institutions. PFTAC has however, supported the authorities as they developed draft financial instructions and the established of a revenue office and policy framework. PFTAC TA has also supported the production of national accounts and balance of payments statistics.

Strategy 2012-2014

PFTAC's TA strategy is guided by the APD regional strategy note and is planned within the results framework for current PFTAC funding cycle.¹

PFTAC will support the larger efforts of other development partners in strengthening the fiscal position. The ADB are planning a US\$2million project to strengthen public financial management which is likely to moderate the need to PFTAC TA in Nauru over the period. PFTAC will however continue to follow up on previous work and provide detailed technical support to the Finance Ministry as required.

In the **Public Financial Management** area, PFTAC will stand ready to provide additional training and support for the financial instructions developed in 2010 (1.3). Other assistance will be coordinated with the ADB-supported PFM TA project. Resources will be made available for a follow up PEFA assessment in 2014 (1.1).

In the **revenue** area, PFTAC will work closely with the AusAID financed revenue advisor to improve revenue policies and processes, with a view to ultimately implement a basic consumption tax. This is likely to involve a policy mission in 2012 (2.1) with follow up on corporate planning and processes in 2013 (2.2).

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In **statistics**, PFTAC will continue to provide detailed assistance to allow the regular compilation of basic macroeconomic datasets—national accounts (4.1) and balance of payments (4.5). If source data improves, the focus will gradually shift to methodological development.

In **financial sector supervision**, PFTAC will be available to advise on the prudential issues relating to establishing banking services in Nauru, the expectation is that other partners will take the lead in assisting with discussions with potential financial service providers.

No bilateral support is currently envisaged in the **macroeconomics** area.

Niue: PFTAC Country Strategy 2012-2014

Background

Niue's economy is very fragile. Government activities, tourism and fisheries account for the large majority of GDP. Economic activity faces many constraints: limited access to reliable air services, shortages of skilled professionals and entrepreneurial expertise, limited land and poor soil quality. Natural disasters, especially cyclones, have long lasting impact. Niue's economic difficulties are exacerbated by, and reflected in, the long-term decline of its population. Niue's fiscal position is highly dependent on external aid, particularly from New Zealand with which Niue has very close ties.

Niue has not drawn heavily on PFTAC TA. This reflects the leading role that New Zealand takes in TA provision by virtue of the close ties between the two countries. PFTAC has however recently been more active: supporting a PEFA assessment and providing advice on tax policy and administration following Niue's successful implementation of a consumption tax.

Strategy 2012-2014

PFTAC's TA strategy is guided by the APD regional strategy note and is planned within the results framework for current PFTAC funding cycle.¹

PFTAC's main focus will be to support PFM reforms and maintain the production of statistics to support policy making. Given Niue's limited absorptive capacity and the dominant role of New Zealand in TA provision, overall levels of TA are expected to remain relatively moderate.

In the **Public Financial Management** area, PFTAC will support the authorities as they develop a PFM Roadmap (1.2) based on the findings of the PFTAC-supported PEFA assessment. That roadmap, and the development partner discussions that should be associated it, will provide a basis for identifying the need for further PFTAC assistance.

In the **revenue** area, Niue has recently implemented modern tax policy framework and performs relatively well against the regional baseline assessment. Support on administration is provided by New Zealand and PFTAC has no current plans for bilateral TA. However,

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support could be offered if requested for further policy/administrative developments, in particular in regard to taxation proposals of the recently elected administration (2.1).

In **statistics**, PFTAC will provide assistance in 2012 to enable Niue to produce more comprehensive balance of payments statistics (4.5), with follow-up in later years. Support to ensure regular and timely national accounts compilation will also be available.

In **financial sector supervision**, PFTAC will be ready to provide advice on the prudential aspects of any changes in the limited banking environment on Niue.

No bilateral support is currently envisaged in the **macroeconomics** area.

Palau: PFTAC Country Strategy 2012-2014

Palau's economy has recovered strongly from the 2008–09 downturn, led by a rebound in tourist arrivals. An overarching challenge for Palau is to achieve self sufficiency when the renewed Compact grants expire in FY2024. Growth is expected to be favorable at 3 percent in FY2012 and average 2 percent over the medium term. But the outlook is clouded by an unsettled global environment and downside risks dominate. Highly dependent on tourism, imports of food and fuel, and foreign aid, Palau remains vulnerable to external headwinds and has limited policy space to counter these risks. Fiscal consolidation therefore remains the highest priority.

Palau has been a heavy user of PFTAC technical assistance in recent years. In phase III (FY2009-2011) there were 21 missions, spread across all sectors, with the largest concentration in Public Financial Management, where the focus was on strengthening cash management and laying the groundwork for the development of medium-term budgeting. Other results achieved in phase III included revenue compliance strategies and strengthened bank supervision through the adoption of regulations, improved bank reporting and the establishment of an on-site supervision program. Methodologies for producing a broader range of national income and balance of payments statistics were also developed.

Strategy 2011-2013

PFTAC's TA strategy is guided by the APD regional strategy note and is planned within the results framework for current PFTAC (Phase IV) FY11-FY16 funding cycle.¹

PFTAC TA aims to support the authorities sustain progress on fiscal consolidation and strengthen the financial sector. Priorities will be strengthening revenue administration and, in close coordination with ADB, strengthening PFM. Continued strengthening of financial sector supervision will also be required.

In **public financial management**, the focus will be on continuing to support the ADB project on developing medium-term budgeting. PFTAC will also encourage Palau to undertake a PEFA assessment and look to support it in early 2013, in line with the objectives of the regional PFM roadmap. Follow up support on accounting and cash management may also be required.

In **tax administration and policy**, follow up to recent TA on IT development and improved corporate strategy, business planning and compliance will be provided. Ultimately, the aim is to lay the foundation for a modernized tax policy and the introduction of VAT. Assistance in

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this area is not expected to commence until 2013. If resources are available, additional assistance may be available in the customs administration area, in line with recent informal discussions with the authorities.

In the **financial sector supervision** area, support in the off-site area will be in developing prudential returns that allow ultimate integration with the automated statistical system currently being developed by PFTAC and RBNZ for implementation in the South Pacific Central Banks. Capacity building in on-site supervision will also continue-likely in late-2012.

In **economic statistics**, PFTAC will be available to build capacity to produce National Accounts and Balance of Payments statistics under the methodologies developed in phase III and implemented with ongoing PFTAC support. However, with significant levels of Compact-related statistics support expected to begin in 2012 there may not be a demand for substantial PFTAC TA support.

In the **macroeconomic analysis and frameworks** area, little demand for direct TA is currently anticipated. Officials will though be encouraged to participate in financial programming and macro-fiscal issues planned for 2012.

Papua New Guinea: PFTAC Country Strategy 2012-2014

Background

Papua New Guinea's main macroeconomic challenges are from managing the impacts of resource boom. Sound macroeconomic policies helped to turn around the economy from two decades of decline to solid growth since 2002. However, poverty remains high and a large majority of the population lacks access to basic public services. High commodity prices and the construction of a liquefied natural gas facility are boosting GDP growth and generating inflation pressures. The authorities plan to establish a sovereign wealth fund to manage revenue volatility and ensure steady financing for development.

PNG has not demanded much PFTAC TA. Large volumes of assistance are available from other development partners with significant local presences. PFTAC has therefore focused its assistance on limited technical areas where PFTAC has a comparative advantage. These have recently been focused on macroeconomic analysis and modeling, including on the macroeconomic impacts of scaling up public expenditure based on projected resource inflows. PFTAC has also supported IT strategy development in the revenue area and development of enhanced Balance of Payment statistics.

Strategy 2012-2014

PFTAC's TA strategy is guided by the APD regional strategy note and is planned within the results framework for the current PFTAC funding cycle.¹

PFTAC TA aims to support the authorities manage the macroeconomic impacts of resource-based growth. The main focus is expected to remain in the macroeconomic area, including statistical development. However, there may be opportunities for PFTAC to contribute to the development of more robust public financial management and banking systems.

In the **macroeconomics** area, the PFTAC resident advisor will continue to work with Treasury and BPNG staff to build models that can inform macroeconomic strategies that lead to a prudent utilization of revenue flows from natural resource projects (5.5). In conjunction with this support will continue to be provided to BPNG's development of financial programming tools, in particular to better understand the drivers of domestic inflation and the

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potential impact of alternative policy responses (5.1, 5.2). PFTAC will continue to look to BPNG's economic team to help lead collaboration on macroeconomic training and dialogue.

In the **Public Financial Management** area, PFTAC will make resources available to support a PEFA assessment, should the authorities wish to undertake one to inform future PFM reform initiatives (1.1). No direct support beyond that is currently anticipated, including in the **revenue** area.

In **statistics**, IMF HQ will offer support in strengthening the BoP and GFS statistics to BPNG and Ministry of Finance. The National Statistical Office is currently supported by other development partners.

In **financial sector supervision**, PFTAC could, if requested, assist BPNG adapt the base set of prudential returns developed by AFSPC to the PNG context. This would be particularly relevant if BPNG decided to take part in the regional implementation of RBNZ's information system (FSIS) (3.1, 3.2).

Samoa: PFTAC Country Strategy 2012-2014

Background

Samoa has faced a difficult macroeconomic environment in recent times. Following the global economic crisis growth stagnated, remittances fell and fiscal revenues declined sharply. This was exacerbated by a devastating tsunami in mid-2009. Samoa responded with a substantial fiscal stimulus financed by domestic and external debt accumulation and also with monetary stimulus including central bank lending to non-bank financial institutions. Growth has however been slow to pick up and with fiscal deficits still relatively high, debt levels elevated and international reserves declining the authorities will continue to face macroeconomic management challenges. Fortunately, with strong policy frameworks, good donor dialogue and coordination and a number of large institutional strengthening projects (ISP) already in place, Samoa is well placed to meet these challenges.

PFTAC has provided moderate TA to Samoa in recent years mainly on macro-fiscal and statistics. PFTAC TA was instrumental in setting up a medium-term budgeting system and the development of quarterly national accounts in Samoa, both of which are now supported by ISPs. Recent TA has been primarily in the macroeconomic area and is focused on developing a more reliable macroeconomic framework for the budget. Support has also been provided in Samoa's modernization of its income tax legislation.

Strategy 2012-2014

PFTAC's TA strategy is guided by the APD regional strategy note and is planned within the results framework for PFTAC's funding cycle.¹

PFTAC TA aims to support the authorities sustain progress on fiscal consolidation and to improve the macroeconomic environment. PFTAC will continue to focus on building macroeconomic analysis capacity and delivering specific technical inputs in the context of larger ISPs. One instance of this is expected to be support to assessing revenue potential.

In the **Public Financial Management** area, inputs are expected to be relatively small given the large project-based support available to support the Ministry of Finance's PFM reform plan. PFTAC will be available to provide follow-up support to previous work to strengthen the medium-term budgeting system (*1.5*). In the medium-term, PFTAC would look to assist the authorities implement a follow-up PEFA assessment, probably in 2013 (*1.1*).

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Assistance in the **macroeconomics** area will continue to be instrumental to the success of budget reforms. PFTAC will continue assisting Ministry of Finance improve the accuracy and sophistication of its revenue and GDP forecasting (5.1, 5.3) and in building capacity to produce its own debt sustainability analyses (5.4). This work will continue to aim to build stronger links with Central Bank of Samoa (CBS).

In the **revenue** area, Samoa has made great strides in improving administration, which was reflected in an award at the 2011 PITAA annual meeting. Reflecting this, PFTAC hopes to draw on Samoan experiences to provide advice to other PFTAC members. Support to Samoa's revenue administration will continue to be mainly delivered under the ISP, which will include implementation of self-assessment (2.4) in line with the modernized income tax act, prepared with PFTAC support. PFTAC is ready to supplement the ISP, most likely through assisting the authorities undertake a strategic revenue review in late 2012 that will analyze recent revenue developments and identify policy (2.1) and administrative (2.2-2.5) actions that could help increase revenues. This may identify other areas for PFTAC support, including developing risk management and compliance strategies (2.5).

In **statistics**, Samoa is relatively well advanced against the overall results framework; based on PFTAC advice, it produces quarterly National Accounts on 2 independent measures (4.1) with production of a range of income indicators (4.3). Balance of payments statistics are now being developed according to BPM6 standards (4.8). Further development is expected to continue under the ISP, although PFTAC can assist with major methodological developments and rebases in the national accounts (4.1 and 4.2) and IMF HQ will offer support in BoP.

In **financial sector supervision**, PFTAC will be ready to assist CBS adapt the base set of prudential returns developed by AFSPC to the Samoan context in advance of the regional implementation of RBNZ's Financial Sector Information System (FSIS) (3.1, 3.2). CBS currently relies on APRA for training support in conducting on-site bank examinations, but PFTAC would be ready to supplement this if requested.

Solomon Islands: PFTAC Country Strategy 2012-2014

Background

The Solomon Islands has recovered well from a precarious position during the global economic crisis. Growth has accelerated rapidly and international and fiscal reserves increased, on the back of increased logging and mining, but also due to better fiscal management and increased international assistance. The medium-term reform agenda under the Core Economic Working Group emphasizes, amongst other things, strengthening of public financial management in particular with regard to the management of natural resource revenues.

Solomon Islands has been a moderate user of PFTAC TA. Despite the large international presence, mainly through RAMSI which caters for much of the technical assistance needs in the government, PFTAC has made specific technical contributions in particular with regard to the fiscal regime for natural resources. In the PFM area, PFTAC has also contributed to a World Bank-led PER and provided follow up support to a revision of accounting standards. Significant amounts of support have been provided to CBSI in formulating and implementing new prudential regulations for banks and also in developing a more robust inflation forecasting regime.

Strategy 2012-2014

PFTAC's TA strategy is guided by the APD regional strategy note and is planned within the results framework for the current PFTAC funding cycle.¹

The main focus of PFTAC TA will be on strengthening fiscal management, particularly with regard to natural resource management and solidifying the financial sector. In the Government area inputs will either be at the strategic/policy level or dealing with niche requirements where IMF/PFTAC has a comparative advantage. Support for implementation is expected to continue to come from other donors, in the context of RAMSI or its successor.

In the **Public Financial Management** area, following on from participation in the World-Bank-led PER, the main focus is expected to be assisting the authorities conduct a follow-up PEFA assessment in late-2012 (*1.1*). The assessment will lead to revised PFM reform priorities to be taken forward in the context of the Core Economic Working Group. The process will guide the need for any PFTAC support to implementation, but priorities are

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likely to be follow-up on accounting reform and development of systems to appropriately manage natural resource revenues (including fiscal responsibility provisions).

In the **revenue** area, support to the implementation of the fiscal provisions for the mining sector designed with PFTAC TA will be financed by HQ-based trust funds. The Solomon Islands has made significant progress in improving revenue administration—it recently was awarded one of two regional awards at regional tax administrators association. The RAMSI TA that assisted in this is expected to continue to take the lead in supporting administration reforms. PFTAC will make resources available to support modernization on income tax legislation and VAT implementation should the authorities choose to pursue this (2.1).

In **statistics**, PFTAC has recently assisted the NSO enhance national accounts and balance of payments statistics and CPI statistics. The main focus of follow up TA will be to complement inputs by RAMSI-funded advisors, with a particular focus on expanding the range of aggregates available in the National Accounts (4.3). Methodological improvements on the balance of payments (4.6, 4.7) and GFS are expected to be supported by HQ TA. PFTAC support for implementing the recommendations of the review of the methodology and data sources for the CPI may also be available (4.10).

In **financial sector supervision**, making use of PFTAC support, the CBSI has made great strides in improving its on-site supervision. As a result of extensive assistance over the past year, supervisors now have the skills and processes to effectively carry out on-site examinations of banking institutions with a lower level of technical assistance—probably with one short review visit a year from the PFTAC advisor (at around the same time as an on-site exam) (3.4). Additionally support will be provided to the CBSI as they act as the pilot for the proposed implementation of the Reserve Bank of New Zealand’s information technology system to enhance supervision (3.1). IMF HQ will provide assistance to the CBSI in strengthening the supervision of the country’s provident fund.

In the **macroeconomic** area, work will focus on building macroeconomic modeling and analysis capacity in CBSI (5.1, 5.2) with the aim of having better inflation and external forecasts to feed into monetary policy making. Work on developing fiscal forecasts, including for the natural resource sector will continue with the Ministry of Finance, including inputs into their financial programming framework (5.3, 5.5).

Timor-Leste: PFTAC Country Strategy 2012-2014

Background

Timor-Leste continues to grow strongly, although inflation and public sector capacity pose risks to the outlook. Petroleum revenues have increased revenues and allowed a rapid increase in government spending that has enabled strong non-oil GDP growth, which is expected to continue. Key risks to the outlook are high inflation, a fall in oil prices, and slow progress in building public financial management capacity. The financial sector remains small and fragile, although the newly-formed central bank is continuing to strengthen financial sector regulations and supervision.

Timor-Leste and PFTAC are still in the early stages of partnership. Timor-Leste became a member of PFTAC at the beginning of Phase IV (July 2011). PFTAC has provided small amounts of TA thus far, mainly in conjunction with IMF HQ missions on revenue administration and macroeconomic management of resource revenues. Timor-Leste officials have also begun participating in Pacific regional training delivered/financed by PFTAC.

Strategy 2012-2014

PFTAC's TA strategy is guided by the APD regional strategy note and is planned within the results framework for the current PFTAC funding cycle.¹

PFTAC bilateral TA is expected to remain relatively small, given the large scale efforts of other development partners. The new phase of the substantial World Bank administered PFM reform project caters for many of the TA needs in PFTAC's specialist areas. In addition, Timor-Leste receives significant amounts of IMF TA, including resident advisors, which is expected to continue. This will limit the scope for PFTAC TA. PFTAC inputs are expected to focus on areas where the Pacific experience is most relevant, most likely in the revenue and statistics areas.

In the **Public Financial Management** and **macroeconomics** areas, IMF assistance is expected to continue through a resident budget advisor and peripatetic macro-fiscal advisor and there will be broader support through the World Bank administered PFM reform project. PFTAC advisors will participate in IMF review missions and look to build links between Timor-Leste officials and those in Pacific countries working with similar issues. This is

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likely to be focused on sharing tools and techniques in the area of macroeconomic management of resource revenues (5.5).

In the **revenue** area, PFTAC will work with IMF HQ assistance towards implementing a VAT by ensuring that experiences of other Pacific Islands is well integrated into design and training (2.1). Detailed assistance is expected to be delivered in the context of the larger PFM project.

In **statistics**, PFTAC may provide support to a revision of National Accounts methodology, as a follow-up to recent recommendations by an IMF HQ mission (4.1) and Timor-Leste will be integrated into Pacific regional training in this area. Strengthening of balance of payments (4.5, 4,6) and GFS statistics will be supported by IMF HQ projects.

In **financial sector supervision**, the Central Bank is expected to continue to benefit from IMF HQ assistance. PFTAC will aim to integrate central bank officials with the Association of Financial Supervisors of Pacific Island Countries (AFSPC) as a means of peer-learning and to identify the need for bilateral PFTAC TA.

Tokelau: PFTAC Country Strategy 2012-2014

Background

Tokelau is highly dependent on New Zealand for financing government operations.

Economic activity is limited on the atolls and largely subsistence in nature. Most of the government budget is financed by aid from New Zealand, of which Tokelau is a non self-governing territory. However, Tokelau has begun to take on more responsibility for its own administration including budget management which is supported by a Trust Fund and aid. Tokelau is also attempting to build local revenue generation, mainly through non-tax fees and charges.

Tokelau rarely accesses PFTAC TA. This reflects the leading role that New Zealand takes in TA provision by virtue of the close ties between the two countries and the travel challenges inherent in Tokelau's geography. PFTAC has however provided some assistance in statistics via the representative office in Apia and Tokelau officials participate in some regional training.

Strategy 2012-2014

PFTAC's TA strategy is guided by the APD regional strategy note and is planned within the results framework for the current PFTAC funding cycle.¹

PFTAC TA to Tokelau is expected to remain rare and ad hoc. Given Tokelau's limited absorptive capacity and the dominant role of New Zealand in TA provision, overall levels of TA are expected to remain very small. Although there are no immediate plans for PFTAC support, the most likely areas of TA will be in **public financial management**, perhaps through support to PEFA assessments and PFM roadmaps (1.1, 1.2) and in **statistics** (4.1, 4.5).

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Tonga: PFTAC Country Strategy 2012-2014

Background

Tonga has faced a difficult macroeconomic environment in recent times. Following the global economic crisis growth stagnated, remittances fell and fiscal revenues declined sharply. The financial sector also came under pressure as a result of high levels of non-performing loans in the banking sector. High debt levels constrained fiscal space and the authorities approached development partners to provide budget support to enable key services to continue. Recent donor conferences have endorsed the authorities' prudent fiscal strategy and development partners are currently working on a joint policy matrix to underpin budget support—TA will be critical for successful implementation.

PFTAC has provided TA to Tonga in all sectors in recent years, collaborating closely with other development partners. This has been particularly so in the PFM area where PFTAC has been working with the ADB to assist the authorities design and implement a realistic reform roadmap. Regular TA has also been provided in the compilation of National Accounts and Balance of Payment statistics. Support has also been provided to the NRBT in offsite and onsite banking supervision (IMF HQ has also provided TA for on-site supervision) and in exchange rate management.

Strategy 2012-2014

PFTAC's TA strategy is guided by the APD regional strategy note (link) and is planned within the results framework for current PFTAC funding cycle (Appendix).¹ This strategy was discussed with the authorities in June 2011.

PFTAC TA aims to support the authorities sustain progress on fiscal consolidation and to improve the macroeconomic environment. PFTAC will continue to work closely with the broader development partner group to ensure coherence and will aim to support implementation of actions in the development partners' budget support reform matrix. Inputs are expected in all sectors, primarily at the strategic level in the fiscal and statistics sectors with detailed training and capacity building in bank supervision and macroeconomics.

In the **Public Financial Management** area, the focus will primarily be, together with ADB, on refining the PFM roadmap developed on the basis of the 2010 PEFA assessment (1.2). PFTAC will contribute specific technical areas to support the ADB project that aims to

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develop an effective medium-term budget framework (1.5). These are likely to be in more accurate macroeconomic analysis (5.1) and more rigorous cash/debt management (1.6). In the medium-term, PFTAC would look to assist the authorities implement a follow-up PEFA assessment, probably in 2014 (1.1).

In the **revenue** area, the main focus will be assisting the authorities implement the recommendations of the PFTAC strategic revenue review. The review and PFTAC's regional benchmarking exercise showed that Tonga is one of the regional leaders in terms of implementing modern administrative practices; Tonga is also expected to continue to have access to resident TA through AusAID. PFTAC inputs will be determined by ongoing discussions with Ministry of Finance and the revenue administration and are likely to be reliant on resident advisors. PFTAC's specific inputs are likely to be focused on policy enhancements, including natural resource taxation (2.1), IT development (2.3), and risk management and compliance strategies (2.5).

In **statistics**, Tonga is relatively well advanced against the overall results framework; based on PFTAC advice, it produces National Accounts on 2 independent measures (4.1) with production of a range of income indicators (4.3). Balance of payments statistics are now being developed according to BPM6 standards (4.8). However, the quality of statistics and source data need to be strengthened which is being assisted by an AusAID funded resident advisor. As a result, direct PFTAC assistance is expected to reduce. PFTAC will, however, continue to coordinate with and be a resource for the resident advisor and be available to provide focused technical inputs in particular areas. This may include assistance with rebasing of the National Accounts (4.2) using new HIES data. Balance of payments support will be provided by IMF HQ.

In **financial sector supervision**, IMF/PFTAC has assisted the NRBT establish enhanced off-site analysis (3.1 and 3.2) and has provided support to on-site bank supervision. Intensive support will be provided in 2012/113 to build on-site supervision techniques through training in standard procedures, reports and analytical techniques (3.5-3.7). PFTAC will also provide follow-up support on to ensure that NRBT can regularly prepare off-site analysis and monitoring reports (3.1-3,3) using base prudential returns developed by AFSPC. IN 2013 this is likely to encompass implementation of the RBNZ FSIS system.

In the **macroeconomic** area, the PFTAC macroeconomic advisor will continue to develop measures of pass through to inflation to assist NRBT enhance its macroeconomic policy making (5.1). PFTAC will coordinate with macroeconomic input under the ADB PFM TA project to ensure GDP and fiscal forecasting becomes more robust (5.3). The advisor may also support the development of debt sustainability analysis (5.4).

Tuvalu: PFTAC Country Strategy 2012-2014

Background

Tuvalu has faced a difficult macroeconomic environment in recent times which has resulted in pressures on fiscal sustainability. Following the global economic crisis growth stagnated and the resources available for budget financing from the Tuvalu Trust Fund (TTF) declined due to its fall in value. With domestic revenues under performing and weakened expenditure control fiscal pressures became overbearing. This was exacerbated by drought conditions in 2011. Development partner budget support has enabled operations to continue while the authorities work with partners to develop a joint policy matrix to underpin future budget support. Tuvalu became an IMF and World Bank member in 2009.

PFTAC TA has been moderate and concentrated in the revenue and statistics sectors. Recent PFTAC TA has been focused on assisting the authorities achieve the gains planned from revenue reforms through on-the-job assistance in revenue administration following the completion of an ADB project that supported the PFTAC-designed reforms. There has also been significant assistance in developing national accounts and balance of payments statistics, in part to allow Tuvalu to meet the requirements of IMF membership.

Strategy 2012-2014

PFTAC's TA strategy is guided by the APD regional strategy note and is planned within the results framework for the current PFTAC funding cycle.¹

PFTAC TA aims to support the authorities sustain progress on improving fiscal sustainability. PFTAC will continue to work closely with the broader development partner group to ensure coherence and will aim to support implementation of actions in the authorities' shared policy matrix. Development of a PFM Roadmap and enhancement of national accounts statistics are expected to be the main focus.

In the **Public Financial Management** area, PFTAC will be ready to provide support to the development of a PFM roadmap based on the 2011 PEFA (1.2). Support to implementation of specific elements will also be available, in coordination with other development partners and in particular the AusAID-supported budget and treasury advisors. PFTAC would look to assist the authorities implement a follow-up PEFA assessment, probably in 2015 (1.1).

¹ The specific result in the framework that activities target is identified in italics in the section, for example cash management is referred to as (1.6), where 1.6 is the code in the result framework in the program document.

In the **revenue** area, the main focus will be on providing support to the proposed AusAID-financed resident advisor to the revenue administration. Maintenance of appropriate IT solutions will be a critical element of this advisor's work (2.3) and PFTAC will look to support this by integrating Tuvalu officials in regional and sub-regional support groups being developed under PITAA. In 2013 and beyond, PFTAC will provide assistance to enable the administration to adopt risk management and compliance improvement strategies and to enhance corporate planning (2.5 and 2.3).

In **statistics**, PFTAC will continue to provide regular assistance on national accounts compilation (4.1) and training to increase capacity in the statistics office so that ultimately broader measures of national income and saving (4.3) can be regularly produced. IMF HQ will provide resources to produce better current and capital accounts of the balance of payments (4.6-4.8), however, PFTAC will continue its program of support to BoP compilation with a mission in mid-2012.

In **financial sector supervision**, PFTAC will be available to provide strategic support should the authorities begin implementing the financial institutions act passed in 2010. Given the lack of in-country capacity, establishing a basic on and off site supervision program (3.1 and 3.4) will require TA resources well in excess of PFTAC's availability. As in other sectors though, PFTAC would be able to provide strategic oversight to the process if other partners were able to provide resources for on the job support.

No direct **macroeconomic** support is currently envisaged, with the TTFAC and ADB's PEM TA currently taking the lead in these areas. Planned regional training in longer-term budget planning and financial programming will provide skills transfer though and PFTAC could provide follow-up TA if requested.

Vanuatu: PFTAC Country Strategy 2012-2014

Background

Vanuatu weathered the global economic crisis well reflecting sound fundamentals. However, recent domestic political instability, increased competition in tourism have contributed to [slowing growth] and expanding fiscal deficits. In order for Vanuatu to maintain its strong macroeconomic position, further progress on reducing underlying deficits will be required, including action on the revenue and expenditure fronts. Continued attention to financial sector stability is also required, particularly with regard to the offshore financial sector.

Vanuatu has been a relatively heavy user of PFTAC TA. Input has been heaviest in the revenue area, aimed at strengthening administrative systems, including through intensive on the job training. PFTAC has also helped the authorities investigate tax policy options to increase Vanuatu's relatively low tax to GDP ratio. In cooperation with AusAID, PFTAC also supported the rebasing and development of Vanuatu's economic statistics. Ongoing support has also been delivered in financial sector supervision.

Strategy 2012-2014

PFTAC's TA strategy is guided by the APD regional strategy note and is planned within the results framework for current PFTAC funding cycle.²¹

PFTAC TA aims to support the authorities accelerate progress on fiscal consolidation and maintaining a sound financial sector. In the fiscal area the focus will be on supporting the authorities to increase revenue through policy changes and in enhancing their ability to analyze macroeconomic policy options, including through enhanced statistics. Enhanced on and off site bank supervision will also be supported.

In the **Public Financial Management** area, Vanuatu receives support from a number of development partners, including AusAID and ADB. No direct inputs are anticipated in the short-term, PFTAC will provide resources to support a further PEFA assessment, which is not likely to be required until [2015?] (1.1).

In the **revenue** area, direct support to administration reform is expected to decline with the appointment of an AusAID-supported resident advisor who will help the administration implement reforms recommended by previous PFTAC TA. Following elections in 2012, if the authorities decide to pursue policy reforms, including implementing an income tax, to increase revenue collections PFTAC will provide support on

²¹ The specific result in the framework that activities target is identified in italics in the section, for example cash management is referred to as (1.6), where 1.6 is the code in the result framework in the program document.

policy and administration and stands ready to respond for specialized inputs on administration issues in coordination with the AusAID advisor.

In **statistics**, PFTAC will provide detailed support to the rebasing of the national accounts (4.2) in 2012 and moving towards the production of quarterly accounts (4.4) in 2013. IMF HQ will provide support in strengthening the BoP and GFS statistics.

Support in the **macroeconomics** area will build on the enhanced economic statistics by using them to assist the Ministry of Finance strengthen its financial programming framework and to deliver training and capacity building to Finance and Central Bank staff (5.2).

In **financial sector supervision**, PFTAC will assist RBV adapt the base set of prudential returns developed by AFSPC to the Vanuatu context in advance of the regional implementation of RBNZ's information system (FSIS) (3.1, 3.2). Support to the on-site supervision process will continue with the aim of adapting techniques applied in the offshore banking sector to the domestic banks (3.4, 3.5).

Annex D: Results Framework

PFTAC Phase IV Strategic Logical Framework (revised: July 2012)			
Improved economic management and economic growth in the Pacific Islands			
PFTAC will deliver technical assistance and training to Pacific Island countries with the aim of improving capacity and management in its areas of focus.			
Regional Program Objective	Verifiable Indicators	PROGRESS on INDICATORS	General Risks/Assumptions/ Risk Mitigation
1. Improved public financial management.	<p>i) Balanced reform progress achieved by PICs, as identified by improvements in PEFA markings: -at least 3 indicators in the comprehensiveness and transparency area in 5 countries.</p> <p>- at least 1 indicator in the budget cycle area in 5 countries.</p> <p>- at least 4 indicators in the budget execution, accounting and reporting areas in 5 countries.</p> <p>ii) Improvements in PFM systems noted in other assessments and stocktakes.</p>	<p><i>Most (13) PFTAC countries have now had at least 1 PEFA Assessment. PFTAC has constructed a database of indicators which will be placed on the website. Summaries of current status are reported to FEMM on a periodic basis (see for example 2012 FEMM Paper. Repeat PEFA Assessments that occur during Phase IV and used to assess progress on the verifiable indicators.</i></p>	<p>Requires political commitment to implementing PFM reform roadmaps.</p> <p>Sustained progress is dependent on broader reforms to public sector, including recruitment, retention and remuneration.</p> <p>Coordinated development partner financial and technical support required for implementation of PFM reforms.</p>
2. Broader-based and more efficient revenue systems.	<p>i) Increase in tax to GDP ratios.</p> <p>ii) VAT productivity increases.</p> <p>iii) Improved ratio of tax collected to administration expenses.</p> <p>iv) Improved rankings on benchmarking of regional tax administrations.</p>	<p><i>i) Tax to GDP ratios will be tracked through IMF macroeconomic data.</i></p> <p><i>ii) VAT productivity data for a range of countries is calculated periodically in the context of PFTAC policy reviews and will be made available on the PFTAC website. Other indicators will be updated in the context of the baseline assessment and the IMF's RA-FIT database.</i></p>	<p>Political commitment to tax reform and adequate resourcing of tax administrations are essential for improved revenue collections.</p>
3. Increased resolution and minimization of the risk factors identified in the financial system.	<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><i>i) Central banks and supervisory agencies currently maintain adequate off-site recording of the condition of the banking system but timeliness and quality of data could be enhanced.</i></p> <p><i>ii) On site examinations are made by most jurisdictions; Tonga has recently committed to increasing the frequency.</i></p>	<p>Adequate financial and staff resources needed in supervisory institutions.</p>

<p>4. More timely and reliable economic statistics.</p>	<p>i) Improvement in PIC statistical capacity indicator scores.</p> <p>ii) Improved GDSS participation and compliance.</p>	<p><i>i) Statistical capacity indicators will be monitored through the World Bank's public database.</i></p> <p><i>ii) Since the start of Phase IV, 4 more countries have begun participation in the GDSS initiative.</i></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>5. Improved macroeconomic analysis.</p>	<p>Increased and better quality official publications on macroeconomic issues (e.g. budget documentation, central bank quarterly economic reviews).</p>	<p><i>Improvements in underlying analytical tools are being made in central banks and ministries of finance. However, as the process is relatively new, these have not yet made a significant impact on official publications. This is likely to occur later in the program period.</i></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>

Public Financial Management Logical Framework (August 2012)

Objective: Improved public financial management

Measurable Outcomes	PROGRESS (FY12)	Milestones (for FY13)	MILESTONE ACHIEVEMENT	Specific Risks/ Assumptions
1.1 At least 1 PEFA assessment conducted in each PFTAC country during the funding cycle.	Since PFTAC was asked by the FEMM to coordinate the PEFA process it has conducted PEFA's in Cook Islands, RMI, FSM, and Niue. This brings to 11 the total countries having had PEFA's in the past 5 years (since 2007).	Formal completion of PEFA Assessments in RMI and FSM. Self assessments and formal assessments in Solomon Islands and Fiji; formal completion by end FY2013.	<i>To be completed during implementation.</i>	Assumes continued commitment to PFM roadmap process by FEMM and regional countries and development partners.
1.2 Reform road maps developed following each PEFA assessment.	Roadmaps for Kiribati and Cook Islands have been developed. PFTAC provided advice to refine the initial draft in Kiribati. Tonga is in the drafting stage.	Authorities disseminate Tonga roadmap by September 2012. Draft roadmaps to be prepared with Tuvalu, Niue, RMI and FSM.		
1.3 Modernized legal frameworks and financial instructions implemented in 5 countries.	Kiribati has drafted updates to its Financial and Stores Regulations (with assistance from other donors). Solomon Islands has developed a draft PFM Act, additional input to include fiscal responsibility provisions will be provided under PFTAC funding in early 2012.	Assist authorities to develop new PFM Act in Solomon Islands. Propose amendments to PFM act in Cook Islands to take account of the use of mineral revenues.		Requires political and administrative commitment. Will be linked to regional work by ADB and Australian DOFD.

Measurable Outcomes	PROGRESS (FY12)	Milestones (for FY13)	MILESTONE ACHIEVEMENT	Specific Risks/ Assumptions
1.4 Updated accounting standards implemented in 5 countries.	The Feb 2011 Leadership Development Programme (conducted jointly with the Australian DOFD and ANU) which involved participants from 12 PICs, focused on accounting and cash management. Kiribati has developed revisions to its Chart of Accounts and expense codes, with PFTAC support.	Kiribati chart of accounts amended to better include donor funds. Tonga IFMIS amended to allow multi-year analysis. Revised accounting procedures in RMI.		Regional model under development. Sufficient capacity to implement is required. Partnerships with other donors (ADB, DOFD) likely to be needed.
1.5 Medium-term budgeting at line agency level adopted in 4 further countries.		Enhancements information flows in Cook Islands MTB system. Improvements in budget documentation and process in Kiribati.		Requires basics of reliable annual budgeting and execution to be in place first. TA to line agencies (on 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.		Strategic cash management options identified in Kiribati.		Requires political and administrative commitment and capacity in line ministries.
Outputs				
Technical advice and capacity building delivered through advisory missions - around 20 per year.	Coordination of PEFA process in the Pacific and participation in and review of PEFAs.	Manuals and guidance notes on good practice in PFM.	On demand remote advice.	Regional and sub-regional training courses and seminars - 1-2 per year, organized through PIFMA and in coordination with partners.

Revenue Policy and Administration (August 2012)

Objective: Broader-based and more efficient revenue systems

Measurable Outcomes	PROGRESS (FY12)	Milestones (for FY13)	MILESTONE ACHIEVEMENT	Specific Risks/ Assumptions
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.	Income tax legislation rewritten (and enabled) for Fiji and Samoa. Natural resources legislation drafted for Solomon Islands. Fiscal policy framework reforms in RMI and FSM - legislation drafted awaiting enactment.	Implementation of legislation in Fiji and Samoa. Submission of VAT legislation in RMI; full passage in all states in FSM. Development of detailed VAT and related policy proposals in Kiribati. Natural resources legislation drafted in Cook Islands and policy proposal in Tonga. Presumptive tax developed and implemented in Tonga. Policy reviews completed in Cook Islands and Samoa.	<i>To be completed during implementation</i>	Requires strong political commitment.
2.2 Effective Corporate Strategy and planning processes in place for 5 additional revenue administrations.	Vanuatu, Fiji and Palau have developed new Corporate Strategies and business to implement the strategies.			Requires funding commitments from countries and, in many cases, donors. PFTAC focus will be on aligning IT strategy with overall the business strategy.
2.3 Revenue administration processes automated in 4 additional countries.	Automation upgrades following PFTAC developed IT Strategic plans implemented in Samoa and underway in Kiribati. Tuvalu maintenance update followed PFTAC intervention.	Kiribati, RMI and FSM procure new revenue management systems. Upgrades completed in Tonga and Samoa. Strategic plan for update in Fiji.		Requires legislative underpinning and change management program in the tax administration. Substantial TA needed for success.
2.4 Self assessment principles adopted for 6 additional countries.	Fiji and Samoa - self assessment introduced in their rewritten legislation with effect from 1 January 2013.	Implementation in Fiji and Samoa, including PAYE as final tax in Fiji.		

Measurable Outcomes	<i>PROGRESS (FY12)</i>	Milestones (for FY13)	<i>MILESTONE ACHIEVEMENT</i>	Specific Risks/ Assumptions
2.5 Revenue administrations organized in taxpayer-focused operating model (functional or segmented) used in 4 countries.	Samoa has realigned its operating model as part of their institutional strengthening program. Palau has co-located enforcement activities and Timor-Leste will move to a functional model with segment focus.			Substantial TA needed for success.
2.6 Risk management and compliance improvement strategies adopted in 4 additional countries.	Recommendations for CIS given to Fiji, Timor-Leste and Tonga. Samoa will introduce a CIS as part of its strengthening program.	Compliance improvement strategies developed and implemented in Tonga and Kiribati.		Model, if approved will represent a strong commitment to regional solutions on behalf of tax administrators. Will require subsequent political commitment and TA, from PFTAC and others, for delivery.
2.7 Model tax office framework and legislation developed and agreed by PITAA.	Model tax office framework agreed. Ongoing activity needed for regional solutions in key areas and sharing of best practice.	Development of model undersea mineral legislation.		Modeled on the ASYCUDA regional support office. Will require funding (from countries and/or donors).
2.8 Regional support office mechanism for countries with common IT systems (e.g. PC Trade, RMS, CMS).	IT Support workshop held and recommended a user forum be established for RMS users. First forum was convened in November 2011 by Datatorque developers of RMS.	Follow-up IT Training delivered in August 2012.		
Outputs				
Technical advice and capacity building delivered through advisory missions - around 15 per year.	Regional and sub-regional training courses and training courses and seminars - 1-2 per year, organized through PITAA.	Manuals and guidance notes on key areas of tax policy and administration.	Participation in recruitment and oversight of resident advisors recruited by AusAID (and others).	

Financial Sector Supervision Logical Framework (August 2012)

Objective: Increased resolution and minimization of the risk factors identified in the financial system.

Measurable Outcomes	PROGRESS (FY12)	Milestones (for FY13)	MILESTONE ACHIEVEMENT	Specific Risks/ Assumptions
<p>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 financial condition and performance of banks.</p>	<p>Solomon Islands, Tonga and Cook Islands have begun implementing the bank prudential returns developed by the AFSPC with assistance from PFTAC. The new prudential returns provide data to allow for the calculation of both "core" and "encouraged" FISs.</p> <p>To further encourage supervisory authorities to regularly calculate FSIs, the AFSPC website has been revised to include individual portals which allow members to report and maintain FSI data for their country. PFTAC continues to monitor and encourage AFSPC members to participate in the voluntary disclosure of FSIs.</p>	<ul style="list-style-type: none"> • FSIS configured with base returns by end 2012. • Piloting of FSIS completed in Solomon Islands by April 2013. • Base prudential returns implemented in Vanuatu and scoped in Samoa. • Base prudential returns amended for implementation in North Pacific countries by end 2012. 	<p><i>To be completed during implementation</i></p>	<p>Based on standard bank return being developed by AFSPC with assistance from PFTAC. 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.</p>

Measurable Outcomes	<i>PROGRESS (FY12)</i>	Milestones (for FY13)	<i>MILESTONE ACHIEVEMENT</i>	Specific Risks/ Assumptions
<p>3.2 Prudential returns data regularly used to assess CAELS components of banks in 6 countries.</p>	<p>Off-site monitoring continues to be inefficient and laborious with key ratios for measuring and monitoring CAELS components requiring manual inputs and calculations. Assessment also continues to be weak due to the lack of deeper ratio and trend analysis.</p> <p>PFTAC has developed with AFSPC members a set of standardized outputs reports for analyzing CAELS components which allows for greater analysis through the use of expanded and additional ratios to assist in identifying the root causes of changes. PFTAC and RBNZ developed a proposal to make the RBNZ's Financial Sector Information System (FSIS) available to AFSPC members. This will facilitate the automation of the standardized output reports.</p>	<p>FSIS pilot in Solomon Islands allows automated calculation of CAELS component by May 2013.</p>		<p>Requires management commitment to strict implementation of off-site monitoring policies and capacity to adequately process data.</p>
<p>3.3 Improved manuals for completing quarterly off-site monitoring report.</p>	<p>Assistance formulating/revising manuals for conducting quarterly off-site monitoring has not progressed pending the implementation of the base prudential returns and the preparation of standardized output reports for assessing CAELS components.</p>			<p>Continuity of supervision staff is a key risk. While PFTAC provides training in calculation and meaning of key analytical ratios and use of level and trend analysis, experience is needed to fully understand the interrelationship of CAELS components.</p>

Measurable Outcomes	<i>PROGRESS (FY12)</i>	Milestones (for FY13)	<i>MILESTONE ACHIEVEMENT</i>	Specific Risks/ Assumptions
3.4 Regular full-scope CAMELS examinations implemented in 5 countries.	Assistance has been provided to Solomon Islands and Tonga in conducting full-scope CAMELS examinations of all banks. Tonga has requested additional assistance to further reinforce staff training in conducting full-scope examinations and completing examination procedures. However, Tonga has committed to undertake independent on-site examination commencing in 2013.	Tonga finalizes written manuals by Feb 2013.		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.	Standardized examination report templates have been developed and implemented in Palau, RMI, Solomon Islands and Tonga. The standardized reports have been instrumental in assisting supervisory staff in preparing written comments identifying the strengths and weaknesses of bank operations and in recommending appropriate supervisory responses to examination findings.	Tonga uses written procedures in at least 2 on-site examinations by April 2013. Palau refines implementation through use in an on-site examination of foreign bank branch.		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.	Extensive training and support has been and is being provided to Solomon Islands and Tonga in conducting on-site bank examinations. This assistance has resulted in the production of written examination procedures for examining loan portfolio and assessing liquidity risk. Written examination procedures for reviewing other assets and due from (nostro) bank accounts have also been developed.	Solomon Islands uses procedures to assess liquidity risk during on-site examination of non-bank financial institution.		Continuity of supervision staff is the key risk. PFTAC can provide assistance in 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.

Measurable Outcomes	<i>PROGRESS (FY12)</i>	Milestones (for FY13)	<i>MILESTONE ACHIEVEMENT</i>	Specific Risks/ Assumptions
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.	<p>A one-week training course was conducted in August 2011 to provide training to AFSPC members in the evaluation of bank credit risk and financial statement analysis in August 2011.</p> <p>Financial statement analysis is now regularly used in Solomon Islands, Tonga and Vanuatu as part of on-site examination procedures to assess the creditworthiness of large borrowers.</p>			<p>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.</p>
3.8 Basel-compliant legal frameworks and supporting regulations in place.	<p>Assistance has been provided to Cook Islands in revising and strengthening the supervisory powers of the Financial Institutions Commission to ensure the timely resolution of problem banks. Additionally, visits have been conducted to Nauru and Kiribati to discuss with the authorities and provide recommendations for implementing appropriate bank supervisory regimes.</p>			<p>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.</p>
<i>Outputs</i>				
Technical advice and capacity building delivered through advisory missions - around 12 per year.	On demand remote advice (phone, e-mail).	Regional and sub-regional training courses and seminars – 1-2 per year organized through AFSPC.	Manuals and guidance notes.	

Statistics Logical Framework (August 2012)

Objective: More timely and reliable economic statistics

Measurable Outcomes	PROGRESS (FY12)	Milestones (for FY13)	MILESTONE ACHIEVEMENT	Specific Risks/ Assumptions
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.	Training Seminar on expenditure measure of GDP in February 2012 followed by a workshop for several countries to begin GDP(E) development.	Development of expenditure measures of GDP begun in Kiribati and Palau, and improvements made to existing measures in Fiji and Vanuatu.	<i>To be completed during implementation</i>	Requires better use of administrative data (tax, NPF, etc).
4.2 Rebased constant price GDP(P) and GDP(E) estimates.	Rebase planned for fy13 in Vanuatu and Samoa (Samoa TA from ISP). HIES methodology being redeveloped by SPC to improve results.	Fiji and Vanuatu rebases to be completed. Cook Islands rebase to begin. Samoa rebase to be completed by consultants under the Samoan Bureau of Statistics Institutional Strengthening Programme.		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.	GNI and GNDI are compiled for FSM and RMI by US-based consultants. Kiribati to extend sequences of accounts in FY13.	Compile GNI, etc, in Cook Islands, Kiribati and Tuvalu.		Requires NA and BOP.
4.4 Quarterly National Accounts being produced in 4 member countries.	QNA development begun in Cook Islands and Vanuatu, progressing in Fiji.	Complete development of QNA in Cook Islands and Vanuatu, continue development in Fiji.		Requires better use of administrative data (tax, NPF, etc).

Measurable Outcomes	<i>PROGRESS (FY12)</i>	Milestones (for FY13)	<i>MILESTONE ACHIEVEMENT</i>	Specific Risks/ Assumptions
4.5 Regular compilation of annual BOP estimates for countries with irregular compilation.	Draft BOP estimates developed for Niue, Nauru, Palau and Tuvalu estimates updated.	HQ BOP project to provide TA to most countries. PFTAC to continue to assist with annual compilation and methodology development in Cook Islands, Nauru and Niue.		Access to customs and other data.
4.6 Improvement in the coverage, quality and timeliness of current account estimates.	Limited improvement in Cook Islands, Fiji and Samoa.	HQ BOP project to provide TA to most countries. PFTAC to continue to assist with annual compilation and methodology development in Cook Islands, Nauru and Niue.		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 and financial and II estimates for 8 countries.	Limited improvement in Cook Islands, Fiji and Samoa.			Improvements to donors' data, additional surveys in some countries.
4.8 Improved consistency of BOP and IIP estimates for at least 9 member countries with BPM6 standards.	No progress.			Requires improvement of data sources and methodology.
4.9 Compilation of PPI and trade price indexes by 4 countries (Fiji, both, other countries trade price index).	Restarted Fiji PPI development.	HQ International Comparison Program project to assist Fiji with PPI.		SPC to support completion?

Measurable Outcomes	<i>PROGRESS (FY12)</i>	Milestones (for FY13)	<i>MILESTONE ACHIEVEMENT</i>	Specific Risks/ Assumptions
4.10 Rebase of CPI for at least 7 member countries.	SPC conducted a CPI training seminar. Australian Bureau of Statistics began Pacific ICP project. Both increased technical capacity in NSOs and identified needs for further TA on ongoing quality improvement. Improvements in Solomon Islands CPI proposed by PFTAC TA mission.	Responsibility of SPC under the Ten Year Pacific Statistics Strategy. Dependent on Household Income and Expenditure Surveys, methodology for which is being redeveloped by SPC (PFTAC contributes to the HIES Technical Working Group). HIES's underway or planned for 2013 in Solomon Islands, FSM, Tuvalu, Nauru, Kiribati.		Timing to quickly follow HIES completion. SPC to take the lead in CPI rebases, with PFTAC lending support as relevant.
Outputs				
Technical advice and capacity building delivered through advisory missions - around 18 per year.	Regional and sub-regional training courses and training courses and seminars - 1-2 per year.	On demand remote advice (phone, email).	Manuals and guidance notes.	

Macroeconomics Logical Framework (August 2012)

Objective: Improved macroeconomic analysis

Measurable Outcomes	PROGRESS (FY12)	Milestones (for FY13)	MILESTONE ACHIEVEMENT	Specific Risks/ Assumptions
5.1 Enhanced analysis of current macroeconomic conditions (through inflation analysis, output gap measurement, and measurement of fiscal and monetary policy stance).	<ul style="list-style-type: none"> • Regional CB training workshop organized jointly with RBF (Fiji) and Bank of PNG helped CBs to estimate quarterly GDP and output gaps. • Regional CB training workshop led participants to prepare an analysis of current economic conditions and policy challenges for participants of the annual Governors' meeting. • RBF and BPNG staff prepared in-depth analyses of macroeconomic developments since 2006, which they presented at aforementioned regional workshop and to their senior management. • RBF staff launched an econometric research program into the long-run determinants of inflation; this work will help inform measurement of monetary conditions. 	Consolidation of analysis in the context of building forecasting frameworks (see below).	<i>To be completed during implementation</i>	Substantial TA needed for success.

Measurable Outcomes	<i>PROGRESS (FY12)</i>	Milestones (for FY13)	<i>MILESTONE ACHIEVEMENT</i>	Specific Risks/ Assumptions
5.2 Introduction of macroeconomic modeling tools and financial programming frameworks.	<ul style="list-style-type: none"> • RBF has constructed a rudimentary financial programming framework; a follow-up workshop extended the framework in early 2012. • RBF staff has constructed and simulated a simple macroeconomic model with forward-looking expectations. • Short and long term models have been developed and used in PNG for understanding the surge in LNG revenues. Improvements of the models are ongoing. • Bank of PNG staff, with support from PFTAC, have developed tools for estimating quarterly GDP and output gaps which have been taken up by other central banks. • PFTAC assisted MoF of Timor-Leste in improving their macroeconomic framework and its usage. 	<ul style="list-style-type: none"> • Operational DGSE model in Fiji by April 2013. • Minimum toolset for financial programming established in PNG, Samoa, Solomon Islands and Vanuatu. • Regional financial programming training based on Pacific case-study delivered. 		Substantial TA needed for success. Requires sustained commitments of RBF and Bank of PNG and retention of trained staff. Relies on effective coordination between central bank and Ministry of Finance. Work will need to be coordinated with ADB TA.
5.3 Improved forecasting techniques.	<ul style="list-style-type: none"> • Improved methodology for revenue forecasts in Fiji. • Incorporation of basic forecasting techniques into inflation modeling in Solomon Islands and Tonga. • Review of GDP forecasting techniques and proposed refinements in Tonga (implementation will be supported by other partners). • Updating of Samoa's revenue forecasting model (SERF), as part of the 2012/13 budget. 	<ul style="list-style-type: none"> • Stocktaking report on revenue forecasting in Fiji. • Updated revenue forecasting model in Samoa. • Documented bottom-up inflation forecast in Solomon Islands. • Enhanced inflation model and macroeconomic framework in PNG. • Updated. 		Work will need to be coordinated with ADB TA.
5.4 Regular production of tailored debt sustainability analyses.	<ul style="list-style-type: none"> • Debt sustainability workshop in Samoa; results presented to senior MoF staff. • The main fiscal sustainability challenge for Kiribati is maintaining sustainability of their wealth fund (RERF); PFTAC assisted Kiribati's MoF in linking RERF sustainability to their macro-fiscal framework. 	<ul style="list-style-type: none"> • Macro-fiscal analysis (including debt sustainability) strengthened for FY14 budget in Samoa. • Debt sustainability outlook report prepared by Fiji MoF. 		Work will need to be coordinated with EU TA (Samoa).

Measurable Outcomes	<i>PROGRESS (FY12)</i>	Milestones (for FY13)	<i>MILESTONE ACHIEVEMENT</i>	Specific Risks/ Assumptions
5.5 Better understanding of macroeconomic policy options related to natural resource inflows.	<ul style="list-style-type: none"> • The modeling work outlined above with the Bank of PNG, Treasury and the IMF served primarily to gain a better understanding of the macroeconomic policy options related to natural resource inflows, and results were shared with senior staffs during a workshop in Port Moresby. • Macroeconomic challenges of a resource boom, and different ways for modeling these, were discussed during the Timor-Leste visit. 	<ul style="list-style-type: none"> • Financial programming framework incorporates enhanced treatment of mining operations in Solomon Islands. • Development of macroeconomic models for managing natural resource inflows in PNG. 		Substantial TA needed for success. Relies on effective coordination between central bank and Ministry of Finance.
Outputs				
Technical advice and capacity building delivered through advisory missions - around 18 per year.	Regional and sub-regional training courses and training courses and seminars - 1-2 per year.	On demand remote advice (phone, email).	Manuals, guidance notes and regional analysis.	

Annex E: PFTAC Indicative Workplan for FY13

Public Financial Management FY13 Workplan											
Topic area	Code ¹	Country	Activities		Planned Inputs during Reporting Period (person-weeks in field)				Milestones	Milestones Achieved	Comments
			Description/Activity	Timing	HQ	LT X	STX	Training ₂			
PFM	1.1	Fiji	PEFA Assessment	May-12		3	7		Self assessment by Mid-May. Assessment mission June. Formal Assessment completed by December.		Firm commitment.
PFM	1.1	Solomon Islands	PEFA Assessment: joint work with EU	Jul-12		3			Self assessment completed by end-July. Oversight team review of formal assessment in August.		Firm commitment; jointly delivered with EU.
PFM	1.1	Regional	PEFA Training Course	Jul-12		1		30	15 people trained in PEFA process.		
PFM	1.2	FSM	PFM Roadmap Development	Oct-12		1	3		Draft roadmap prepared by end December Government publication by end February.		Timing dependant on completion of PEFA Assessment (requires authorities input).
PFM	1.2	RMI	PFM Roadmap Development	Nov-12		3	0		Draft roadmap prepared by end January. Government publication by end March.		
PFM	1.2	Niue	PFM Roadmap Development	Aug-12			4		Draft roadmap prepared by end September Government publication by end December.		
PFM	1.5, 1.3, 1.4	Kiribati	Input to ADB Inception mission	Jul-12		3			Appropriate TA objectives and scheduling agreed between development partners and authorities by end August.		
PFM	1.6	Kiribati	Deficit financing options	Jul-12	2				Strategy for future deficit financing adopted by government by end October.		
PFM	1.3	Solomon Islands	Fiscal responsibility legislation	Jun-12	0	2	1		Cabinet approval of policy options by end June. Legislation drafted by end October.		Work led by Australia; PFTAC providing technical inputs only.

Public Financial Management FY13 Workplan											
Topic area	Code ¹	Country	Activities		Planned Inputs during Reporting Period (person-weeks in field)				Milestones	Milestones Achieved	Comments
			Description/Activity	Timing	HQ	LT X	STX	Training ²			
PFM	Multiple	Regional	PIFMA Annual Meeting	Aug-12		1			Revised objectives for PIMFA and financing plan agreed by end October 2012.		
PFM	Multiple	Regional	PIFMA Monthly Development	On-going		7			Develop draft training handbooks for posting on PIFMA website and distance learning courses delivered through USP/PICPA on: Results-Focused MTB, Analysis for Budget Decisions, Cash Flow Forecasting, Asset Management, In-Year Financial Reporting, PEFA Self-Assessments, and MAPS (Procurement) Self-Assessments. At least 10 participants complete projects and receive credits by close of FY2013.		
PFM	Multiple	Regional	2013 Leadrshp Devel. Program/Coordination with Australia AID & DoFD- Development (starts Sept 2012), Delivery (Feb 2013) & Follow-up(Starts March 2013)	On-going		6		15-20	At least half of participants satisfactorily complete projects by close of FY2014.		
PFM	Multiple	Regional	2012 Leadrshp Devel. Program/Coordination with Australia AID & DoFD- Follow-up (starts May 2012)	On-going		3		14	At least half of participants satisfactorily complete projects by close of FY2013.		
PFM	Multiple	Regional	USP/PICPA- Development of Sustainable PFM Training	On-going		3			See PIFMA Monthly Development.		
PFM	1.1	Palau	PEFA Assessment	Apr-13		4	4		Self Assessment by end January, Assessment mission in March. Formal assessment completed by end June 2013.		

Public Financial Management FY13 Workplan											
Topic area	Code ¹	Country	Activities		Planned Inputs during Reporting Period (person-weeks in field)				Milestones	Milestones Achieved	Comments
			Description/Activity	Timing	HQ	LT X	STX	Training ²			
PFM	1.5	Cook Islands	MTB Follow Up	Apr-12				2	Because of staff turnover, CI Finance Secretary requested PFTAC training of new budget department staff on previously developed processes.		
PFM	1.3	Cook Islands	Wealth fund development	Jul-12				1	Options for setting up a wealth fund, with drafting proposals delivered by end July 2012.		
PFM	1.6	RMI	Accounting support	Jul-12		1		4	Accounting procedures for RMI reviewed and revised guidelines issued by end 2012.		
PFM	1.2	Tuvalu	PFM Roadmap Development	May-12		1		3	PFM roadmap draft developed by end May 2012. Government publication by end August 2012.		
PFM	1.4	Tonga	IFMIS Development	Sep-12				1	New payroll system and IFMIS Upgrade in place by January 2013.		
PFM	1.1, 1.5	Samoa	Non-tax revenue management and PEFA/MTEF scoping	Sep-12		2			Policy on non-tax revenue management developed by Samoan MoF by end 2012.		In partnership with Australian DOFD.
PFM	1.5	Samoa	MTEF follow up	Oct-12		1			Medium term macro framework for FY14 budget consistent with budget framework.		

¹Refers to the numeric value associated with each outcome in the topic area logframe.

² Number of person weeks of training or seminar time delivered.

Revenue Workplan FY13											
Topic area	Code ¹	Country	Activities		Planned Inputs during Reporting Period (person-weeks in field)				Milestones	Milestones Achieved	Comments
			Description/Activity	Timing	HQ	LTX	STX	Training ²			
REV	2.3, 2.2	RMI	VAT Strategy	May; Dec 2012		2	2		Plan for VAT implementation, including analytical underpinning for proposed rates prepared by end July. Legislation introduced to congress in August. IT Strategy prepared by end August.	Analytical work delivered June 2012; Draft IT strategy delivered May 2012.	Initial analytical work to be undertaken by PFTAC coordinator. AusAID-funded resident advisor.
REV	2.1, 2.5, 2.6, 2.2	Tonga	Revenue review follow-up	Jul-12		1			Implementation plan, including TA requirements, for recommendations of PFTAC revenue review by end August 2012.		Mission to brief new Minister and new Commissioner of Revenue - July 2012 to coincide with policy mission.
REV	2.1, 2.5, 2.6, 2.2	Tonga	Compliance improvement strategy	Nov-12		2			Review of current compliance regime, including legislation, policy and procedures produced with recommended changes by end 2012; Ministerial approval early 2013.		Tentative--depends on result of August planning mission.
REV	2.3	Regional	IT for Revenue Administrations Workshop	Sep-12			1	15	Training delivered in September 2012; Report with planned follow up provided to PITAA heads in September 2012.		
REV	Multiple	Regional	PITAA Heads Meeting	Sep-12					Revised charter, constitution and strategic plan for PITAA agreed by end-September 2012. Roles assigned for follow up.		Responsibility shared with Kiribati and Fiji tax administrations.
REV	Multiple	Tuvalu	Strategic guidance to new long term advisor	Oct-12			1		Implementation plan, including TA requirements, for further reform agreed with authorities and advisor by end October 2012.		Tentative. Plans will be driven in part by agreements made under Tuvalu's joint policy matrix with development partners.

Revenue Workplan FY13											
Topic area	Code ¹	Activities			Planned Inputs during Reporting Period (person-weeks in field)				Milestones	Milestones Achieved	Comments
		Country	Description/Activity	Timing	HQ	LTX	STX	Training ²			
REV	Multiple	Samoa	Revenue Review	Oct-12		2	2		Revenue review with recommendations on policy and administrative enhancements to government by end 2012; 2012/13 budget includes recommendations.		Tentative. Analytical work will be shared with Cook Islands assignment.
REV	Multiple	Cook Islands	Revenue Review	Nov-12		2	2		Revenue review with recommendations on policy and administrative enhancements to government by end 2012; 2012/13 budget includes recommendations.		Tentative. Analytical work will be shared with Samoa's assignment.
REV	2.3, 2.4, 2.6	Palau	Introductory visit	Dec-12		1			Consultation with new government on plans for revenue policy and administration reform. TA plan developed by early 2013.		Tentative only.
REV	2.1, 2.5	FSM	VAT implementation	Dec-12					Updated plan for administration reforms and supporting TA to enable VAT implementation agreed with government, by Jan 2013.		
REV	2.1	Fiji	PAYE final	Jul-12			6		Plan for administrative reforms needed to support PAYE Final implementation approved by FRCA in August 2012; PAYE Final implemented from Jan 2013.		
REV		FSM	IT Strategy follow-up	Jul-12			2		Appropriate procurement plan by [when]; System implementation begins in early 2013.		PFTAC resources will only be required if AusAID cannot finance.
REV	2.3	Fiji	IT Strategy	Jul-12			3		Consultation with FRCA on what their Taxation Application will be required to do and then a high level Transition Plan will also be prepared to identify costs involved in moving to this Future State.		

Revenue Workplan FY13											
Topic area	Code ¹	Activities			Planned Inputs during Reporting Period (person-weeks in field)				Milestones	Milestones Achieved	Comments
		Country	Description/Activity	Timing	HQ	LTX	STX	Training ²			
REV	2.1	Tonga	Revenue policy: natural resources and presumptive tax	Aug-12			4		Cabinet agree framework and policy for taxation of natural resources in August 2012; Cabinet agree detailed framework for presumptive tax implementation in August 2012; Legislative changes made by June 2013.		Key deliverables under Tonga's joint policy matrix.
REV	2.1	Kiribati	VAT implementation	July; Sep 2012		2	6		Policy plan, including timing and rates and required administration reform, agreed by government in November 2012; Legislation drafted by March 2013; appropriate IT system contracted by Dec 2012.		
REV	2.1	Cook Islands	Natural resources Legislation	July, 2012			4		Draft legislation based on PFTAC policy recommendations by end August 2012; Introduction to parliament by end 2012.		

¹Refers to the numeric value associated with each outcome in the topic area logframe.

² Number of person weeks of training or seminar time delivered.

Financial Sector Supervision Workplan for FY13											
Topic area	Code ¹	Country	Activities		Planned Inputs during Reporting Period (person-weeks in field)				Milestones	Milestones Achieved	Comments
			Description/Activity	Timing	HQ	LT X	STX	Training ²			
FS	3.1	Vanuatu	Training on new prudential bank reporting requirements	May-12		3			<p>1. Base prudential returns (PRs) tailored to meet needs of RBV and training provided.</p> <p>2. Banks begin parallel reporting using new PRs by 30 September 2012.</p> <p>3. New PRs are set up in the RBNZ's Financial Sector Information System (FSIS) allowing for electronic submission of PRs and automatic generation of standardized output reports for conducting off-site monitoring by 31 Dec 2013.</p>		Completion will be dependent on RBNZ making the FSIS system available to RBV. Additional LTX support will be needed to assist in the implementation of FSIS and providing training and support in the use of standardized output.
FS	3.1. 3.2	Regional	North Pacific workshop on new prudential returns	Jul-12		1		5	<p>1. Revised base set of PRs developed to meet needs of the non-central bank (NCB) jurisdictions (Palau, FSM and RMI).</p> <p>2. Provide initial training to supervision staff of NCBs on written instructions for preparations of new PRs.</p> <p>3. Identify, discuss and agree on action plan for implementing new PRs, including target parallel reporting by banks beginning 31 December 2012.</p> <p>4. New PRs are set up Excel-based spreadsheet to generate key ratios and numbers for monitoring CAMELS components by 30 June 2013.</p>		<p>Milestone 4 cannot be achieved until NCBs have implemented or at least begun parallel reporting of new PRs.</p> <p>NCBs will likely require at least one additional visit to assist in finalizing the PRs and to provide further training on the instructions for completing the prudential returns.</p>

Financial Sector Supervision Workplan for FY13											
Topic area	Code ¹	Activities			Planned Inputs during Reporting Period (person-weeks in field)				Milestones	Milestones Achieved	Comments
		Country	Description/Activity	Timing	HQ	LT X	STX	Training ₂			
FS	3.1 - 3.7	Palau	On and Off-site supervision	Aug-12		2			1. Financial Institutions Commission completes written report of limited scope on-site examination of a foreign bank branch. 2. Assessment conducted of adequacy of off-site monitoring reports to ensure conclusions are adequately supported and staff understand meaning and use of key ratios and numbers for monitoring CAMELS components.		FIC staff have a good understanding of on-site examination activities but generally lack confidence in assessments. On-site examination support helps to build staff confidence.
FS	3.1	Regional	Implementation of FSIS - visit with RBNZ to assist in finalizing the set up of the base set of prudential returns in the FSIS environment	Sep-12		1			1. Base set of prudential return and the uniform bank performance report adapted to the FSIS environment in preparation for the pilot installation of the system in the Central Bank of Solomon Islands.		
FS	3.1, 3.2, 3.4	Solomon Islands	On-site supervision/ Implementation of FSIS	Oct-12		3			1. Provide training to supervision staff in on-site examination of credit corporation taking only fixed deposits including assessment of CAMELS components with particular emphasis on assessment of liquidity. 2. FSIS implemented in CBSI, initially allowing for electronic submission of bank prudential returns and automatic generation of uniform bank performance reports (UBPRs). UBPR will be based on output reports developed by the PFTAC advisor and adjusted as necessary by CBSI supervision staff for local needs/requirements.		On-site supervision activity will primarily be devoted to providing guidance to CBSI staff in verifying the accuracy of prudential returns submitted by the financial institutions to the CBSI. CBSI as the pilot for the implementation of FSIS will provide a gauge of the viability of being able to implement the system in other central banks.

Financial Sector Supervision Workplan for FY13											
Topic area	Code ¹	Activities			Planned Inputs during Reporting Period (person-weeks in field)				Milestones	Milestones Achieved	Comments
		Country	Description/Activity	Timing	HQ	LT X	STX	Training ₂			
FS	Multiple	Regional	AFSPC Annual Meeting and Workshop on Supervision of Provident Funds	Oct-12		3		25	1. Organize and facilitate the annual meeting of the AFSPC - meeting date has been set for November 2012. 2. Organize and facilitate training workshop with IMF HQ on Provident Fund Supervision and Regulation - workshop dates set for 29 - 31 October 2012.		
FS	3.1, 3.8	Samoa	Implementation/Preparation of Prudential Returns (FSIS)	Nov-12		1			1. Needs assessment visit to determine interest in implementing the base set of prudential returns. 2. Review bank prudential requirements against Basel and internal best practices for possible revision - determine level of support for strengthening prudential requirements.		The success of this mission will be highly dependent on staff availability and cooperation.
FS	Multiple	Regional	Governors Meeting	Dec-12		3			1. Present update on regional comparison of bank profitability and interest rates. 2. Present finding of regional comparison of bank capital requirements with other developing jurisdictions/regional globally.		

Financial Sector Supervision Workplan for FY13											
Topic area	Code ¹	Country	Activities		Planned Inputs during Reporting Period (person-weeks in field)				Milestones	Milestones Achieved	Comments
			Description/Activity	Timing	HQ	LT X	STX	Training ₂			
FS	3.4 - 3.7	Tonga	Bank Supervision and Regulation	Aug-12; Oct-12; Feb-13				12	<p>By 28 February 2013:</p> <p>1. Written pre-examination planning and control procedures are developed to assist the FID in setting the scope of on-site examinations and assigning examination responsibilities to staff.</p> <p>2. Written procedures developed and supervision staff trained in completing on-site bank examination procedures for assessing:</p> <ul style="list-style-type: none"> - capital adequacy and planning; - earnings and budgeting processes; - operational risk; - management and board performance; and - other risk areas as may be identified or requested by the NRBT or FID staff. 		

¹Refers to the numeric value associated with each outcome in the topic area logframe.

² Number of person weeks of training or seminar time delivered.

Statistics Sector Workplan for FY13

Statistics Sector Workplan for FY13											
Topic area	Code ¹	Country	Activities		Planned Inputs during Reporting Period (person-weeks in field)				Milestones	Milestones Achieved	Comments
					HQ	LT X	STX	Training ₂			
STA	4.2, 4.6	Cook Islands	Quarterly National Accounts Balance of Payments Statistics	Aug-13		1.5 1.5			Draft QNA estimates developed. Improved methodology and source data implemented, range of BOP tables extended to include draft capital and partial financial accounts.		Initial QNA series to be developed consistent with ANA series.
			National Accounts - methodology development	Feb-13		2			Improved methodology and additional source data incorporated.		
STA	4.2, 4.4, 4.5	Fiji	Balance of Payments Statistics National Accounts (rebase)	Aug-12 Oct-12			2 2		Assessment and recommendations on transition to BPM6 standards and source data. Preliminary rebased ANA estimates completed and released by authorities.		
			National Accounts (QNA)	Feb-13			2		Draft QNA series developed.		
STA	4.1, 4.6	Kiribati	Balance of Payments - compilation	July-12		2			Methodology and compilation processes improved, including transition to BPM6 standards.	Improvements made to methodology and compilation processes. Further improvements planned.	Data gaps prevented finalization of estimates during mission - authorities to incorporate missing data and finalize.
			National Accounts - expenditure measure of GDP	Jan-13		2			Draft methodology prepared for expenditure measure of GDP.		
STA	4.5	Nauru	Balance of Payments - compilation	Nov-12		1			Compilation of estimates to 2011.		
STA	4.5	Niue	Balance of Payments Statistics	Sep-12		1			Estimates to 2011 compiled and further source data and methodology improvements made.		
STA	4.1	Palau	National Accounts - GDP (E)	Mar-13		2			Draft expenditure measure of GDP developed.		
STA		Papua New Guinea	National Accounts	Feb-12		2			Assistance with establishing a new macroeconomic statistics unit in Treasury.		Depends on outcome of budget proposal to move resources from NSO to Treasury.

Statistics Sector Workplan for FY13

Statistics Sector Workplan for FY13											
Topic area	Code ¹	Activities			Planned Inputs during Reporting Period (person-weeks in field)				Milestones	Milestones Achieved	Comments
		Country	Description/Activity	Timing	HQ	LT X	STX	Training ²			
STA	4.3	Solomon Islands	National Accounts - compilation	May-12		2			Draft estimates of national accounts compiled to 2011.	Draft estimates updated to 2011.	Data gaps prevented finalization of estimates during mission - authorities to incorporate missing data and finalize.
STA	4.3	Timor-Leste	National Accounts - methodology review	Nov_12		2			Review of the methodology established by long-term resident advisor, assess next steps needed and further TA needs.		Focus depends on outcome of previous mission.
			National Accounts - capacity building	Feb-12		2			Authorities trained in methodology used.		
STA		Tonga	National Accounts	Apr-12		2			Review of methodology.		Depends on needs following departure of resident advisor in 2012.
STA	4.5	Tuvalu	Balance of Payments Statistics	May-12		2			Compilation of estimates to 2011.	Draft estimates updated to 2011.	
STA	4.1	Tuvalu	National Accounts	Dec-12		2			Annual estimates rebased and improvements made to methodology where possible.		
STA	4.2, 4.4	Vanuatu	National Accounts (rebase and QNA)	Sep-12 Nov-12 Feb-13		1 2 2			Assessment of progress by authorities on rebase and QNA development. Finalization of ANA rebase. Complete development of QNA series.		
STA		Regional	Pacific Statistics Steering Committee meeting	Oct-12		1			Participation in PSSC meeting and HIES Technical Working Group meeting.		
STA		Regional (Fiji)	Training seminar - quarterly national accounts	Mar-13		1			Training on concepts, methodology and practice of compiling quarterly national accounts.		
STA		Regional (Fiji?)	Pacific Statistics Steering Committee meeting	Mar-13		1			Participation in PSSC meeting.		

¹Refers to the numeric value associated with each outcome in the topic area logframe.

² Number of person weeks of training or seminar time delivered.

Macroeconomics Workplan for FY13											
Topic area	Code ¹	Country	Activities		Planned Inputs during Reporting Period (person-weeks in field)				Milestones	Milestones Achieved	Comments
			Description/Activity	Timing	HQ	LT X	STX	Training ²			
Macro	5.2	Fiji	Macroeconomic analysis and modeling - Building a DSGE model	Jun 2012 & Nov 2012 & Dec 2012 & April 2013		3			Operational DSGE model that can be used for assessing present macroeconomic conditions and policy simulations by April 2013.		This project continues the modeling effort 1 in FY 2012, with the objective to include forward-looking expectations and the ability to run policy simulations. The project will also benefit from coordination with a modeling expert from RBA who will assist RBF.
Macro	5.1, 5.2	Fiji	Macroeconomic analysis and modeling - developing export and import equations	Aug 2012 & Nov 2012		2			Creating an Excel-based framework for simulating the trade balance by end-December 2012.		This project extends the modeling of import demand undertaken in FY 2012 to exports of goods as well as services (tourism).
Macro	5.1, 5.2, 5.3	Fiji	Identifying the long-run determinants of inflation	Aug 2012 & Nov 2012 & Dec 2012 & April 2013		3			RBF documentation of results from cointegration analysis regarding the long-run determinants of inflation in Fiji, with a focus on the role of PPP and monetary aggregates by April 2013.		Identifying the long-run determinants of inflation will be useful both for better understanding the monetary transmission mechanism and forecasting inflation; the cointegration analysis will also enhance the empirical toolkit of RBF.
Macro	5.3	Fiji	Revenue forecasting	Jun-12		1			Report prepared by MoF on strength and weaknesses of current procedures for revenue forecasting by September 2012.		This report will conclude a project launched in FY 2012 to assess the quality of revenue forecasts in Fiji.

Statistics Sector Workplan for FY13

Statistics Sector Workplan for FY13											
Topic area	Code ¹	Activities			Planned Inputs during Reporting Period (person-weeks in field)				Milestones	Milestones Achieved	Comments
		Country	Description/Activity	Timing	HQ	LT X	STX	Training ₂			
Macro	5.4	Fiji	Improving methodology for debt sustainability	Aug 2012 & Nov 2012 & Dec 2012 & April 2013		3			Report prepared by MoF on debt sustainability outlook by April 2013.		This project has been launched in June 2012 and will focus on debt dynamics and subsequently debt sustainability analysis techniques used by Fund staff.
Macro	5.2, 5.5	PNG	Macroeconomic modeling course; management of natural resources (implementation of workplan)	May 2012 & Jan 2013		5			Holding of modeling workshop on management of natural resource inflows in May 2012 and a follow-up workshop later in FY 2013.	May 2012 modeling workshop is underway.	These workshops follow up on a modeling workshop held in FY 2012 with participation of the IMF country team; they are aimed at both Bank of PNG and Treasury staff.
Macro	5.1, 5.2, 5.3	PNG	Financial programming training (implementation of workplan)	Oct-12		2			Establish a minimum toolset for financial programming and provide an introduction to financial programming techniques by end-2012.		This workshop will draw on tools that have been developed as part of the prior work program (especially output gap estimation) as well as tools developed by the Bank of PNG (e.g., empirical inflation models).
Macro	5.1, 5.2, 5.3	PNG	Improving the macroeconomic toolkit of the Bank of PNG (implementation of workplan)	Feb 2013 & Apr 2013		2			Improved inflation model, macroeconomic framework, etc by April 2013.		The focus of this work program going forward will depend on the areas identified by the financial programming workshop as most in need of further improvements.

Statistics Sector Workplan for FY13

Statistics Sector Workplan for FY13											
Topic area	Code ¹	Activities			Planned Inputs during Reporting Period (person-weeks in field)				Milestones	Milestones Achieved	Comments
		Country	Description/Activity	Timing	HQ	LT X	STX	Training ₂			
Macro	5.2	Regional	Regional central banking workshop with BoE	Jul-12		1			Holding of the workshop by July 2012.		
Macro	5.1, 5.2, 5.3	Regional	Financial programming workshop with IMF Institute	Dec-12		2			Holding of the workshop by December 2012.		
Macro	5.1, 5.2, 5.3	Samoa	Revenue forecasting (implementation of workplan)	Aug 2012 and March 2103		4			Fundamental review of the SERF model by September 2012.		This project continues the work program to assist Samoa's MoF in the area of revenue forecasting. Moving from on updating the model and providing training in its use to a fundamental overhaul of the model. Followed by and update.
Macro	5.1, 5.2, 5.4	Samoa	Macro-fiscal analysis as input into budget preparation process	Oct-12		2			Development of macro-fiscal framework by October 2012.		This project would be undertaken jointly with PFTAC's PFM advisor and would aim to provide MoF with a tool that helps integrating macro-fiscal analysis, including debt sustainability considerations, into the budget preparation process.

Statistics Sector Workplan for FY13											
Topic area	Code ¹	Activities			Planned Inputs during Reporting Period (person-weeks in field)				Milestones	Milestones Achieved	Comments
		Country	Description/Activity	Timing	HQ	LT X	STX	Training ₂			
Macro	5.1, 5.2, 5.3	Samoa	Financial programming training	Oct 2012 & Mar 2013		3			Establish a minimum toolset for financial programming and provide an introduction to financial programming techniques by April 2013.		This project would revive the work program with the Central Bank of Samoa and MoF to build up a financial programming capacity; drawing on previous work in the sector.
Macro	5.1, 5.2	Samoa	Exchange rate assessment	Aug-12		1			Establish different real exchange rate measurements as an input into assessing competitiveness of the exchange rate.		This project follows up on a request by the Central Bank of Samoa to help with the real exchange rate assessment; work in this area will be closely coordinated with the IMF country team.
Macro	5.1, 5.2, 5.3	Solomon Islands	Financial programming workshop (implementation of workplan)	Jul-12		1			Establish a minimum toolset for financial programming and provide an introduction to financial programming techniques by July 2012.		The workshop to be held jointly with CBSI and MoF will provide practice in a broader assessment of macroeconomic conditions, outlook, and policy implications related to increased mining revenue inflows.

Statistics Sector Workplan for FY13											
Topic area	Code ¹	Country	Activities		Planned Inputs during Reporting Period (person-weeks in field)				Milestones	Milestones Achieved	Comments
			Description/Activity	Timing	HQ	LT X	STX	Training ²			
Macro	5.3	Solomon Islands	Inflation forecasting (implementation of workplan)	Nov 2012 & Feb 2013		2			CBSI documentation of creating a bottom-up inflation forecast by April 2013.		This project would aim at documenting the work of previous inflation workshops with CBSI, especially the bottom-up forecast procedure.
Macro	5.2, 5.3	Tonga	Backstopping the development/update of a revenue forecasting model for Tonga	Aug-12		1					As part of its TA delivery to Tonga, the ADB will hire a modeling expert to fundamentally update the revenue forecasting models the Ministry of Finance in Tonga employs; PFTAC's macroeconomic advisor is going to backstop this work.
Macro	5.1, 5.2, 5.3	Vanuatu	Financial programming workshop	July 2012 & Sep 2012 & Jan 2013		5			Establish a financial programming framework and provide training in its use prior to the 2013 Article IV consultations.		A key focus will be to construct an empirical inflation model.

¹Refers to the numeric value associated with each outcome in the topic area logframe.

² Number of person weeks of training or seminar time delivered.

Statistical Appendix

Table 1: FY12 Advisory Missions in PFTAC

Public Financial Management

Mission Timing	Site Country	Subject	Advisor Type
Apr 2012	Tonga	FMIS Enhancement	Short –Term Expert
Mar 2012	Tonga	Roadmap Development	Resident Advisor
Jan 2012	Cook Is	PFM roadmap development	Resident Advisor
	Kiribati	Country visit and follow-up mission	Resident Advisor
Nov 2011	Micronesia	PEFA Assessment	Short-Term Expert
		Public Finance	Resident Advisor
	Palau	Country visit and follow-up visit	Resident Advisor
Oct 2011	Marshall Is	Conduct PEFA self-assessment	Resident Advisor
		PEFA Assessment	Short-Term Expert
	Tonga	Roadmap Development	Resident Advisor
Sep 2011	Micronesia	Conduct PEFA self-assessment	Resident Advisor
	Marshall Is	Conduct PEFA self-assessment	Resident Advisor
Aug 2011	Kiribati	Developing a realistic plan for financial management	Resident Advisor
	Regional	Australia Ministry of Finance Meeting	Resident Advisor
		PASAI Meeting	Resident Advisor
Jul 2011	Regional	Forum Economic Ministers Meeting	Resident Advisor

Financial Sector Supervision

Mission Timing	Site Country	Subject	Advisor Type
Feb 2012	Cook Is	Financial Sector Supervision	Resident Advisor
Jan 2012	Kiribati	Financial Regulation and Supervision	Resident Advisor
Nov 2011	Tonga	Training on new prudential bank reporting requirements	Resident Advisor
	Samoa	Financial Sector Supervision	Resident Advisor
Sep 2011	Tonga	Strengthening Bank Supervision & Regulation	Short-Term Expert
Aug 2011	Cook Is	Off-site monitoring and bank prudential reporting	Resident Advisor
	Solomon Is.	On-site Bank Supervision	Resident Advisor

Tax Administration

Mission Timing	Site Country	Subject	Advisor Type
Apr 2012	Micronesia	Update Information Strategy & Implementation Plan	Short-Term Expert
Mar 2012	Marshall Is.	Revenue reform and training on VAT	Short Term Expert
	Nauru	National Revenue Office and Introduction of a GST	Short Term Expert
Feb 2012	Micronesia	Strategic and review of Tax and Customs	Resident Advisor
	Marshall Is.	Strategic guidance to new long term advisor	Resident Advisor
	Tonga	IT Review	Short Term Expert
	Samoa	Revenue Administration	Short Term Expert
Jan 2012	Tonga	Tax Administration	Resident Advisor
Nov 2011	Fiji	Income Tax Final	Short Term Expert
	Micronesia	Strategic guidance to new long term advisor	Short Term Expert
	Palau	To develop a corporate strategy and business plan for the Bureau of Customs & Revenue	Short Term Expert
	Timor Leste	Update Implementation timeframe	Resident Advisor
	Samoa	Legislation drafting finalise	Short Term Expert
Oct 2011	Marshall Is.	Revenue	Resident Advisor
	Timor Leste	Revenue Administration	Resident Advisor
	Tonga	Customs Issues for Revenue Review	Short Term Expert
Sep 2011	Palau	Customs Administration (Phase 2)	Short Term Expert
	Tonga	Policy Issues for Revenue Review	Short Term Expert
		Revenue Review	Short Term Expert
	Tuvalu	Revenue Administration	Short Term Expert
Aug 2011	Fiji	PFTAC Regional Program	Short Term Expert
	Kiribati	Updated Implementation Timeframe	Resident Advisor
	Nauru	Update Implementation timeframe	Resident Advisor
	Regional	IT Regional Training Program	Short Term Expert
		PITAA Meeting	Resident Advisor
	Solomon Is.	Customs Training Risk Management and Post Clearance	Short Term Expert
Jul 2011	Cook Is	Mining Taxation Framework	Short Term Expert
	Samoa	Income Tax rewrite	Short Term Expert

Statistics

Mission Timing	Site Country	Subject	Advisor Type
Feb 2012	Fiji	Training Seminar on NA	Resident Advisor
Jan 2012	Cook Is.	National Accounts Review	Resident Advisor
	Solomon Is.	Consumer Price Index	Short-Term Expert
Nov 2011	Samoa	Balance of Payments Statistics Follow Up	Resident Advisor
Oct 2011	Palau	Balance of Payment Statistics Follow Up	Resident Advisor
Sep 2011	Fiji	National Accounts Follow-Up Mission	Resident Advisor
Aug 2011	Fiji	NA Mission	Resident Advisor
	Samoa	National Accounts Review	Resident Advisor
Jul 2011	Tuvalu	Balance of Payments Statistics Follow Up	Resident Advisor

Macroeconomic Analysis and Frameworks

Mission Timing	Site Country	Subject	Advisor Type
Mar 2012	Samoa	Macroeconomic mission	Resident Advisor
	Vanuatu	Scoping visit	Resident Advisor
Feb 2012	Solomon Is.	Macroeconomic mission	Resident Advisor
	Timor-Leste	Macroeconomic mission	Resident Advisor
Dec 2011	Samoa	Debt sustainability workshop	Resident Advisor
Nov 2011	PNG	Macroeconomic modeling course	Resident Advisor
	Tonga	Macroeconomics Scoping mission	Resident Advisor
	Samoa	Macroeconomic modeling course	Resident Advisor
Oct 2011	PNG	Macroeconomic modeling course	Resident Advisor
	Solomon Is.	Macroeconomic modeling course	Resident Advisor
Sep 2011	Kiribati	Creating a macro-fiscal framework	Resident Advisor
Jul 2011	PNG	Macroeconomic modeling course, management of natural resources	Resident Advisor
	Timor-Leste	Macroeconomic mission	Resident Advisor

Table 2: FY12 Seminars and Training

Topic	Location	Number of Participants
A.PFM		
PFM Leadership Program	Australia	14
Annual Pacific Islands Financial Managers Meeting and Regional & Workshop on Building a Better Practice Framework for Medium Term Budgeting in the Pacific	Fiji	54
B. Revenue		
PITAA Heads Meeting	Fiji	34
The Role of Information Technology in Modern Tax Administrations	Fiji	16
C. Statistics		
National Accounts	Fiji	23
D. Financial Sector		
AFSPC Annual Meeting	Fiji	18
E. Macroeconomics		
Central Bank Training	Fiji	20
Improving Analytical Tool for Better Economic Performance	Samoa	23

Table 3: PFTAC Phase IV: Financing as at end-April 2012

Table 3. PFTAC Phase IV: Financing as at end-April 2012			
(In U.S. Dollars)			
Total cost			
Program Budget		30,000,000	
Financing as at April 30, 2012			
	Contribution¹	Received²	Remaining³
Total Expected Contributions (1 + 2)	29,353,406	7,537,861	21,815,545
1. Secured	22,048,406	7,537,861	14,510,545
Host country and IMF	2,908,054	540,134	2,367,920
Fiji	210,000	42,000	168,000
IMF	2,698,054	498,134	2,199,920
Donors	19,140,352	6,997,727	12,142,625
AsDB	1,000,000	333,333	666,667
Australia	7,500,000	4,000,000	3,500,000
EU	1,333,742	1,210,498	123,244
Korea	2,211,225	-	2,211,225
New Zealand	7,095,385	1,453,896	5,641,489
2. Under discussion	7,305,000	-	7,305,000
Australia	3,000,000	-	3,000,000
EU	4,305,000	-	4,305,000
	-	-	-
SURPLUS/(GAP) (Total Contribution - Total Cost)	(646,594)		
SURPLUS/(GAP) (Secured - Total Cost)	(7,951,594)		

¹Contribution amount reflects actual amounts received to date in US\$, plus remaining amount converted at the exchange rate as of August 15, 2012.

²Received amount is based on actual receipts in US\$, net of bank fees and exchange rate gain/loss.

³Remaining amount in local currency is converted to US\$ at the exchange rate as of August 15, 2012.

Exchange rates as of August 15, 2012: 1EUR=1.23USD, 1KRW=0.000884USD, 1NZD=0.7972USD.

Source: Global Partnerships Division, Institute for Capacity Development.

