



PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTRE

ANNUAL REPORT 2016



STATEMENT BY THE CHAIRMAN OF THE PFTAC STEERING COMMITTEE

The 2016 PFTAC Annual Report and Steering Committee meeting will be the last before the start of the Phase V program, running from late this year through April 2022.

PFTAC is an important resource for finance ministries, central banks, financial supervisors, tax authorities, and statistical offices right across the Pacific. We have all benefited from the technical assistance and training provided by PFTAC over the past 23 years. And we are well aware that none of this would have been possible without the financial support and cooperation of PFTAC's donors and the IMF. For this we are all grateful.

The Steering Committee will have important issues to cover this year. In addition to providing feedback on PFTAC's performance in FY2016 and the draft work program for FY2017, we will have the opportunity to provide input to the design of the PFTAC program over the next 5 ½ years in Phase V. It is important that we make the most of this opportunity to ensure that PFTAC continues to meet the region's needs for capacity development in key areas of macroeconomic and financial management. We will also have to decide how much we as members are willing to contribute to funding PFTAC's work, and how we want to run the Steering Committee. Decisions on these matters will affect PFTAC and the work that it does for us for years to come. So we need to come to the meeting well-prepared to make good decisions and give good strategic guidance.

Lastly, I would like to thank the Government of Samoa for their generosity in hosting this meeting. I hope that we shall all take advantage of the occasion to enjoy Samoa's beauty and hospitality.

Vinaka vakalevu



Barry Whiteside, Governor of the Reserve Bank of Fiji.

FOREWORD BY THE CENTRE COORDINATOR

The 2016 fiscal year (May 2015 to April 2016) has been a busy but successful year for PFTAC. Several of the initiatives begun in the past few years appear to be maturing well and yielding desired outcomes. There are examples in all areas of our work, but let me point to just a few. In the tax area, the increased focus on strengthening core processes appears to be delivering good results in several jurisdictions. In financial supervision, the on-site examination program is well-underway, with seven inspections completed this year, and the credit union program is leading to updates in legislation and enhanced supervision in several countries. In macroeconomics, strengthened policy analysis and forecasting frameworks are being integrated into budget processes in Cook Islands and Tonga. And cutting across sectors, successful workshops have been held on expenditure and revenue forecasting, in collaboration with UNESCAP, and following up on the Workshop on Strengthening Fiscal Frameworks in the Pacific Islands, held in Nadi in June.

It is pleasing to see real progress being made in many countries and areas of macroeconomic management, and we are glad that PFTAC has been able to contribute. But we are also well aware that successes are generally the product of good cooperation among the countries involved and close collaboration with our development partners. Of these, the countries implementing the reforms are the most important. Without their determination and sustained support, at both the technical and political levels, little would be achieved.

Without the ongoing financial support of our donors, PFTAC would simply not be in business. We are well aware that development budgets are under pressure in most donor countries, and that it is important to be able to show value for money to taxpayers. We hope that the achievements in the region can justify continued support for PFTAC's work in the Pacific.

In the coming year, PFTAC will see a lot of change. In our work program we will make a full transition to the Phase V program. Although we have already been making moves in this direction, it promises to be an exciting time. In the next year we will also have significant personnel changes, with the possible addition of new advisors, and turnover in current staff at PFTAC, including me. It has been a very rewarding experience for all of us.

Lastly, I would like to thank the Government of Samoa for hosting the 2016 Steering Committee meeting, and look forward to seeing our members and development partners there.



Scott Roger, PFTAC Centre Coordinator

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¹ The cover photo on this Report is of a portion of a mural by students from the Leulumoega Fou School of Fine Arts at Faleolo International Airport, Samoa.

Acronyms

ABS	Australian Bureau of Statistics
ADB	Asian Development Bank
AFSPC	Association of Financial Supervisors of Pacific Islands Countries
AGA	Autonomous government agency
APD	IMF Asia and Pacific Department
BPNG	Bank of Papua New Guinea
CD	Capacity Development
CIS	Compliance Improvement Strategy
CMU	Cash Management Unit
CSO	Community Service Obligation
DFAT	Australian Department of Foreign Affairs and Trade
ESS	External Sector Statistics
EU	European Union
FAD	IMF Fiscal Affairs Department
FMA	Financial Management Act
FMIS	Financial Management Information System
FRCA	Fiji Revenue and Customs Authority
FSM	Federated States of Micronesia
FP	Financial Programming
FY	Fiscal year
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GIZ	German International Cooperation Agency
HIES	Household Income and Expenditure Survey
HLD	High level dialogue
HQ	(IMF) Headquarters
IA	Internal audit
ICD	IMF Institute for Capacity Development
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
IT	Information technology
LEG	IMF Legal Department
LTX	Long-term expert or resident advisor
MCM	IMF Monetary and Capital Markets Department
MFAT	New Zealand Ministry of Foreign Affairs and Trade
MFEM	Ministry of Finance and Economic Management
MFNP	Ministry of Finance and National Planning
MOF	Ministry of Finance
MORC	Ministry of Revenue and Customs
NCD	Non-communicable disease
NRBT	National Reserve Bank of Tonga
NTR	Non-Tax Revenue
NSO	National Statistical Office
OCO	Oceania Customs Organization

OECD	Organization for Economic Cooperation and Development
PAC	Public Accounts Committee
PASAI	Pacific Association of Supreme Audit Institutions
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFTAC	Pacific Financial Technical Assistance Centre
PIC	Pacific Island Country
PICPA	Pacific Islands Centre for Public Administration
PIF	Pacific Islands Forum
PIFS	PIF Secretariat
PIFMA	Pacific Islands Financial Management Association
PINACLE	Pacific Islands National Accounts Compilers and Local Experts Association
PITAA	Pacific Islands Tax Administrators Association
PNG	Papua New Guinea
PSSC	Pacific Statistics Steering Committee
RAFIT	Revenue Administration Fiscal Information Tool
RAP	Resource Allocation Plan
RBM	Results-Based Management
RBNZ	Reserve Bank of New Zealand
RMI	Republic of the Marshall Islands
RTAC	Regional Technical Assistance Centre
SC	PFTAC Steering Committee
SEACEN	South East Asian Central Banks Center
SERF	Samoa Economic and Revenue Forecasting model
SOE	State-Owned Enterprise
SNG	Sub-national government
SPC	Secretariat of the Pacific Community
STA	IMF Statistics Department
STI	Singapore Regional Training Institute
STX	Short-term Experts
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Assessment Tool
TYPSS	Ten Year Pacific Statistics Strategy
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
USP	University of the South Pacific
VAT	Value Added Tax

I. OVERVIEW OF THE PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTRE

A. Institutional Framework

- 1. The Pacific Financial Technical Assistance Centre (PFTAC) was established in 1993 to promote macro-financial stability in Pacific island countries (PICs) through a focused program of technical assistance and training.** PFTAC was the first of the International Monetary Fund (IMF) regional technical assistance centers, representing a collaborative venture between the International Monetary Fund, the member countries, and bilateral and multilateral donor partners.² The goal of PFTAC is to strengthen the institutional capacity of Pacific countries to design and implement sound macroeconomic and financial policies. Macroeconomic and financial stability, in turn, are essential underpinnings for sustainable economic growth and the achievement of Sustainable Development Goals.
- 2. PFTAC assistance is provided to sixteen PICs.** These comprise 13 members of the IMF, including Federated States of Micronesia (FSM), Fiji, Kiribati, Nauru, Palau, Papua New Guinea (PNG), Republic of the Marshall Islands (RMI), Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu and Vanuatu, plus the Cook Islands, Niue and Tokelau.
- 3. PFTAC's operations are funded by contributions from a variety of sources.** In the current Phase IV funding cycle, running from mid-2011 to late-2016 (FY2012–FY2017), funding is being provided by the Asian Development Bank (ADB), Australia, the European Union (EU), Korea, and New Zealand. In addition, Fiji contributes through the provision of free office space; member countries also contribute through in-kind and financial support for training activities in the region. The IMF contribution finances the center coordinator and the running costs of the office, including local support employees.
- 4. The framework for PFTAC's operations, as well as for its accountability, is largely determined by the program established at the beginning of each funding cycle.** The program for the Phase IV cycle continues to emphasize the provision of capacity development (CD), which comprises technical assistance (TA) and training, in five core areas: (i) public sector financial management (PFM); (ii) revenue policy and administration; (iii) financial sector supervision; (iv) macroeconomic statistics; and (v) macroeconomic management. In each area, the activities of the seven PFTAC resident advisors, as well as of supporting short-term experts (STX), are linked to specific outcome objectives in a Results-Based Management (RBM) framework. PFTAC staff work closely with IMF headquarters staff, both in planning of the work program, and in its implementation. PFTAC provides accountability to its members through *Quarterly Reports*, which report on activities, finances, and performance in relation to those objectives; the *Annual Report*; and through its Steering Committee meetings, which are now held on an annual basis. In addition, the program provides for an external independent evaluation of PFTAC, which took place in FY2015.

² See Annex I for an overview of the IMF Regional Technical Assistance Centers (RTACs).

B. Capacity Development Strategy

5. **TA and training provided by PFTAC reflects the priorities set out in the agreed program but also needs to adapt to evolving regional priorities and the needs of member countries.** The objectives set out in the funding program provide a basic medium-term framework for guiding PFTAC's activities. At the same time, however, PFTAC priorities and activities need to take into account the evolution of objectives set by regional leaders, as well as the activities of other development partners. The annual work program is agreed at the beginning of the financial year as part of the integrated IMF Resource Allocation Plan (RAP) but changes are made in the course of the year to accommodate emerging CD requests. The PFTAC RAP is prepared under leadership of the Asia Pacific Department (APD), in close collaboration with PFTAC staff and the functional departments supporting the delivery of TA and training in the region.

6. **PFTAC's broad objectives and performance indicators are set out in its Results-Based Management (RBM) framework** (see Annexes III and V), and a range of specific activities are undertaken to attain these objectives over time while recognizing the varied needs in the region, as outlined below.

Public Financial Management

7. **The overall objective is to assist members with strengthening PFM systems.** Activities are guided by the regional PFM Roadmap approved by Pacific Islands Forum Leaders and Finance Ministers in 2010. They are concentrated in two main areas: (i) supporting the Public Expenditure and Financial Accountability (PEFA) assessment process and developing realistic reform priorities; and (ii) 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

8. **The primary objective is to assist members with the design and implementation of broad-based and efficient revenue systems.** 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). Major areas of activity focused on in the first half of the program cycle included: (i) design and implementation of tax reforms, including value added taxes (VAT) and small business taxes; (ii) assistance with legislative changes needed to support tax reforms, including in the natural resources area. More recently revenue activity has focused on development and implementation of tax compliance improvement strategies and performance measurement.

Financial Sector Supervision

9. **The principal objective in this area is to promote development and implementation of sound financial system regulation and supervision,** so that financial systems may contribute to economic development and growth without excessive risks to financial stability. Activities involve assisting central banks and supervisory agencies with development of appropriate regulations and statistical returns and to regularly produce and analyze financial soundness indicators. The focus of support is now moving towards building capacity for on-site examinations, analysis of financial returns, and adoption of a risk-based

approach to assessment for banks, and modernization of regulatory and supervision frameworks for credit unions.

Macroeconomic Statistics

10. The overall objective is to help members develop 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 Secretariat of the Pacific Community (SPC) which has a large program of support for social/demographic statistics and some support for economic source data.

Macroeconomic Management

11. This area, which was added in the Phase IV program, has the principal objective of improving macroeconomic analysis and forecasting capacity. It seeks to achieve three main outcomes: (i) the formulation of fiscal and monetary policy is based on empirical analysis; (ii) countries employ medium-term projections and fiscal planning and budgeting to ensure policies and debt levels are sustainable; and (iii) long-term fiscal pressures are identified and addressed. To achieve these outcomes PFTAC activities focus on assisting countries to develop integrated macroeconomic and fiscal frameworks for use in policy analysis, forecasting and debt sustainability analysis; on strengthening inter-agency coordination; and on sharing experience and expertise among policy analysts and advisors across the region.

C. Management and Implementation of Capacity Development

12. PFTAC is managed by a Coordinator, and CD is provided by seven resident advisors with substantial expertise in their respective sectors, and supported by four administrative employees in our Suva office (see Annex II). Under the Phase IV program, the number of resident advisors was raised by three to a total of seven, of whom two work in the PFM area, one in revenue administration, one in financial supervision, two in macroeconomic statistics, and one in macroeconomic analysis. The 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 advisors also manage the short-term experts (STX) employed to assist with delivery of the CD programs. The skill mix of the advisors reflects the priority needs of the member countries. The Coordinator and advisors are assisted in delivering the CD program, finances, reporting, travel arrangements, workshop and conference logistics and other Centre activities by four locally-engaged staff.

Work Planning

13. The Phase IV program objectives provide general guidance for planning the CD activities of PFTAC. Developing more detailed work programs, including country strategies and individual CD activities draws on a range of other inputs, including IMF headquarters advice, collaboration with other development partners and regional organizations, and dialogue with PFTAC's member countries. Close integration with IMF headquarters staff enhances the focus and quality of PFTAC work. Under the

umbrella of the broad CD strategic priorities defined by the IMF Board, the Asia and the Pacific Department plays a key role in identifying and prioritizing CD needs, in close collaboration with functional (CD) departments and country authorities. The CD departments (specifically, in the case of PFTAC, the Fiscal Affairs Department (FAD), the Legal Department (LEG), the Monetary and Capital Markets Department (MCM), the Statistics Department (STA), and the Institute for Capacity Development (ICD)) are responsible for CD delivery. In conjunction with PFTAC resident advisors, they lead the work plan development, and design, approve and direct the implementation of CD programs delivered by RTAC resident advisors, STX, and missions from headquarters. They also provide overall quality control, monitoring, backstopping, and supervision. This integration between PFTAC and IMF headquarters helps to provide depth as well as breadth of experience together with greater consistency of advice across countries and policy areas than would otherwise be possible.

14. PFTAC collaborates closely with regional organizations and development partners to ensure that CD programs are complementary. The Pacific Islands Forum (PIF) plays a key role in the region in setting priorities for reforms or capacity building that directly affects PFTAC's activities. As noted earlier, PFTAC's activities with regard to PFM follow the strategy established by the PIF leaders in 2010, while activities in the area of statistics come under the TYPSS. Additionally, and increasingly, CD priorities are being worked out in conjunction with regional professional associations supported by PFTAC (See Box 1). PFTAC also collaborates with other development partners in planning and delivering CD. Partners include multilateral organizations such as ADB, the PIF, UN agencies, and the World Bank, as well as national agencies such as the Australian Department of Foreign Affairs and Trade (DFAT), the Australian Bureau of Statistics (ABS), the EU, the German International Cooperation Agency (GIZ), the New Zealand Ministry of Foreign Affairs and Trade (MFAT), the Reserve Bank of New Zealand (RBNZ), and Statistics New Zealand. Collaboration may take the form of information sharing in order to avoid duplication or working at cross-purposes, but can also involve more active cooperation in designing and delivering complementary CD.

Box 1: Pacific Regional Professional Associations

PFTAC has assisted in the development of four professional associations in the Pacific. These are the Association of Financial Supervisors of Pacific Countries (AFSPC), the Pacific Islands Tax Administrators Association (PITAA), the Pacific Islands Financial Managers Association (PIFMA) and the Pacific Islands National Accounts Compilers and Local Experts Association (PINACLE).

These associations help reinforce national level reform efforts through sharing of knowledge and experience, and identification of common issues and best regional practices. They have also helped PFTAC and other development partners identify thematic priorities and have been used to organize and deliver training programs.

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, except in the case of the PITAA which has established its own 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.

15. **CD programs are necessarily designed in close consultation with national authorities.** Effective collaboration is greatly enhanced by being based within the region, and by having advisors who typically spend several years at PFTAC. These relationships form the bedrock of PFTAC's success and are crucial for adapting the knowledge and skills available through PFTAC to the specific needs, timetables, and constraints of its members. In addition to substantive country visits, resident advisors provide rapid responses to country officials, using email, phone and information technology. Work programs are regularly amended to enable urgent country requests to be responded to quickly while maintaining momentum towards strategic goals.

Modes of CD Delivery

16. **PFTAC delivers country-specific TA and training.** Country-specific CD primarily involves missions by resident advisors and STX to the member countries to provide specific assistance. Such assistance can be quite varied in terms of content. It may involve very hands-on help with generating outputs (e.g. national accounts statistics), or training more clearly focused on capacity building, or higher level advice on design and implementation of policy or organizational reform. Depending on the skills or knowledge needed, and to leverage the inputs of the resident advisors, PFTAC may staff such missions with STX drawn from the relevant IMF functional department's roster of experts.

17. **PFTAC also delivers regional capacity-building TA and training through workshops and seminars.** PFTAC uses small "sub-regional" workshops to deliver focused, hands-on assistance to countries with similar capabilities and interests in various areas. Such workshops effectively combine TA and training. They also allow for very helpful sharing of experiences and local solutions. Examples have included specialized workshops on national accounts compilation, medium-term expenditure forecasting, drafting of legislation on credit unions, and macroeconomic modeling issues for central banks or finance ministries. In addition, of course, there are also more traditional training courses aimed at the whole membership, addressing region-wide issues.

18. **PFTAC often collaborates with other development partners in conducting workshops and seminars on topics of broad regional relevance.** For example, PFTAC works with the Pacific Association of Supreme Audit Institutions (PASAI) on accounting and auditing issues; it has also collaborated with the Secretariat of the Pacific Communities (SPC) and the ABS in putting on workshops on macroeconomic statistics; and with the SPC on deep sea mining issues; and has been working with the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), the Asian Development Bank (ADB), and the Pacific Islands Forum Secretariat (PIFS) to run workshops on macroeconomic modeling and applied analysis. Apart from facilitating regional level discussions of issues affecting the region as a whole, such workshops provide an opportunity for workshop participants to develop informal networks with their colleagues in the region.

Challenges

19. **Effective translation of the CD provided by PFTAC into attaining the ultimate objectives of such assistance faces several important challenges.** These include very limited absorptive capacity in several countries, limited ownership of reforms, political economy factors that place low value on or reject the

objectives, and coordination weaknesses with other development partners, as well as PFTAC's own limitations:

- Almost all of PFTAC's activities involve working with, and helping to develop, an adequate pool of skilled staff. However, human capacity, both in terms of numbers and education levels, is a particular challenge in many member countries. Staff turnover, which may be fairly easily coped with in larger countries, often leads to substantial reduction in technical capacity which is not easily replaced. As a consequence, an important part of TA and training in such circumstances is focused more on maintaining or restoring capacity, rather than on substantially raising it. In some other cases, where capacity is extremely limited or non-existent, TA really involves capacity *supplementation*, i.e. directly supporting production of outputs, rather than capacity *development*.
- Reforms may stall or be reversed unless there is broad political and popular support. This is particularly challenging in small countries, where personality politics are important and where the drive behind reforms may be associated with particular individuals. A change in government or finance minister can significantly affect the content and pace of a reform program. Moreover, PFM and tax reforms often involve changes that would limit the scope for unaccountable discretion in the use of public funds, and this may run against long-standing political or bureaucratic practices.
- Development partners with somewhat different objectives may well end up either competing over the allocation of scarce local human capacity, or may advocate inconsistent measures or priorities. Examples include how much of a country's statistical capacity to allocate to economic statistics versus health or environmental data, or development partners seeking to insulate development project finance and management from the general government budget.
- PFTAC's own staff resources are limited, constraining the overall volume of TA and training, although effective use of STX allows PFTAC to extend its support well beyond the capacity of its staff based in Suva. Additionally, PFTAC is limited in the kinds of TA and training that it can provide. In particular, it does not provide long-term in-country experts or advisors to governments, and has no on-line training capacity, although the IMF's Institute for Capacity Development (ICD) has begun to provide on-line training courses available to a broad audience.

II. REVIEW OF FY2016 (MAY 2015-APRIL 2016)

This section describes PFTAC's major activities in FY2016. It provides an overview of PFTAC's performance over the period as well as an update on financing under the Phase IV funding cycle. It also provides a more detailed reporting on performance in relation to the FY2016 RBM objectives and work plan.

A. Overview

Main achievements

20. PFTAC TA and training during the year continued to focus on the objectives set out in the Results-Based Management (RBM) Logical framework for FY2016 (Annex III):

- Progressive strengthening of PFM within the region through PEFA assessments and associated PFM roadmap development and reviews;
- Supporting modernization of revenue frameworks, including through revisions to legislation and strengthening capacity in tax compliance and administration;
- Building capacity in on-site and off-site bank supervision, as well as promoting development of the credit union sector;
- Developing or improving the quality, frequency, and information content of national accounts statistics, as well as providing training to build skills in national statistics agencies;
- Assisting finance ministries and central banks with developing macroeconomic models and skills needed for policy analysis and forecasting.

21. **Since FY2015, however, the focus of activities has shifted.** For the first three years of Phase IV, a primary focus of much of PFTAC's CD activity was to assist members with assessing priorities for reforms to policy frameworks and then with the design of reforms and necessary enabling legislation. Since then, and particularly during FY2016, there has been increasing emphasis on implementing reforms through improvements in institutional capacity and staff training. In the PFM area, this has led to greater emphasis on integrating budgeting and planning with a more medium-term orientation, as well as strengthening budget execution, monitoring, and accountability processes. In the revenue area, emphasis has shifted towards strengthening core functions of tax administrations, including improving compliance, risk management, and taxpayer services. In financial sector supervision, with significant progress having been made in improving off-site bank supervision, the focus now is on strengthening on-site examination, and extending supervisory coverage to credit unions. In statistics, increasing emphasis is being placed on improving data sources and methodology. In macroeconomics, the focus has been shifting from building basic capacity to integrating model-based analysis into fiscal and monetary policy formulation.

22. Important progress has been achieved in several areas:

- In the PFM area:
 - Several PEFA assessments, re-assessments and PFM reform roadmaps were begun or completed, with increased country ownership of the processes;
 - Significant headway was made by PNG towards improving financial management information and cash management;

- Fiji made important progress in improving budget reporting transparency;
- Vanuatu made important progress in strengthening internal audit.
- In revenue administration:
 - The program to strengthen core processes and tax compliance has strengthened further, though it will take some time to see major result;
 - Fiji completed a Tax Administration Diagnostic Assessment;
 - The Pacific Islands Tax Administrators' Association (PITAA) took significant steps towards establishing itself as a regional resource and reform leader.
- In financial supervision:
 - The on-site bank examination program is being implemented, including reporting of findings;
 - Several countries are in the process of modernizing credit union legal and supervision frameworks;
 - Credit union financial reporting templates have been developed for use by regulators, including establishing ratio analysis and standards.
- In macroeconomics:
 - Progress has been made in several countries, notably including Cook Islands and Tonga, in strengthening policy analysis and forecasting frameworks, and using them in budget preparations.
- In statistics:
 - Fiji has made significant progress in developing quarterly GDP data;
 - Solomon Islands published their annual GDP estimates without assistance, following several capacity-building missions;
 - Several countries are making more effective use of tax data in improving GDP estimates in a cost-effective way.

23. Specialized sub-regional workshops have become an important element in PFTAC's delivery of TA and training. These allow training to be much more closely tailored to the specific needs and capacity of the countries involved, so that they more closely resemble hands-on TA rather than more general training. Sub-regional workshops have been held on national accounts compilation in the northern Pacific and in Melanesian countries, risk-based banking supervision in the northern Pacific, as well as revenue and expenditure forecasting.

24. Much of PFTAC's work requires close cooperation with development partners and, increasingly, with regional professional associations and intra-regional collaboration. In CD delivery, PFTAC continued to work closely on the ground with other CD providers. In training, PFTAC routinely partnered with other agencies in designing, funding, and delivering workshops and seminars. Increasingly, partners within the region, including the professional associations supported by PFTAC, as well as other groupings, such as PEFA peer reviewers, have taken on an important role in informing and assisting PFTAC's activities.

25. **PFTAC continued its efforts to increase its transparency.** In FY2016 PFTAC continued to publish its *Quarterly Report*, reporting on highlights of the activities during the quarter and progress towards RBM objectives; providing an update on PFTAC finances; our work plan going forward; and articles on topics that we feel deserve a wider audience, either because they illustrate the sort of work that PFTAC has been doing, or highlighting issues of regional relevance that may not be well-understood by most non-specialists. With the emphasis on the *Quarterly Report*, publication of a monthly report is judged to be somewhat superfluous.

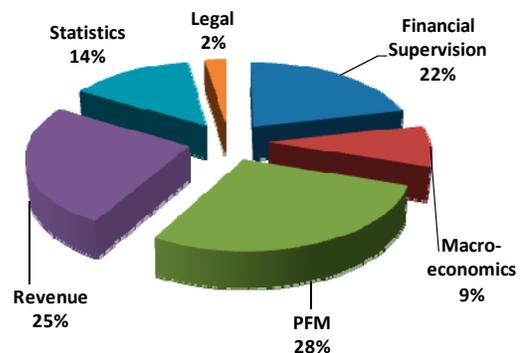
26. **PFTAC has also been an active participant in meetings aimed primarily at improving coordination among development partners.** Efforts to strengthen coordination with development partners have included participation in quarterly meetings of economic CD providers and donors in Suva; Heptagon meetings of development partners; the Pacific Statistics Steering Committee (PSSC); information sharing ahead of and following donor meetings with authorities or IMF missions; as well as more ad hoc meetings with development partners.

CD delivery in FY2016

27. **In FY2016 the scale of PFTAC TA and training activities eased slightly from FY2015.** In FY2015 activity was boosted partly by the use of STX to deliver CD, especially in building capacity in tax compliance in the region, and partly by a surge in demand for PFTAC assistance as political and economic developments in the region favored an acceleration of reform efforts, particularly in the area of PFM. In FY2016 these factors continued to keep CD activity at a high level, although slightly less than in FY2015. Based on data to January 20, 2016, and projections through to end-April, country-specific TA and training missions are estimated to have declined 12 percent from 171 in FY2015 to 150 in FY2016. In terms of mission days, the estimate for FY2016 is little changed from FY2015, at 1670 person days. In addition, PFTAC staff provided or participated in 26 workshops, seminars, and regional meetings, slightly fewer than in FY2015. An increasing number of such workshops were held in conjunction with other development partners.

28. **CD in the areas of PFM, tax administration and financial supervision dominated PFTAC TA delivery in FY2016.** These areas also accounted for most of the use of STX. In the revenue area, this reflects the implementation of the strategy to use STX to boost delivery of CD on tax core processes and compliance. In financial supervision STX are the main means of delivering CD with regard to the on-site bank examination program. In the PFM area, STX were used less as part of mainstream TA delivery than in meeting needs for specific expertise, notably in financial management information systems (FMIS), cash management, and internal audit.

Fig. 1: Sectoral distribution of PFTAC TA in FY2016 (Percentage of total mission days)

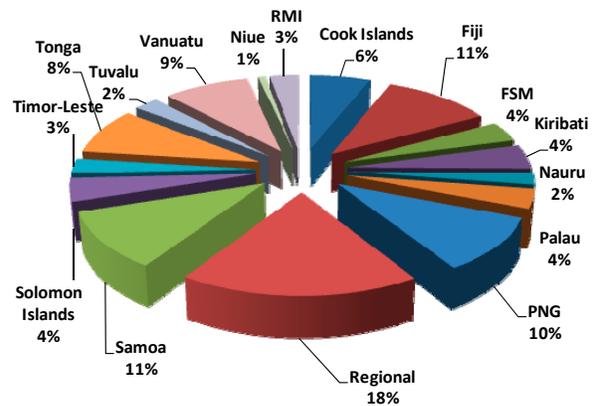


29. **Most country-specific TA has been delivered by STX, while resident advisors dominate in provision of workshops.** In FY2016 the number of missions conducted by the Suva-based resident

advisors (LTX) declined to 79 from 100 in FY2015, while the number of missions carried out by STX and HQ staff was almost unchanged at 71. In terms of mission days, the majority (58 percent) of country-specific TA continued to be delivered by STX, reflecting the fact that STX missions are typically longer than the LTX missions. With regional workshops, seminars, and conferences, however, resident advisors predominate. LTX were involved in 65 percent of workshops and seminars, and accounted for a small majority of the mission days.

30. Fiji, Samoa, and PNG were particularly large users of PFTAC CD in FY2016. In Fiji, CD was provided on revenue issues (compliance, audit, and tax law); statistics (national accounts); financial supervision (credit union oversight); and accounting and reporting reforms. In Samoa, the main areas of CD were in PFM (fiscal oversight of SOEs, cash management, accounting and reporting); tax administration (compliance); and financial supervision (on-site bank examination and supervisory oversight). In PNG, CD continued to be provided in the areas of PFM (FMIS, cash management and PEFA follow up) and statistics (national accounts).

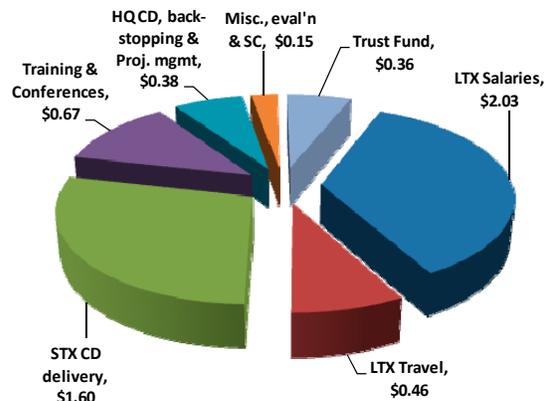
Fig. 2: Country distribution of PFTAC TA in FY2016 (Percentage of total mission days)



B. PFTAC Spending and Financing in FY2016

31. In FY2016, PFTAC spending is estimated at US\$ 5.6 million, down from US\$ 6.2 million in FY2015.³ Of this, US\$ 2.5 million (45% of donor-financed expenditure) is accounted for by the salaries and travel expenses of PFTAC’s 7 Suva-based advisors. US\$ 1.6 million (29%) is estimated to be spent on costs of CD delivery by STX. A further US\$ 0.7 million (11%) is estimated to be spent on seminar and work shop costs (mainly travel and accommodation expenses of participants). Headquarters (HQ) delivered CD, backstopping and project management costs is estimated to come to \$US 0.4 million (7%), and evaluation and Steering Committee (SC) costs and

Fig. 3 PFTAC expenditure components in FY2016 (in US\$ millions)



³ The estimate is based on PFTAC data on travel costs for LTX as well as fees and expenses for STX for the financial year up to January 20, and expected costs associated with missions and workshops in the work plan through to end-April. The figure of \$6.2 million for FY2015 is well above the estimate of \$5.6 million presented in last year’s Annual Report, based on information up to early February.

miscellaneous costs are estimated at around US\$ 0.2 million (3%). The remaining US\$0.4 million (7% percent) comprises the trust fund management fee.

32. The main area in which spending exceeded budget projections was with respect to STX costs. (Table 1). As discussed in the 2015 PFTAC Annual Report, the delivery of TA has typically exceeded the amount in the initial work plan for the year by significant margin. Since the budget projection is based on the initial work program, some overshooting of the budget projection was expected, and that is exactly what happened in FY2016, as use of STX in TA delivery was higher than initially planned.

33. The overall financial position of PFTAC appears to be a bit tighter than expected. In the PFTAC Phase IV Program budget revision agreed at the 2015 Steering Committee Meeting, the extension of the Phase IV to October 2016 was based on the assumption that PFTAC spending in FY2015 and through to the end of the Phase IV would average about \$5.8 million per year. In FY2015 and FY2016, however, average spending appears to be coming in somewhat higher, at about \$6.0 million. As a consequence, remaining Phase IV resources are about \$0.2 million less than had been planned at this stage.

Activity	FY 2012 – FY 2016			FY 2015	FY 2016	FY 2016	Difference
	2015	Expenses 2012-16 ^{1,2}	Remaining	Out-turn	Budget Projection	Estimated out-turn ²	
	Revised Program Budget						
Long-term experts	9.80	8.77	1.03	1.98	2.03	2.03	0.00
Short-term experts	5.81	5.27	0.54	1.75	1.10	1.59	0.49
Travel	2.56	2.32	0.24	0.58	0.39	0.46	0.06
Workshops and seminars	2.93	2.40	0.52	0.70	0.77	0.72	-0.05
HQ TA delivery, backstopping & project management	1.77	1.69	0.08	0.50	0.34	0.35	0.01
Evaluation & SC	0.63	0.41	0.22	0.28	0.16	0.03	-0.14
Miscellaneous	0.22	0.23	-0.01	0.04	0.03	0.03	0.00
Total TA Delivery	23.72	21.09	2.63	5.83	4.83	5.21	0.37
Trust fund management (7%)	1.66	1.48	0.18	0.41	0.34	0.36	0.03
Grand Total³	25.38	22.57	2.81	6.23	5.17	5.57	0.40

¹ To April 30, 2016
² Based on IMF data for FY2012-2015 and PFTAC estimates for FY2016
³ Fiji and IMF contributions not included

34. PFTAC will need to husband resources carefully in FY2017. Movements in exchange rates vis-à-vis the US dollar since the revision of the Phase IV budget mean that PFTAC funding is approximately \$0.1 million less than had been assumed. In addition, because there is no bridge financing or buffer facility between funding phases, PFTAC will need to build some margin of protection against unanticipated expenditures near the end of Phase IV. Consequently, we will need to take a cautious approach to planning of missions and workshops in the first half of FY2017. Additionally, some adjustments are likely

to be required to subcomponents of the budget in order to move funding from surplus areas to areas where allocations are insufficient.

35. **The PFTAC Phase IV funding envelope has been finalized at \$25.3 million.** A final contribution by New Zealand in December 2015 – a transfer of remaining funds from PFTAC Phase III – completes the contributions to PFTAC funding in the current Phase (Table 2). The appreciation of the US dollar over the past year or so has meant that the US dollar value of contributions is about \$0.1 million less than anticipated, and this will need to be reflected in the FY2017 budget.

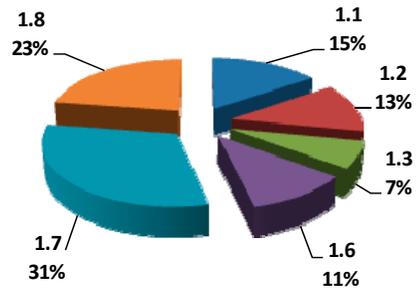
Phase IV - Signed Agreements	Secured (US\$ dollars)	LOU Status	Contribution Currency	Pledge (Contribution Currency)	Contributions Received (US\$)	Balance (US\$)
ADB	1,000,000	<i>signed 7/29/2011</i>	<i>U.S. dollars</i>	1,000,000	1,000,000	-
EU	1,345,339	<i>signed 07/01/2011</i>	<i>Euros</i>	1,000,000	1,345,339	-
New Zealand NZAID	7,052,475	<i>signed 06/16/2011</i>	<i>NZD</i>	8,900,000	7,052,475	-
Australia DFAT	7,500,000	<i>signed 05/25/2011</i>	<i>U.S. dollars</i>	7,500,000	7,500,000	-
Korea	2,181,029	<i>signed 02/15/2012</i>	<i>W (Korean Won)</i>	2,500,000,000	2,181,029	-
EU (ACP)	1,391,400	<i>signed 10/04/2013</i>	<i>Euros</i>	1,000,000	1,391,400	-
EU (2nd LOU)	4,656,781	<i>signed 12/27/2013</i>	<i>Euros</i>	3,500,000	4,656,781	-
Total	25,127,024				25,127,024	0
FAA transfer of remaining funds:						
New Zealand	165,058	<i>Completed 12/2015</i>	<i>U.S. dollars</i>	165,058	165,058	-
Subtotal	165,058					
Grand Total	25,292,082				25,292,082	0

C. Sectoral Achievements in FY2016

Public Financial Management

36. In FY2016, PFTAC carried out 40 country missions (totaling 472 person days) and conducted 4 regional workshops on PFM topics. Of these missions, over half were conducted by the two Suva-based PFM advisors, while the others were conducted by STX or HQ-based staff. In terms of mission days, nearly 2/3 of missions were conducted by STX. The major areas of assistance were with PEFA assessments and Roadmap development (RBM objectives 1.1 & 1.2); strengthening medium-term orientation of budgeting (RBM objective 1.6); improving budget execution and monitoring (RBM objective 1.7); and budget accounting, recording and reporting (RBM objective 1.8). The major users of CD in the PFM area were PNG, Samoa, and Vanuatu.

Fig. 4: 2016 PFM missions: Distribution of mission days by RBM objectives (in percent; RBM codes in Annex III)



37. In accordance with the PFTAC program objectives (Annex III), the work of the PFM advisors continued to be concentrated in four general categories:

- Support for PEFA⁴ assessments and PFM Roadmaps;
- Assistance with fiscal strategy and budget management;
- Assistance with budget execution, monitoring, and accountability;
- Training to promote long-term PFM system sustainability and inclusiveness.

PEFA and PFM Roadmap support

38. **PEFA assessments and PFM Roadmaps:** As in previous years, a key focus of PFTAC TA has been to support PEFA assessments across the region (RBM objective 1.1) and assist in the development of PFM Reform Roadmaps (RBM objective 1.2). Our approach to both PEFAs and PFM Roadmaps continued to emphasize greater participation of country officials in order to promote more country ownership of the products. PFTAC's work on PEFAs and Roadmaps during the year was concentrated on PNG (finalizing the external assessment and assisting with the preparation of a Reform Roadmap), Vanuatu (assisting officials to conduct a self-assessment as a prelude to beginning roadmap development), and Tuvalu (in coordination with Australia's Assessment of National Systems, assisting officials to conduct a self-assessment to inform roadmap updates). The PNG Government endorsed the Roadmap in September. It placed highest priority on expanding the coverage of its new Integrated Financial Management System (IFMS) and improving cash management. During the February-April period PEFA self-assessments have been tentatively scheduled for Nauru (in coordination with DFAT's

⁴ PEFA: Public Expenditure and Financial Accountability

Assessment of National Systems) and Kiribati; and follow-up discussions are planned with FSM and RMI on possible PFTAC TA to implement their Roadmaps. In September PFTAC also participated in a joint case study development with the World Bank, ADB, and DFAT to review strengths and weaknesses of approaches to PFM reforms. Progress on PEFA and Roadmaps is summarized in Box 1:

Box 1: PEFA Assessments and PFM Roadmaps in Pacific Island Countries								
	PEFA Activities in the PFTAC Region					PFM Roadmap Activities		
	Most Recent External	PEFA Support	Number External PEFA's	PFTAC-Guided Self-Assessment	Planned PEFA's	Most Recent Roadmap	Roadmap Development Support	Planned Roadmap Dev Efforts
Cook Islands	2014	PFTAC	2	2013	-	2011	Self	-
FSM	2012	PFTAC	1	2012	-	In process	PFTAC	-
Fiji	2012	PFTAC	2	2012	-	In process	PFTAC	-
Kiribati	2009	EU	1	-	Self: FY16	2011	EU	-
Nauru	2010	ADB	1	-	Self: FY16	Revised 2014	ADB/ PFTAC	-
Niue	2011	PFTAC	1	-	-	Revised 2014	PFTAC	-
Palau	-	-	0	2013	-	-	-	-
PNG	2015	PFTAC/IMF-HQ	1	2014-15	-	2015	PFTAC/IMF-HQ	-
RMI	2012	PFTAC	1	2012	-	2013	PFTAC	-
Samoa	2013	PFTAC	3	2013	-	2014	Self	-
Solomon Islands	2012	EU ^{1/}	2	2012	-	2014	PFTAC	-
Timor-Leste	2010	-	2	-	-	-	-	-
Tokelau	-	-	0	2014-partial	Self/Ext: FY17	-	-	-
Tonga	2010	AusAid	2	2014	-	2014	PFTAC	-
Tuvalu	2011	ADB	2	2015	-	2012	PFTAC	-
Vanuatu	2012	EU	2	2015	-	-	-	PFTAC-FY17

1/ PFTAC assisted a Self-Assessment and served on the PEFA Oversight Committee

39. **PFM legal frameworks:** Having a comprehensive law clearly laying out basic PFM principles and identifying both Finance Ministry and Line Ministry responsibilities for implementing disciplined PFM is essential. Equally important is the need for updated PFM regulations or financial instructions specifying required steps for various types of financial transactions, as well as budget preparation and review processes, and accounting and financial reporting requirements. Work in this area during FY2016 included:

- Technical assistance to the Cook Islands to review and revise their Financial Management Act (FMA);

- A workshop (jointly sponsored with SPC) on fiscal and tax matters that should be considered in drafting legislation relating to deep sea minerals;

Fiscal strategy and budget management

40. Integrated medium-term planning and budgeting frameworks. PFTAC places a high priority on improving budget preparation with particular emphasis on better integration of policy/project planning and budgeting within a medium-term framework (RBM objectives 1.4-1.6). While some PICs have shown small gains on the PEFA indicator focused on a multi-year, policy focused perspective in fiscal planning and budgeting, this aspect of PFM in the PICs still is among the weakest of the PFM components assessed by the PEFA. To assist members with building their capabilities in this area, in FY2016 PFTAC's PFM advisors:

- Continued periodic short consultations with the [Fiji](#) Budget Department on the new budget format adopted last year. The 2016 Fiji budget sustains the addition of policy-focused explanatory narrative at the program/activity level, and a clearer display of changes in funding levels, including for the medium-term.
- Conducted a workshop (with the IMF) focused on PFM Fiscal Frameworks. It explored several aspects of macro-economic forecasting, medium-term fiscal planning, and building buffers to reduce vulnerability to unexpected events. Most PICS participated along with several donor partners.
- Conducted a workshop on Medium-term Expenditure Planning for National Sustainable Development (in coordination with PFTAC's Macroeconomics Advisor and UNESCAP). The workshop emphasized the importance of:
 - Maintenance by Cabinets of a disciplined fiscal note process for all policy changes/projects being considered;
 - Budget departments keeping track of expenditure "tails" on policies/projects already approved in the past by Cabinets/Parliaments
 - Paying closer attention to the effect of demographic flows on costs of providing significant public services; and
 - Building adequate fiscal buffers for debt service, asset repair/replacement, and response to natural disasters
- Reviewed social security/pension issues. Any discussion of medium (or longer) term budgeting and planning cannot ignore addressing social security and pension matters. Because of their long-term nature, social security and pension programs must be very carefully developed and managed. During FY2016, PFTAC (in cooperation with the IMF HQ's Expenditure Policy Division) provided TA to the Fiji National Provident Fund to evaluate changes made since 2006. In the March-April 2016 period a sub-regional workshop is planned for [FSM](#), [Palau](#) and [RMI](#), to examine sustainability of their existing defined benefit social security systems

41. Fiscal Oversight of State-Owned Enterprises (SOEs): SOEs have created fiscal problems in many PICs. Because of emerging demands from PICs, PFTAC TA in this area was started in FY2016. The first country to request was [Samoa](#), and a mission was conducted in September 2015 in time for the

establishment of a new Ministry of Public Enterprises (MPE). MPE and MOF adopted the mission's recommendations which mainly cover: (i) improving fiscal risks management by developing a risk assessment framework; (ii) enhancing fiscal transparency by reporting all transfers from central government and between SOEs, as well as full accounting of community service obligations (CSO); and (iii) strengthening accountability by clarifying in the Statement of Corporate Objectives the financial expectations, and reporting accountabilities of SOE Boards. MPE has incorporated these recommendations in its work plan for 2016, and started improving the guidelines for corporate planning and reporting by SOEs. It is expected that in 2016 the annual MPE report to the Cabinet will include information on transfers from central government and between SOEs, outstanding CSO costs, loan guarantees, and other fiscal risks.

42. Non-Tax Revenue (NTR) Reviews: Work conducted jointly by PFTAC and the Australian Department of Finance in 2013 to review Samoa's non-tax revenues has generated interest by other PICs. For the last two years from 2012/13 to 2014/15, Samoa was able to increase its NTR by at least 18 percent annually. Other countries where PFTAC assistance in this area was provided earlier and is in process include Fiji, PNG, Solomon Islands, and Vanuatu. NTR reviews should occur annually as part of budget officers' standard review of agency budgets. Upcoming training will emphasize this as one of many different types of issues that analysts should consider as they carry out such reviews. Further work in this area was moved to FY2017 due to priority changes at the country level.

Budget execution, monitoring, and accountability

43. Budget Execution. PEFA assessments reveal that in general, PIC performance in several areas of budget execution remains weak. In FY2016, PFTAC has provided tailored TA to strengthen capacity in four main areas:

- **Budget execution controls.** Financial Management Information Systems (FMIS) are useful tools to strengthen internal control in treasury processes, but can be very costly to set up. Donor partners and PICs themselves have requested assistance from PFTAC to evaluate systems and recommend strategies for moving forward. In FY2016, TA support for this was provided to PNG and Tonga.
- **Cash management.** Cash planning and lack of access to short-term financing remain important issues in the region. Temporary, within-year mismatches in revenue and expenditure tend to disrupt orderly execution of the budget, leading to poor service delivery, cash rationing, and/or (temporary) accumulation of arrears. Specific assistance in this area was provided to PNG and Samoa in FY2016 to analyze the sources of its cash management difficulties and to propose solutions.
- **Transparency.** Demand for greater transparency in reporting has prompted PICs to generate additional information and integrate this into their financial reporting. TA in adopting international public sector accounting standards (IPSAS) was provided to Fiji, and similar TA is ongoing for Tonga and Samoa.

44. IFMIS Design/Management: Starting in May 2014 PNG has received technical assistance from a PFTAC short-term advisor to restructure the operation of its Integrated Financial Management System (IFMS). Assistance continued during FY2016. The TA has enabled expansion of the system to

22⁵ departments (compared to the 3 connected when assistance commenced last year) with 2 additional departments currently scheduled to come on line by the end of December 2016, and discussions are under way with 21 additional agencies with a view to 2016 roll-outs. PFTAC is also assisting [Tonga](#) with IFMIS enhancement. The IFMIS Project in Tonga has a broader scope that includes both software and non-software issues. Tonga recently created an IFMIS Steering Committee within the Ministry of Finance to oversee and coordinate IFMIS reforms. It has adopted the PFTAC recommendation to give priority to improve the accounting framework and Chart of Accounts, while evaluating options on the software.

45. Cash management: This TA program covers the improvement of cash balances consolidation, banking arrangements, payment and collection procedures, cash flow planning and forecasting, cash allocation, and cash monitoring. During FY2016 both [PNG](#) and [Samoa](#) requested assistance. Work in [PNG](#) resulted in the adoption of an improved cash management strategy and the development of standard procedures on bank reconciliation, creation of a Cash Management Unit (CMU), and coordinated planning among the Department of Finance, Department of Treasury, Internal Revenue Commission, and Bank of PNG for the adoption of a cash pooling/sweeping scheme. Timelier bank reconciliation and inflow of cash resources is expected upon implementation of this scheme. In [Samoa](#), 50 participants from Ministry of Finance (MOF) and line ministries attended a seminar on good cash management practices in November 2015; Cash Management Unit staff were trained on using a liquidity model template for cash forecasting; and proposed strategy was adopted by the MOF to improve cash reporting, forecasting, and consolidation of cash balances.

46. Accounting and Reporting: TA in this area includes review of accounting policies, chart of accounts, reconciliation procedures, consolidation, and transparency of reporting. Major efforts included TA to [Fiji](#) in implementing its accounting reform, and a joint accounting and auditing workshop conducted in cooperation with PASAI. In early 2016, PFTAC will provide TA to [Tonga](#) and [Samoa](#), by assessing the gaps of existing practices vis-à-vis international standards, and formulating a clear transition plan.

47. In Fiji, progress has been consistent in implementing accounting reform, starting from its 2013 financial statements. The latest audited (2014) financial statements have become largely IPSAS compliant on a cash basis. A new debt accounting and reporting policy is now being implemented to further improve the accuracy, relevance, and transparency of public debt information. Assistance to Fiji is expected to continue in improving its accounting and reporting policies, as part of its transition to accrual accounting.

48. The joint PFTAC-PASAI workshop on IPSAS on November 23-27, 2015 brought together government accountants and auditors from [Fiji](#), [Cook Islands](#), [Marshall Islands](#), [Papua New Guinea](#), [Samoa](#), [Solomon Islands](#), and [Tonga](#). The main benefits from the workshop as indicated in the participants' evaluation were: (i) better understanding of the relevance and linkages of IPSAS to PFM performance, (ii) clearer guidelines and models on proper planning and sequencing of reforms; and (iii) for the first time, exchange of experiences and a joint planning of accounting and auditing reforms by government accountants and auditors. They came up with a common objective with a harmonized reform strategy for the medium term. The unifying objective in all countries was to improve the quality of

⁵ Based on update as of December 8, 2015

financial reporting through adoption of IPSAS. The workshop enlightened both accountants and auditors on the requirements, and challenges of adopting IPSAS, thus levelling expectations. A similar presentation was made to a wider audience of government accountants and auditors in [Fiji](#) and [Tonga](#).

49. As a first step, the participating accountants and auditors planned to continue a joint discussion of a clear way forward to implement accounting and auditing reforms such as raising awareness and appreciation among key stakeholders of the benefits, implications, and requirements in adopting IPSAS. In FY2017 a similar workshop will be proposed for accountants and auditors from the rest of the Pacific Island countries.

50. Internal Audit: TA on internal audit focuses on improving capacity in conducting risk-based audits. TA during FY2016 was concentrated on [Vanuatu](#). Work with Vanuatu started in FY2015 with training to the staff on international standards, and in using the Teammate software for audit planning and monitoring. This led to some improvements of the internal audit (IA) function as indicated by an improved rating in the June 2015 PEFA self-assessment (from D+ to C+). The number of internal audits has increased and audit reports have been issued more regularly and there has been slight improvement in the management responses to internal audit recommendations. A follow-up mission was conducted in October FY2016 to further train the IA Unit in risk-based auditing focusing on payroll, and using the advanced modules of the TeamMate software. As a result, the IA Unit has improved its Audit Plan and Risk Assessment Framework, and staff have improved their work efficiency by using the software.

Workshops and Seminars

51. PFTAC PFM advisors are involved in regional workshops and seminars. These were discussed in the topical sections above, but are highlighted again in this section for readers who want a comprehensive overview of regional activities:

- A workshop on PFM Fiscal Frameworks (with the IMF).⁶ It explored several aspects of macro-economic forecasting, medium-term fiscal planning, and building buffers to reduce vulnerability to unexpected events. Most PICS participated along with several donor partners.
- In August PFTAC collaborated with the Secretariat of the Pacific Community (SPC) to host a workshop on fiscal issues related to managing revenues from Deep Sea Mineral mining. A Fiscal Framework document on these issues is expected to be published jointly in the next few months.
- A workshop on Medium-term Expenditure Planning for National Sustainable Development was held in Nadi in early November, jointly coordinated by PFTAC's PFM and Macroeconomics advisors, and UNESCAP. Participants included representatives from budget

⁶ The workshop was funded by the Australian government, jointly hosted by the IMF and the Fijian government, and included staff from PFTAC, the IMF's Asia and Pacific and Fiscal Affairs Departments, and the Institute for Capacity Development.

and planning departments in countries on financial years other than calendar years (CY)⁷. The workshop will be repeated in February for countries with calendar year financial years. Topics covered included:

- Cost pressures from demographic movements;
 - Developing and maintaining disciplined fiscal note review processes on all new policy or project proposals being considered by Cabinets;
 - Keeping track of cost tails on previously adopted policies or projects requiring a multi-year phase-up;
 - Improving the integration of planning and budgeting to insure future fiscal space for developing quality spending;
 - Estimating fiscal buffers for managing debt service payments, asset repair/replacement, and response to natural disasters.
- A joint PFTAC-PASAI workshop for government accountants and auditors to enhance capacity and better coordination in planning and implementing accounting and auditing reforms. Participants included accountants and auditors from Fiji, Cook Islands, PNG, RMI, Samoa, Solomon Islands, and Tonga.
 - A sub-regional workshop on defined benefit social security systems is planned in March-April 2016 for FSM, RMI, and Palau. It will focus on issues related to both benefit policies and achieving sustainable financing.

52. Successful PFM Reform requires high level political support. It is not just a technical matter, and it most certainly is not just a Finance Ministry issue. Two years ago PFTAC started a “High Level Dialogue” (HLD) project aimed at improving Line Secretary, Cabinet Members, and Parliamentarians’ appreciation for PFM Reforms and their role in those reforms. From 2014-15, two HLDs were conducted in Solomon Islands to promote political support to the PFM Reforms. Additional HLDs have been requested by PIC officials as part of their orientation plans for newly elected Cabinet members and Parliamentarians. In January 2016, one PFM Advisor and one PFTAC STX participated in a PASAI/DFAT-initiated workshop for the Tonga Public Accounts Committee (PAC). The workshop discussed the role of the Committee in the scrutiny of the budget and the accounts, good practices in the Pacific, fundamental issues on the budget and the accounts, and possible measures of improving the effectiveness of legislative scrutiny. The workshop led to important resolutions of the PAC, one of which is to review the Committee’s composition and functions. A follow-up workshop was requested through PASAI to develop Parliamentarians’ capacity on budget review.

53. Broader capacity development included training through regional institutions and processes:

- PFTAC continued active partnering with the University of the South Pacific (USP) and the Pacific Islands Centre for Public Administration (PICPA) on sustainable training for PFM professionals in the region. Discussions with PICPA on developing/implementing training have

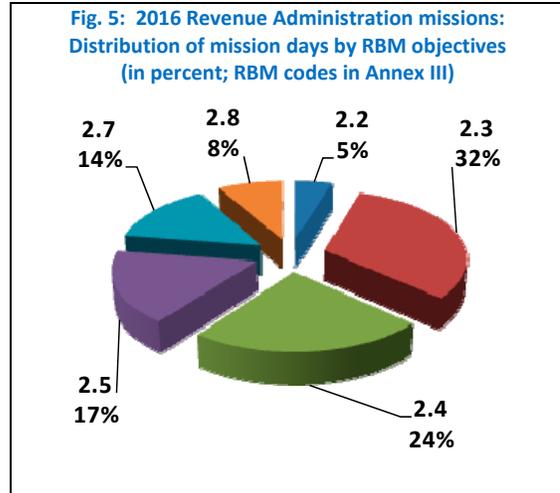
⁷ This selection was done in order to avoid taking officials on calendar year financial years away from their budget preparation activities; and also to keep the discussion groups to a more comfortably interactive size.

focused primarily on procurement, training for budget analysts (including procedures for regular reviews of non-tax revenues), and accounting

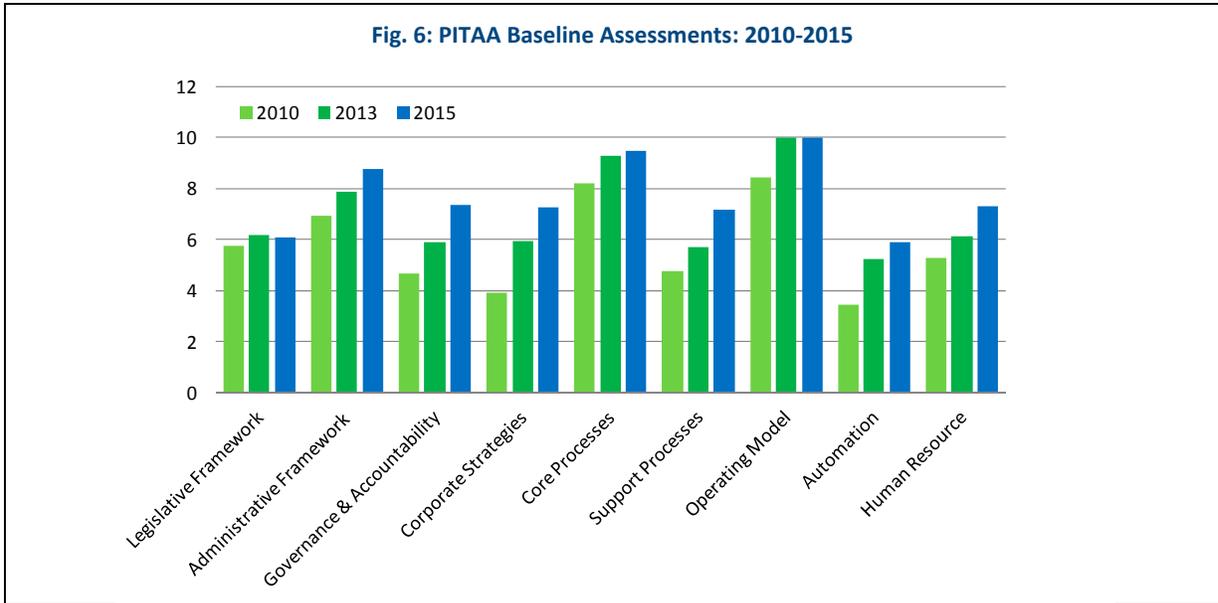
- Participation in a PIFS coordinated efforts to get greater donor harmonization of approaches to integrating PIC planning, budgeting and aid management.

Revenue Policy and Administration

54. In FY2016, PFTAC carried out 36 missions (totaling 425 person days) and conducted 10 regional workshops on revenue policy and administration issues. Of these missions, 61 percent (and 76 percent of mission days) were conducted by STX and HQ-based staff, with the rest conducted by the Suva-based revenue advisor. As with the PFM area, workshops generally involved both the resident advisor and STX. The major areas of work involved strengthening capacities for verifying and maintaining taxpayer information and compliance obligations (RBM objective 2.3); assisting with implementation of risk-management principles (RBM objective 2.4); and improving tax compliance strategies (RBM objective 2.5). The principal users of revenue administration CD included Fiji, Kiribati, Tonga, and FSM.



55. The PFTAC Baseline Assessment, a qualitative tool developed by PFTAC in 2010 as a tool for PIC tax administrations to assess the operational capacity of their tax administrations against a regional benchmark for tax administration shows that most tax administrations have made considerable progress. The assessment, based on nine core components of tax administration, is self-assessed and provides stakeholders with an important perspective of how tax administrations view their progress and areas where additional work is needed. The Baseline Assessment model will run concurrently with the IMF’s newly developed Tax Administration Diagnostic Assessment Tool (TADAT), which assesses against international good practice in tax administration. The TADAT, over the next few years will gradually replace the Baseline Assessment. Figure 6 below reflects findings from the most recent regional Baseline Assessment carried out in September 2015.



Source: PITAA

56. **Good progress was made during FY2016 where PICs made additional progress in the adoption of modern policy and legal frameworks.** Box 2 provides an overview.

Box 2. Adoption of Modern Tax Policy and Legal Frameworks (RBM 2.1 and 2.2)

Fiji

- New Income Tax Act enacted in November 2016.

Nauru

- Employment and Services Tax Act and Revenue Administration Act enacted. Business and presumptive tax legislation drafted (implementation targeted July 1, 2016).

Papua New Guinea

- Extensive Tax Policy and Legal Review currently underway.

Samoa

- Income Tax Act and Tax Administration Act redrafted. VAGST legislation reviewed and legislation for a presumptive tax drafted and enacted.

Solomon Islands

- New policy and legislation for mining developed and enacted.

Tonga

- Tax Policy for small business developed and enacted. Deep Sea Mining legislation developed and enacted.

Vanuatu

- Review of VAT and Property Tax Legislation undertaken.

57. **The largest proportion of PFTAC CD in FY2016 (42 percent) was geared towards assisting PICs improve their core tax functions.** Due to the fact that most PICs have made progress implementing strong policy and legal frameworks, the emphasis of CD shifted to improving core tax functions in line with modern revenue administration. This included on the ground technical assistance to identify key weaknesses in core business functions that often contribute to low levels of taxpayer compliance. Initiatives included strengthening audit, arrears and returns management and introducing a more

proactive taxpayer services approach to help taxpayers comply with their tax obligations. These activities were further supported by PFTAC's training plan which raised the importance of becoming more performance focused to meet taxpayer expectations. Box 3 highlights achievements in this area.

Box 3: PFTAC assistance in improving Core Tax Functions

Fiji

- Improved audit capability through the creation of a new Audit Planning and Risk Management Unit.
- A new risk based audit plan, auditor time tracking and quality assurance program.
- Development of key risk filters to streamline risk management and a 3 year comparative analysis auditors' toolkit and financial ratio's to test compliance across key industry sectors.
- New business processes to streamline debt and returns management.
- A plan to improve core tax functions (linked to an overall compliance improvement strategy).

FSM

- A new taxpayer services unit.
- A plan to improve audit, collection of arrears and returns management (linked to an overall compliance improvement strategy).

Kiribati

- Implementation of a new function based structure including a taxpayer services unit.

Palau

- Strengthened management of core tax functions by introducing a new function based organizational structure.

Samoa

- A full review of the arrears and returns filing functions and the development of a strategy to improve performance.

Tonga

- A review of the current structure and recommendations to move towards a more functional approach.

Vanuatu

- A plan to improve core tax function performance (linked to an overall compliance improvement strategy).

58. A core PFTAC deliverable in FY2016 included improving operational performance and voluntary compliance through the adoption of risk-based compliance improvement strategies (CIS). This approach provides a framework for how the agency intends to respond to the most significant tax risks. Most countries in the region have invested very little effort in this area whilst some are maturing in both the application and the development of targeted risk treatments. The importance of this issue, and acknowledging that improving compliance is a long term effort, is accepted by tax administrations that have benefited from PFTAC technical assistance and training provided in this area. Box 4 provides highlights from FY2016.

Box 4: Implementation of Risk-Based Compliance Improvement Strategies (CIS)

Fiji

- The FRCA 2016 CIS outlines two administration areas (taxpayer services and trade facilitation) and six taxpayer segments (large, medium, small, construction, real estate and supermarkets) for close attention.

FSM

- Three high risks (fuel, tobacco and alcohol) were identified and incorporated into a Compliance Improvement Strategy which has generated good results.

Samoa

- The plan includes strategies to enhance risk management capability, strengthen the Ministry's understanding of risk to revenue, improving the understanding of obligations for businesses, industries, agents for tax and customs, increasing on-time filing and the reduction of tax arrears.

Tonga

- Two pilot projects provided a practical basis for analyzing compliance behavior. These projects (consumption tax refunds and medium retailers) are to be expanded into a more comprehensive compliance improvement strategy during 2016.

Vanuatu

- The plan includes a renewed audit focus on high risk taxpayers, a plan to reduce current debt and outstanding return levels. An Industry Partnership approach has been designed to improve compliance in the Shipping Industry, Wholesale and Retail and Tourism Industry.

59. Creating an understanding of the Compliance Risk Management approach, a key prerequisite of introducing a CIS, has been achieved through numerous workshops which have provided PICs with an understanding of the theory and practice behind the OECD's Compliance Risk Management Cycle. To further support the process PFTAC facilitated a workshop for PICs which highlighted the important linkages between a CIS, data analysis, performance management and measurement. Modern compliance management represents a new way of work for PICs and will take time to fully implement – nevertheless good progress has been made in setting up institutional arrangements to support the process which is summarized in Box 5 below.

Box 5: Structural and governance arrangements to facilitate a Risk Management Approach

Fiji

- A new Audit and Risk Management Unit designed and implemented;
- A Compliance Council to guide implementation of the CIS and to ensure that initiatives are successfully delivered according to objectives and expected outcomes;
- IT support to monitor newly developed performance standards linked to the CIS.

FSM

- A framework to measure and monitor impacts of the new risk based CIS which includes monthly reporting.

Samoa

- A Compliance Risk Management Committee established to provide strategic leadership, direction and governance over the management of risks and plan implementation.

Tonga

- The creation of a dedicated Risk Management Unit.

Vanuatu

- A Risk Management Team to facilitate the introduction of a CIS;
- A "dashboard" management system to monitor newly developed performance standards.

60. PFTAC assisted a number of PICs modernize their operating structures to facilitate streamlined revenue administration and more effective use of resources. Most PICs have recognized that their organizational and staffing arrangements still suffer from a number of shortcomings. Often, functions need to be further developed and aligned to modern revenue administration. Box 6 provides an overview of the good progress currently being made in this area.

Box 6: Improving Organizational and Operating Structures

Fiji

- Improved the current structure by incorporating an Audit Planning and Risk Management Unit.
- Arrears and returns collection functions strengthened.

FSM

- Modernization Team and Steering Committee appointed to oversee reforms.
- A new dedicated taxpayer services unit established.

Kiribati

- A new function-based organizational structure was designed and presented to the Inland Revenue Board who accepted the proposals. PFTAC further assisted in the design of new position descriptions and provided training relating to new roles and responsibilities.

Palau

- A new function-based organizational structure implemented and supported by new job descriptions.

61. **The importance of strategic planning as a management tool to guide revenue administration and to ensure the effective utilization of resources has been extensively promoted by PFTAC.** Because PICs operate in varied environments, face different challenges and have different visions for the future, PFTAC encourages even the smallest countries to document the future vision and aspirations of their organizations. Box 7 provides an update of activities in this area.

Box 7: Development of Strategic and Operational Plans for PICs

Fiji, FSM, Samoa, Tonga and Vanuatu

- Operational planning has been significantly strengthened through the adoption of Compliance Improvement Strategies, the design of which was facilitated by PFTAC.

Palau

- A Strategic Plan with the following strategic outcomes:
 - Raising revenue collections by improving the level of voluntary compliance by addressing the risks to compliance through assistance and enforcement interventions making it easier for taxpayers to comply and harder not to.
- A business plan which incorporates the following key elements:
 - Modernized legislation, improved risk management and the development of a compliance improvement strategy, migration to a new IT system, the development of standard operating procedures and working in partnership with key stakeholders.

RMI

- A Strategic Plan designed with two core strategic objectives:
 - Promote voluntary compliance;
 - Improve internal processes to sharpen compliance management.
- An Operational plan designed with a focus on:
 - Improving the collection of tax arrears and outstanding returns;
 - Improving the audit function;
 - Implementing Customs reforms.

62. **PFTAC has provided substantial support in elevating the Pacific Island Tax Administration Association (PITAA) to a recognized training institution.** After 10 years of nurturing and development PITAA, over the last year, has taken its biggest steps towards independence by appointing staff to the

secretariat, formalizing the constitution and collecting annual subscriptions from members. PFTAC has funded numerous training programs and conferences and facilitated regional knowledge sharing from which PICs have benefited. This included addressing the need to improve management capability - a key issue identified in the PFTAC/PITAA training needs analysis conducted in June 2014. Box 8 provides an overview of PFTAC/PITAA training activities conducted during FY2016.

Box 8: PFTAC/PITAA Regional Training Activities FY2016

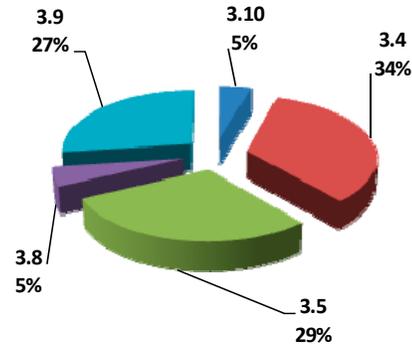
- **Taxpayer Services:** The main purpose of this regional activity was to provide management and key staff involved in the taxpayer services function with a comprehensive overview of modern taxpayer services management. This training also included a train-of-trainer program which will facilitate the handover of this training module to PITAA.
- **Audit:** This management workshop, the first of its kind in the Pacific highlighted the formal planning processes which need to be instituted at a strategic, operational, and case level and the importance of linking the audit function to an overall taxpayer compliance improvement strategy. Two nominated PITAA officials participated in a train-of-trainer program and have developed sufficient skills to co-present at the next workshop.
- **Arrears and Returns management:** These workshops assisted PICs in developing strategies to improve on-time filing, on-time payment and methods to keep tax arrears at acceptable levels.
- **Compliance Risk Management:** This activity was designed to assist countries in acquiring skills to develop Compliance Improvement Strategies by using structured and disciplined approaches in line with the OECD Risk Management Cycle.
- **Performance Management:** This workshop provided PICs with an in-depth understanding of data usage and performance measurement in modern tax administration.
- **Revenue Forecasting and Compliance Management:** This workshop provided participants with an in-depth insight into how to improve tax compliance, manage tax risks, how to improve data collection, data quality, data matching and data sharing and the impacts on revenue forecasting.
- **2015 PITAA Annual Heads Meeting:** The theme of this year's annual meeting was "Modernizing Tax Administration in the Region". The first day of the meeting focused on the development of PITAA as an organization whilst the last two days focused on topical regional issues.

63. **The IMF's Revenue Administration Fiscal Information Tool (RAFIT) is increasingly being recognized by PICs as an important management information source for PIC's.** Over the last year PICs have been encouraged to use the IMF's RAFIT, a data-gathering initiative designed to collect tax and customs information. The data gathered includes both quantitative and qualitative information and encompasses a mixture of tax administration baseline and profile data, inputs, and performance related data. To date eight countries have completed Round 1 and analysis has been made available. PICs that have not yet completed the RAFIT have been requested to do so to ensure they obtain full benefits of PFTAC's technical assistance.

Financial Sector Supervision

64. In FY2016, PFTAC's delivery of CD in the area of financial sector supervision rose sharply, with 28 missions (totaling 361 person days) and participation in 6 regional workshops and meetings. The increase in activity mainly reflected increased use of STX to deliver CD. As a result, the share of missions and mission days accounted for by the resident advisor fell to a little over half of the total. The major areas in which assistance was provided with CD related to strengthening on-site supervision (RBM objective 3.4); development of standardized examination reports (RBM objective 3.5); and development of legal and supervisory frameworks for credit unions (RBM objective 3.9). Major users of CD in these areas were Samoa, Timor-Leste, Vanuatu, and Tonga.

Fig. 7: 2016 Financial Sector Supervision missions: Distribution of mission days by RBM objectives (in percent; RBM codes in Annex III)



65. The primary focus of CD in the financial sector continues to be the strengthening of prudential supervision of banks in member countries. The main elements of the strategy to achieve this include:

- Assisting member countries with development or revision of central bank and financial supervision legislation;
- Assistance with development of financial returns and reporting forms for use in monitoring of supervised banks;
- Training in on-site bank supervision with actual support during the execution of an examination, including report writing;
- Building sector capacity with the oversight of credit unions including standardized reporting and the introduction of modern legislation;
- Providing advanced technical support with the supervision of banking conglomerates;
- Provide secretariat and technical training to members of the Association of Financial Supervisors of Pacific Countries (AFSPC).

66. In FY2016, Technical Assistance concentrated on strengthening on-site bank examination. With regular bank reporting established, and standard financial indicators now available, the next challenge was to ensure effective use of this information in bank oversight through an on-site banking examination program. Strengthening performance in this area required the establishment of a program that would provide each country with direct support with its on-site examination program. (RBM 3.4, 3.5):

- **The Northern Pacific region and Timor-Leste were provided with a workshop on effective on-site examination preparedness:** PFTAC secured the services of a STX who develop a program designed to prepare examiners for the execution of an on-site examination which included the off-site analysis of commercial banks in order to establish risk and priorities. The workshop enabled participants to scope and make plans for their upcoming examination by establishing selection parameters based on data acquired during an off-site review of the financial performance of their banks. This activity culminated in the selection of a candidate bank for

examination, which resulted in the drafting of an engagement letter and the selection of team members and allocating tasks. Participants left our workshops with a better understanding of the complexity of the risk assessment and on-site examination process and are now adequately prepared for the responsibilities placed upon them to actually perform an examination and report its findings.

- **FSM, Palau, Timor-Leste, Tonga, and Samoa, conducted examinations of selected commercial banks with training and support provided by PFTAC STX.** Supervisors and examiners were provided with a short workshop on a topic relevant to the upcoming examination prior to physically entering the bank. With the support of the expert and the training received during the preparedness program, the examiners were able to perform the task at hand and review the books and records of the bank, as well as, the loan portfolio. This activity resulted in the production of an examination report which was presented to the bank's management during the exit interview and subsequently formally submitted for comments and corrective actions.
- **PFTAC provided technical assistance to the Bank of Papua New Guinea (BPNG) with developing and delivering a workshop on Consolidated Supervision of Conglomerates.** This event was designed to support the bank with its supervision and examination of the Bank of South Pacific. As a result of participating at this workshop it is expected that supervisors are able to adequately review the operations of the Bank of South Pacific and affiliates to ascertain sound business and financial practices are adhered to.

67. The second major area of PFTAC activity during FY2016 was in strengthening frameworks for operation and supervision of credit unions (RBM objectives 3.8, 3.9). Credit unions have the potential to play a very important role in the financial institution network of Pacific Island Countries. In a region where there is only limited competition among banks, credit unions have the potential to offer healthy competition in the provision of financial services to the public, leading to improved efficiencies and stronger financial systems. In addition, credit unions can provide access to finance—both lending and savings—for groups that may not be well-served by banks, including women and people living in rural areas.

68. PFTAC's efforts with regard to credit unions in FY2016 have mainly focused on strengthening legislative and regulatory frameworks. The principal activities have included:

- A workshop organized by PFTAC and hosted by the [Reserve Bank of Fiji](#) was held in October. The event included representatives from the Attorney General's office, the Ministry of Finance, the Registrar of Credit Unions and members of the Reserve Bank's Supervision Department with the IMF Legal Department (LEG) and PFTAC moderating the sessions. A sample Credit Union Act was introduced by the LEG representative who provided a base for deliberating on the key components of what an Act should contain. This exercise resulted in the compilation of a Credit Union Act that is compliant with international standards while respondent to local requirements. The Reserve Bank will lead the group through the next phase of the legislative process, with the support of the Attorney General's office.
- Following the successful Fiji example, PFTAC hosted a regional workshop on drafting Credit Union Acts for [Tonga](#), [Samoa](#), [Solomon Islands](#), and [Vanuatu](#). With the lead from LEG, representatives from those countries gathered in Fiji to work on developing amendments to or new Credit Union

Acts for their respective jurisdictions. With the support of PFTAC's team of experts, the group clarified why credit unions need to be treated differently than banks. They eventually established the level of amendments required to upgrade their current law to international standards or recognized the need to simply repeal the existing legislation and replace it with a new Act.

69. While the legal reform was moving forward, PFTAC worked with the Banking Supervision Department of a number of countries to execute a series of workshops on strengthening credit union accounting and financial reporting capacity. The aim of those workshops was to review each financial statement and adjust them, as required, to establish the level of compliance a credit union would have against the requirements outlined in the proposed Credit Union Act. This review was performed in [Fiji](#), [Micronesia](#), [Palau](#), [Samoa](#), and [Solomon Islands](#). The result indicated that more than three quarters of credit unions surveyed would be compliant with the requirements of a Credit Union Act, enacted based on current international standards. Twenty percent would be compliant given a few years to achieve the minimum required base while 5 percent would not be able to continue operating, mostly due to their very small membership base. The balance of the region will be performing this task in 2017.

70. PFTAC provided legal support to the National Reserve Bank of Tonga (NRBT) with its revision of existing and the drafting of new sets of bank Prudential Returns and Regulations. The Reserve Bank had received technical assistance from LEG with the amendments of its banking and financial institutions Act which prompted the need to revise its set of Prudential Statements to be in keeping with the amendments. The existing documents were reviewed and recommendations were provided to the Reserve Bank. The Reserve Bank further took this opportunity to seek assistance with the drafting of an Operational Risk Regulation.

71. PFTAC is also assisting Tuvalu with establishing bank reporting and a supervisory capacity for its banks. Although legislation for establishing a Banking Commission has been enacted, some modifications were needed to facilitate implementation of supervision. LEG provided options which were presented to the Minister of Finance for consideration. PFTAC has also assisted with developing a draft prudential return that was successfully tested with the Tuvalu National Bank. Additional missions will be forthcoming to introduce banking sector oversight options and to assist the authorities with the implementation of prudential returns and off-site supervision protocols. (RBM 3.1, 3.8)

72. PFTAC participated in a number of regional events on financial sector supervision issues. In addition to the workshops noted earlier in the context of TA and training, PFTAC participated in:

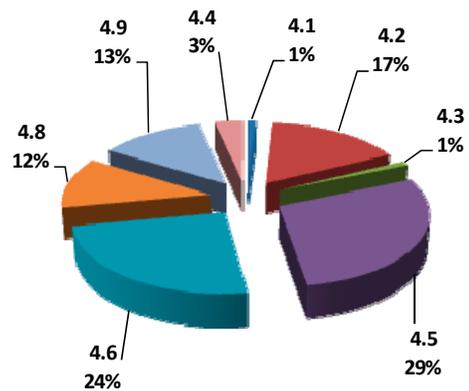
- The Annual Meeting of the AFSPC, hosted by the Central Bank of Solomon Islands, in August 2015. In addition to the regular overview and discussion of supervisory developments and issues, the meetings included:
 - A two day workshop was held on the theme of “[How to examine bank board's performance and good governance.](#)” Under the leadership of an expert provided by PFTAC the group focused its discussions and simulations on Basel core principle 14, the revised Corporate Governance Principles and Organization for Economic Cooperation and Development (OECD) standards. Participants considered typical governance structures, scalability and ways to evaluate the effectiveness of governance including best practices and regional experience was shared by all.

- A second workshop saw the introduction, by the IMF, of a new [Technical Assistance Needs Assessment Questionnaire](#). The completion of the questionnaire will help in the evaluation of technical assistance needs for financial sector. Participants were guided through the design features of the questionnaire, its purpose and applications. They were invited to provide input and discuss some of the parameters. The day culminated with an agreement that the final draft will be completed and circulated to all members for completion. A follow-up session is planned for the 2016 annual meeting.
- The Pacific Credit Union Congress held its annual conference in Fiji and PFTAC was invited to present two workshops during its plenary and breakout sessions. The topic of Governance, relationship between directors and management was one topic explored while financial management was the second. In excess of 80 delegates attended this event which further provided PFTAC with an opportunity to discuss the reforms currently overshadowing the region.
- The bi-annual Pacific Microfinance conference was one opportunity where we were able to contribute to the planning of sector specific assistance as part of the financial inclusion programs in place and our own non-banks programs.
- PFTAC participated in the South Pacific Central Bank Governors meeting hosted by the RBNZ in December.

Macroeconomic Statistics

73. In FY2016, PFTAC carried out 24 missions (totaling 237 person days) and conducted or participated in 4 regional workshops in the area of macroeconomic statistics. The two Suva-based statistics advisors carried out 63 percent of the bilateral missions (56 percent in terms of mission days). The primary areas in which CD was provided included assistance with improving data sources and methodologies (RBM objective 4.5); improving consistency between national accounts and other statistics (RBM objective 4.6); and assistance with rebasing constant price GDP estimates (RBM objective 4.2). The major users of bilateral TA were the Cook Islands, PNG, and Fiji.

Fig 8: 2016 Macroeconomic Statistics missions: Distribution of mission days by RBM objectives (in percent; RBM codes in Annex III)



74. The macroeconomic statistics capacity building strategy in FY2016 has continued to focus on three main elements:

- Improving the quality of national accounts data through the introduction of methodological improvements and source data analysis (RBM objective 4.5);
- Providing training on specific issues in the compilation of national accounts statistics being faced by countries in the region;

- Providing country-specific TA with either training or implementation of improvements of methodologies and compilation procedures.

75. There were staffing changes during the year as one of the advisors was reassigned to another technical assistance centre in August and not replaced until January so the gap was partially filled by making increased use of STX for national accounts as well as balance of payments and government finance statistics, where PFTAC is picking up on the assistance provided by an HQ-based project which has now concluded.

76. Methodological improvements and source data analysis were the focus of work done in the [Cook Islands, Fiji, Kiribati, PNG, Nauru, Niue, Tonga, and Tuvalu](#). In a number of these countries tax data are becoming an increasingly important information source in preference to business surveys which are very resource demanding and less timely than the data collected via administrative processes.

77. The results of the recent household income and expenditure surveys (HIES) in PNG, Solomon Islands and Tuvalu were analyzed and will be incorporated in the national accounts estimates during 2016. These surveys, which are on-going on a 5-yearly basis throughout the Pacific, enable these countries to show progress against the milestones and have their constant price national accounts rebased at least every ten years (RBM objective 4.2). In June the advisors contributed to a workshop attended by HIES data users from the region which reviewed the results of recent surveys, particularly the one held in Nauru in 2012/13, and standardized reporting formats. PFTAC outlined the importance of HIES data in measuring the informal sector and household consumption in the national accounts.

78. Training on specific topical methodology issues and data analysis was provided through sub-regional training courses. These have become increasingly important in recent years as they are cost-effective and enable countries at a similar stage of national accounts development to receive formal training on specific issues and also to take the opportunity to share their experiences with each other. A course was held in [PNG](#) for local participants and also statisticians from [Fiji](#), [Solomon Islands](#), and [Vanuatu](#), which focused on the use of HIES data and the techniques involved in rebasing the national accounts which is important to maintain the accuracy of economic growth measures. A follow-up course was held in Pohnpei for the Northern Pacific countries ([FSM](#), [Palau](#), and [RMI](#)) which continued to focus on building staff capacity, and improving the methodology by introducing additional data sources including the results of recent business surveys. These courses enable these countries to reach their next milestones by removing existing methodological deficiencies and moving towards more up-to-date base years for their constant price measures.

79. A third course was hosted in Fiji where PFTAC combined with the SPC to train regional price statisticians on two important aspects of index compilation—quality adjustment and item substitution. An on-going problem throughout the region has been the lack of a simple index compilation program which compilers can use and understand so PFTAC provided training on an index compilation program developed by the IMF, and now used in a number of countries in other regions, which it is hoped will help address this issue.

80. Country-specific TA was provided to several countries to improve their national accounts measures. Support was provided to [Fiji](#) to balance their 2011 supply-use tables. This work built on previous TA provided to expand their gross domestic product (GDP) measures to include GDP estimates by

expenditures and by income (the next milestone for RBM objective 4.1). These estimates, while still experimental, are now well advanced and ready for internal use. Fiji has also been developing quarterly GDP estimates with PFTAC TA but publication has been delayed until 2016 as the expenditure estimates have been given priority. Expenditure estimates were also being developed in Kiribati but progress has been slow due to lack of local staff resources. Recent TA provided to the Solomon Islands came to fruition when they finalized and released their 2014 estimates of Gross Domestic Product (GDP) estimates in January without direct input from PFTAC. Balance of payments assistance (RBM 4.9) was provided to the Cook Islands with the use of a STX and this resulted in current account estimates being prepared for publication.

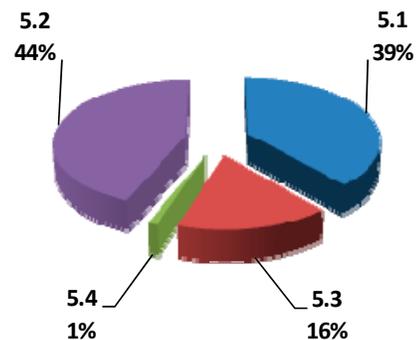
81. PFTAC resumed assistance to PNG in 2014 and this has continued to be a priority. In coordination with the ABS, which now has two resident statistics advisors in country, we have continued to work with the authorities and are focusing on national accounts development. Progress has been slow due to the lack of experienced staff and the National Statistical Office (NSO) is not expected to publish GDP estimates until the second quarter of 2016 and this will require close involvement of the resident ABS advisors in addition to PFTAC TA. We will continue to support the agencies compiling national accounts including the BPNG and the Treasury until the NSO resumes regular compilation and publication of reliable national accounts statistics.

82. Phase II of the TYPSS for 2015-2017 has now been developed and endorsed by the Pacific Statistics Steering Committee (PSSC). PFTAC has continued coordination within PSSC and is an active member of three of the working groups—the household survey group and two promoting the use of administrative data and data dissemination and use.

Macroeconomic Analysis and Forecasting

83. In FY2016, PFTAC carried out 17 missions (totaling 144 person days) and conducted or participated in 4 regional workshops (involving 54 person days) in the area of macroeconomic analysis and forecasting. Most missions (75 percent) were conducted by the Suva-based macroeconomics advisor, and workshops were conducted in collaboration with other PFTAC advisors and development partners. The main areas of activity involved providing assistance with developing and using integrated macroeconomic monitoring and projection frameworks (RBM objective 5.1); and building capacity in multi-year fiscal planning (RBM objective 5.2). The principal users of bilateral TA in this area were Cook Islands, Samoa, Solomon Islands, Tonga and Vanuatu.

Fig. 9: 2016 Macroeconomic Analysis missions: Distribution of mission days by RBM objectives (in percent; RBM codes in Annex III)



84. Sound macroeconomic management requires the empirical analysis of economic developments and a main theme and principal objective is to assist members in developing analysis and forecasting tools

needed to strengthen fiscal and monetary policy formulation. A quantitative tool that has been widely used at the IMF to analyze macroeconomic developments is financial programming (FP). It provides a consistent macroeconomic and fiscal framework for medium-term projections and can be used to evaluate macroeconomic performance, identify vulnerabilities, prepare policy scenarios, and evaluate the sustainability of policies.

85. Technical assistance in FY2016 focused on developing and enhancing countries' FP frameworks.

The construction of frameworks was tailored to users' needs and differed across countries. Emphasis was put on developing tools jointly involving staff from the ministry of finance, central bank and statistics office in practical, hands-on workshop environments. The collaboration and sharing of expert knowledge across institutions was found to accelerate the development and implementation of new tools and processes, while the sharing of data is expected to reduce duplication and free up resources for economic analysis and forecasting.

- **Cook Islands:** A central element of the TA provided has been to assess existing monitoring and projection methodology used by staff at the Ministry of Finance and Economic Management (MFEM) to support their fiscal planning process. MFEM staff use advanced models and the main focus of PFTAC technical assistance has been on efficiency gains. The development of an integrated macroeconomic and fiscal framework involved constructing a proxy nominal expenditure-based GDP measure because GDP is only compiled on a production basis but more and better information is available to forecast expenditure GDP. Specifically, tourism (exports of services) is estimated to contribute about 60 percent to the Cook Island economy and detailed information is available from the government accounts. The framework has been set up to forecast to 2040 to support medium-term fiscal planning and to undertake debt sustainability analysis. It allows for changes in the population growth rate and a next step is to enhance economic and fiscal forecasts by incorporating demographic projections, e.g. from SPC or the United Nations.
- **Samoa:** The Samoa Economic and Revenue Forecasting (SERF) Model has been used in budget preparations for a few years and technical assistance mainly focuses on enhancing aspects of it. While the SERF Model was not originally designed as a FP framework, consistency between the sectors of the economy ensures that projections are generated within a coherent framework. It generates public debt profiles over the medium term based on an internally consistent macroeconomic and fiscal framework. Work is also on-going to enhance tax revenue forecasting including by strengthening the interaction between the Ministry of Finance and the Ministry for Revenue during the preparation of revenue forecasts for the budget. Consideration is being given to setting up an economic forecasting committee comprising members from key public sector institutions involved in monitoring and forecasting economic activity. The benefits of a committee producing and publishing GDP forecasts are considered to be large.
- **Solomon Islands:** Progress was made on incorporating public debt into the Solomon Islands FP framework to allow performing debt sustainability analysis, which is an important tool for evaluating and assessing the long-run impact of government policies. Offsite support was also provided to assist in the construction of a quarterly GDP series and an output gap measure that may be used to gauge inflationary pressures in the economy.

- Tonga:** Technical assistance in FY2016 was provided jointly by PFTAC and a secondee from the RBNZ, who was recruited by PFTAC and funded by the ADB, to build capacity for macroeconomic forecasting and analysis and link this analysis into budget processes. The TA focused on developing a forecasting framework with staff at the Ministry of Finance and National Planning (MFNP) for GDP and the construction of a financial programming framework—the Tonga Projection (TOP) Model. The TOP Model has a unique feature, which is forecasts for seasonal workers' income. This aspect will serve as a model for other Pacific Island countries' frameworks, which do not have this feature. Moreover, collaboration by staff from the MFNP and the Ministry of Revenue and Customs (MORC) led to a revenue forecasting tool being developed with MORC staff. The MORC tax tool uses the MFNP's industry-level GDP forecasts as well as historical tax collection data and internal information on tax trends, including the effects of compliance improvement and risk management activities, to forecast tax revenues at a more disaggregated level than the TOP Model. The MORC's bottom-up forecasts thus complement the MFNP's top-down revenue forecasts.
- Vanuatu:** Staff from the Reserve Bank of Vanuatu, the Department of Finance and Treasury, and the Vanuatu NSO teamed up to develop a FP framework for Vanuatu, which is being applied to analyze the effects of policy proposals. Work is on-going to construct a leading indicator for GDP to provide additional information to the business sentiments data gathered through onsite visits, interviews and surveys, which form the basis of official GDP forecasts by the Vanuatu Macroeconomic Committee.⁸ Work also started on developing a national framework for revenue forecasting that is consistent with the FP framework. Capacity development is greatly assisted by strong management support and high levels of motivation and dedication by staff. Moreover, Vanuatu sets a positive example for how public policy may best be coordinated in other countries within the Pacific region.

86. The development and operation of a consistent macroeconomic and fiscal framework are important foundations for multi-year fiscal planning and budgeting and FP frameworks have been set up to produce medium-term projections beyond a two- or three-year budget horizon. Debt sustainability analysis is further enhanced using the Cook Island framework as a template, which allows for the issuance of new government debt both in domestic and foreign currencies and at different maturities and interest rates. These features have already been incorporated into Tonga's TOP Model. Staff at the Cook Island MFEM have also developed a useful debt analysis tool and the Government of the Cook Islands has established a loan reserve fund (LRF) to manage the repayment of government debt and of guaranteed debt of state owned enterprises. Public debt has been high and rising in several countries in the region, partly because of natural disasters, and debt repayments have been affected by large exchange movements. The tools developed by MFEM staff will be of great benefit to other countries in the region to assist with the management of exchange rate risks and the allocation of budget funding for debt servicing.

87. Strengthening capacity to undertake medium-term budgeting and fiscal planning was also the focus of sub-regional workshops on expenditure and tax revenue forecasting. Government expenditures typically involve multi-year programs and projects, requiring medium-term fiscal planning and for governments to have accurate forecasts of revenue collections. The workshops were organized in

⁸ The Macroeconomic Committee comprises members from the Department of Finance and Treasury, the Prime Minister's Office, the Reserve Bank of Vanuatu, and the Vanuatu Statistics Office.

collaboration with PFTAC's PFM and Revenue Administration Advisors, UNESCAP, PITAA, and the Fiji Revenue and Customs Authority (FRCA). Participants actively discussed issues through presentations and group exercises, which led to information sharing and highlighting good practices. The workshops led to actions for greater collaboration between institutions to better link development plans into budgets and to improve tax revenue forecasts. Moreover, fiscal pressures arising from demographic changes were identified as a priority area in FSM, Palau and RMI for follow-up technical assistance. Further analysis of the effects of demographic changes will be progressed in a workshop planned for April 2016 on social security and pension issues to be organized in RMI with participants from FSM and Palau.

III. OBJECTIVES AND WORK PLAN FOR FY2017

This section describes PFTAC's principal objectives and activities proposed for FY2017 (May 2016 to April 2017). It outlines the main themes in PFTAC's technical assistance strategy over the period and provides sectoral detail of activities planned to achieve the objectives in the RBM framework, as well as a budget projection based on the draft work plan. The proposed work program is, of course, subject to the availability of funding in Phase V.

A. Overview

88. In FY2017 PFTAC's CD will transit towards implementing the strategy underlying the Phase V program. Indeed, the transition has already begun. In FY2017, the aim is to sharpen the focus on building capacity to address key policy objectives. These include: (i) strengthening macro-financial resilience to natural disasters, terms of trade shocks, and financial shocks; (ii) promoting long-term macro-financial sustainability; and (iii) supporting inclusive growth. Such themes will generally involve a cross-cutting approach drawing on different areas of PFTAC expertise, often in collaboration with development partners, as outlined below:

- **Strengthening macro-financial resilience:** Key requirements in this area include properly assessing vulnerabilities, and taking a more medium-term approach to fiscal planning in order to effectively address risks. Relevant PFTAC CD will include:
 - Increased emphasis on climate change issues and improving access to climate change finance in PFM reform roadmaps;
 - Strengthening of efforts to better integrate fiscal planning and budgeting processes into a consistent medium-term framework and enhancing capacity to make medium-term public expenditure and revenue projections;
 - Technical assistance to develop frameworks and processes for budget execution by managing financial commitments, debt including contingent liabilities, and other fiscal risks according to the fiscal strategy;
 - Support for institutional reforms to establish or strengthen fiscal buffers;
 - Modification to macroeconomic projection frameworks to facilitate analysis of natural disasters and other shocks;

- Assisting with identification and assessment of financial vulnerabilities of the household, business, bank and non-bank financial sectors, and the public sector;
 - Enhanced monitoring of financial system risk through on-site bank examinations and development of credit union oversight;
 - Assistance with use of administrative data, especially tax data, in national accounts compilation.
- **Promoting long-term fiscal sustainability:** Key elements include estimating and incorporating long-term risks to sustainability (e.g., climate change, termination of aid grants, demographics, and costs of non-communicable diseases (NCDs)) into macroeconomic projection and debt-sustainability frameworks, and promoting frameworks or processes for taking these into consideration in fiscal policy in a sustainable manner. Relevant PFTAC CD will include:
 - Strengthening of tax and non-tax revenue frameworks to increase domestic revenue mobilization;
 - Modification of public spending and macroeconomic projection frameworks to take long-term risks to sustainability into account;
 - Technical assistance to generate/report relevant, reliable, and timely fiscal data that will be used to monitor the trends of fiscal performance and financial position
 - Support for PFM reforms aimed at building processes for addressing long-term fiscal and balance of payments risks;
 - Assistance with ensuring consistency between national accounts, balance of payments, and government financial statistics.
- **Facilitating sustainable, inclusive growth:** Although there is only limited scope for PFTAC CD to influence sustainable long-term growth or inclusiveness, CD may indirectly facilitate achievement of these objectives:
 - CD in the tax and non-tax revenue areas should help reduce or eliminate many tax distortions inhibiting growth, as well as promote greater tax equity, with benefits for inclusiveness;
 - Support for PFM reforms in budget formulation, budget execution, reporting and accountability should all help improve public sector efficiency, freeing resources for productive use. Reforms should also potentially facilitate access to external finance, especially for adapting to climate change, with benefits both for growth and inclusiveness;
 - CD to strengthen legislation and oversight for credit unions should promote competition and efficiency in the financial system, as well as improving access in particular for small and medium enterprises as well as households with limited access to bank finance. This should enhance growth as well as its inclusiveness.

89. Planning of the work program and budget is complicated by the transition to Phase V in mid-FY2017. During the first half of FY2017 the work program will operate under Phase IV, with a complement of 7 resident advisors and the funds remaining in the Phase IV program. Consequently, the first half of the year will be similar to FY2016, although PFTAC faces some staff turnover during the period, which could

reduce the level of CD delivery somewhat. In the second half of FY2017, the work program will operate under Phase V, which is under discussion. A tentative work program for the second half of FY2017, therefore, is based on the concept note for Phase V, circulated to the Steering Committee in early February. This envisages increasing the number of resident advisors to 10, with a partner budget for the whole of Phase V, on the order of \$51 million. Clearly, the work program in FY2017 will depend on the final outcome of the Phase V discussions. When agreement has been reached, a revised work program will be circulated to the Steering Committee.

90. The provision of CD will continue to involve a mix of delivery by resident advisors, STX, and HQ-based staff. STX will be used either to provide quite specialized TA, as is usually the case in PFM and revenue administration, or to supplement TA that is being provided to more countries than can readily be handled by the resident advisors, as has been the case in revenue administration, financial supervision, and statistics. HQ staff will also be used from time to time to provide TA and training on specialized issues, or on policy issues. The addition of a second macroeconomic advisor would greatly facilitate providing increased support to fragile states with very limited capacity to carry out macroeconomic analysis, as well as build capacity for macro-financial analysis across the region. A third statistics advisor would allow PFTAC to provide TA and training in Government Finance Statistics (GFS) and External Sector Statistics (ESS). The addition of a second revenue advisor would allow PFTAC to significantly increase its delivery of CD in the priority areas of core tax functions already identified.

91. CD will continue to involve country-specific TA, workshop training, and on-line learning. TA will continue to rely heavily on LTX and STX-missions to individual member countries. Occasionally country staff may come to PFTAC for TA, and PFTAC staff will generally be available for consultations by email and video-conferencing. Training will mostly be through focused, sub-regional workshops, which have been found to be particularly effective for facilitating sharing of country experiences and allowing more detailed treatment of technical issues than is possible in larger, less homogeneous groups. In some cases a more comprehensive though less detailed approach is appropriate. In 2017, PFTAC will again team up with IMF colleagues and other development partners in organizing a region-wide workshop for mid-level officials, followed by a high level dialogue on related policy issues. Last, but not least, PFTAC will continue to alert members as to relevant training being made available from the IMF both at the Singapore Regional Training Institute (STI), where a new training curriculum is being introduced, and through the IMF on-line courses.

92. PFTAC delivery of TA and training requires coordination and collaboration with development partners and regional association:

- A basic requirement for good coordination and collaboration is good sharing of information. And although we seek to be transparent, there is always room for improvement. Currently PFTAC provides regular updates on its recent and planned activities through its *Quarterly Report*, as well as through briefings at meetings of development partners. One area where we see room for strengthening information sharing is through more frequent briefings of development partners by the resident advisors, either in the field or in post-mission briefings from Suva. This happens informally, but a more systematic approach may be helpful.
- PFTAC already has very good cooperation with development partners in the provision of workshops. Most of the workshops in which we were involved in FY2016 were in collaboration with others, and we plan to continue that pattern in FY2017.

- Coordination with regional associations, however, is an area for improvement. Currently, PFTAC has very productive working relationships with AFSPC, PASAI and PITAA. We would like to see the same in other areas of our CD. Although PSSC provides a forum for coordination in the area of statistics, its mandate, which covers all areas of statistics, is perhaps too broad to facilitate close cooperation in the area of economic statistics. In the PFM area, PFTAC will seek to strengthen its working relationships with PICPA and PIFMA to be on a par with our cooperation with PASAI. Lastly, in the area of macroeconomic analysis, PFTAC will explore the scope for establishing a regional macroeconomic association to facilitate collaboration in this area;
- PFTAC will also explore the scope for more effective cooperation with other training bodies, including the STI, the South East Asian Central Banks Centre (SEACEN), as well as better integrating on-line training with our own training.

93. In FY2017, further improvements in the RBM framework will be made. Over the past year, the IMF CD departments have been developing a catalogue of RBM objectives and measurable indicators which are being incorporated into the logical frameworks being used at PFTAC. In coming months, we will also begin using software specifically developed to assist with monitoring progress against these objectives. We also hope to use this framework to assist with setting out CD “programs” in various areas, along the lines proposed in the PFTAC external evaluation. These will be circulated to the Steering Committee as they are prepared.

94. On a sectoral basis, planned TA and training activities are described below, and more details are provided in the FY2017 Logical Framework (Annex V). Nonetheless, some highlights may be noted here:

- **In PFM, TA will focus on two primary areas:**
 - In FY2017, PFTAC plans to assist with reform road maps in three countries (Kiribati, Nauru, and Vanuatu). PEFAs are now largely carried out by local officials, with PFTAC playing mainly a mentoring and quality control role. PFTAC will similarly support the development of PFM roadmaps aimed at remedying weaknesses identified in PEFAs. Again, local knowledge and involvement is crucial to success. In view of the release of a revised PEFA framework, PFTAC will also revise PEFA Self-assessment workbooks and other training materials;
 - Support and capacity building to members implementing priority PFM reforms. These include strengthening of: legal frameworks; planning and budget integration; medium-term planning, budget execution, monitoring, reporting and accountability; budget transparency; and fiscal risk management.
- **TA and training in tax administration will focus on three main areas, and include the further strengthening of the PFTAC/PITAA relationship:**
 - Assisting tax administrations in the region with developing tax compliance risk management strategies and the necessary capacities to implement those strategies;
 - Strengthening organization and management of revenue agencies, collection systems, and core tax functions;
 - Building capacity to monitor and evaluate the efficiency of tax administration and the impact of reforms.

- **In the area of financial supervision, three programs will dominate the TA and training agenda during FY2017:**
 - Providing training and mentoring for bank supervision departments conducting on-site examinations;
 - Assisting members with establishing modern legal and prudential supervisory frameworks for credit unions;
 - Assisting with reforms to provide supervisors with adequate legal powers and the ability to exercise these; and to identify and advise on changes required to make bank regulation commensurate with the risk profile of banking systems.
- **In FY2017, TA and training in statistics will concentrate on:**
 - Providing training courses and on-going support for rebasing of national accounts in 5 members, using HIES data;
 - Building up capacity in the use of improved methodologies and data sources to compile national accounts, including the use of tax data;
 - Assisting four members with completing development of quarterly GDP estimates.
- **Key priorities for TA and training in the macroeconomic area for FY2017 are:**
 - Continuing to develop integrated macro frameworks tailored to meet the diverse needs of countries and capacity levels of staff;
 - Continuing to work with staff on improving the multi-period fiscal planning process with an emphasis on generating medium-term projections in a coherent manner.
 - Building the capacity of staff to conduct their own debt sustainability assessments, taking into account the fiscal implications of natural disasters.

B. Work Program and Budget

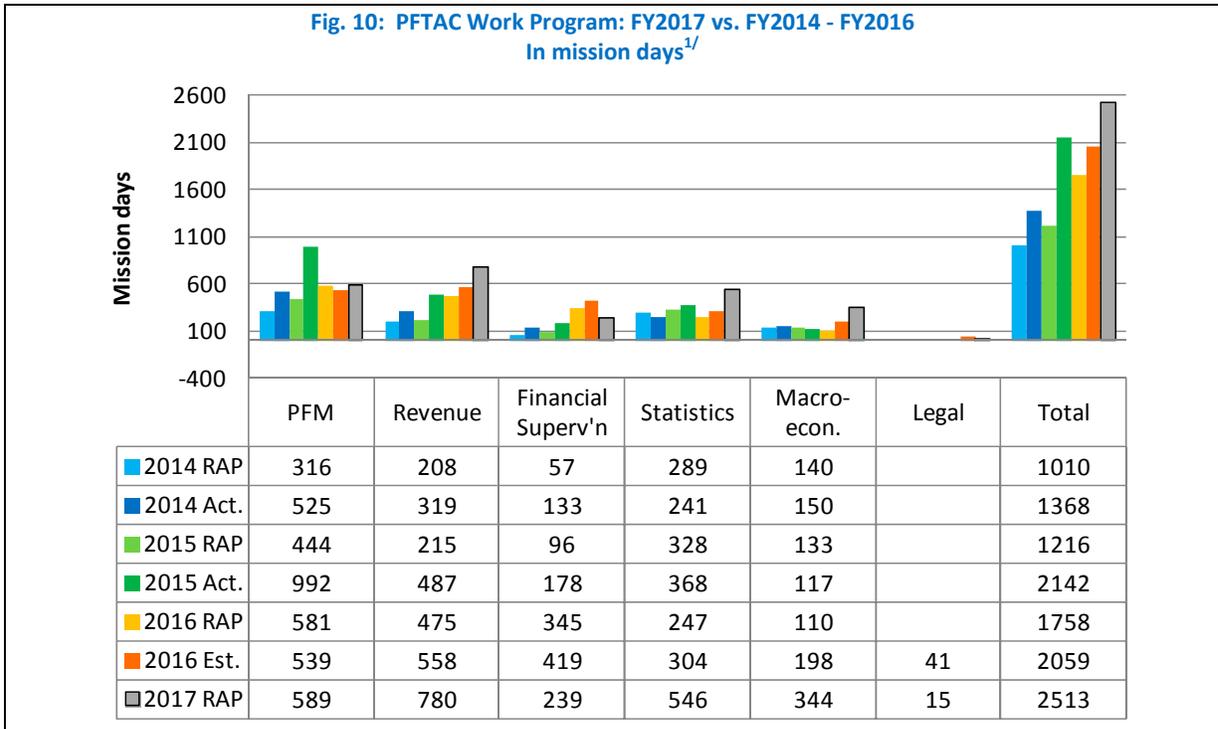
95. **The PFTAC work program forms part of a much larger exercise at the IMF to plan and budget for all of its activities in the coming fiscal year**—the Resource Allocation Plan (RAP). Within that is a RAP specifically for capacity development, including TA, and the PFTAC work plan is one element of that. APD plays a key role in defining the strategic priorities for Fund CD in the region. They engage functional (CD) departments and country authorities at an early stage in discussions about CD needs and strategic priorities. The CD departments, responsible for TA delivery by the resident advisors, work in conjunction with the PFTAC resident advisors, and lead the work plan development, and design. The CD departments approve and direct the implementation of TA programs delivered by RTAC resident advisors and STX. PFTAC’s input involves proposing missions largely reflecting discussions between long-term advisors and country authorities, ensuring that the work plan is properly resourced from within the PFTAC budget and leading the discussions with the RTAC SC to obtain endorsement of the proposed work program.

96. **The FY2017 PFTAC work program is at the drafting stage.** At this stage, the proposed work program largely reflects the input of the resident advisors, based on their discussions with country authorities, together with the ongoing roll-out of established TA and training programs. Additional input will be received from APD staff, as well as from the CD departments. We also welcome the input from

country authorities at and following the SC. Indeed, the reason for holding the meeting early in the year is precisely to gain broad input before the process is finalized in April.

97. The work plan reflects the fact that FY2017 spans Phase IV and Phase V. The work plan for the first half of FY2017 is constrained by the remaining budget under Phase IV. This will require some scaling back of activities in order to ensure that PFTAC does not run out of funds before the end of the program, and has enough funds to handle unforeseeable developments. In the second half of FY2017, the work plan will operate under Phase V, which is still under discussion. For this period we have assumed that the strategy proposed in the concept note circulated to members and donor partners is implemented, including the proposed addition of three resident advisors. Clearly, the work plan will need to be adjusted to reflect the outcome of discussions on the Phase V program.

98. The FY2017 draft work program envisages a significant increase in activity in the second half of the year. In the first half of the year, activity will slow somewhat as Phase IV winds down. In the second half of the year, however, activity is expected to accelerate as the proposed increase in staffing under Phase V comes into effect. For the year as a whole, the number of mission days in the draft RAP is projected to rise to 2500 from a little over 2000 in FY2016. The main increases are expected in the areas where the additional staffing occurs: tax revenue, statistics, and macro-financial analysis. In addition, the work plan envisages 16 regional and sub-regional workshops during the year.



1/ FY2016 figures based on estimates as of January 20, 2016. FY2017 figures based on draft RAP as of 20 January 2016.

99. The draft work program of missions in FY2017 has been used together with our information on costs of different missions to estimate budget expenditure projection for FY2017. Overall expenditure is projected at US\$ 6.8 million, as shown in Table 3. Although estimates for CD activity in the RAP generally under-estimate the activity undertaken and, therefore, the costs, this may not be true in FY2017. The main reasons are, first, that the budget in the first half of the year is tightly constrained; and, second, that the estimates make no allowance for delays in filling new positions or for re-staffing of existing positions. Such delays would lead to fewer missions and lower costs.

Expenditure areas	FY2015 Outcome	FY2016 Estimate	FY2017 Projection
Advisor salaries	1.98	2.03	2.59
STX mission costs	1.75	1.60	1.83
Travel	0.58	0.46	0.56
Workshops & Training	0.70	0.59	0.67
HQ missions & backstopping	0.50	0.38	0.52
Evaluation & SC	0.28	0.10	0.13
Misc.	0.04	0.04	0.06
Subtotal	5.83	5.20	6.37
Trust Fund management fee	0.41	0.36	0.45
Total	6.23	5.56	6.82
1/ Based on PFTAC data.			

C. Sectoral Work Plans in FY2017

Public Financial Management

100. In FY2017, the three key objectives will be to assist members to:

- Improve planning and prioritization of PFM reforms based on the results of PEFA assessments, development of PFM reform roadmaps; and support for strengthening of legal frameworks;
- Strengthen integration of budgeting and planning, preparation of medium-term expenditure forecasts, increase budget transparency, and improve debt, asset, and risk management;
- Strengthen budget execution, monitoring, reporting and accountability.

101. Training will be delivered in a variety of forms including:

- Regional or sub-regional workshops by PFTAC experts, IMF HQ staff, and experts from other development partners;
- Regional or country-specific training jointly sponsored by PFTAC and regional partners like PICPA, PASAI, SPC, or PIFS;
- Country specific training on topics mutually agreed with country officials.

102. Key objectives and milestones are outlined in Box 9:

Box 9: PFM Objectives and Milestones in FY2017⁹	
Objectives	Major Milestones
Improved planning and prioritization of PFM reforms, including through PEFA assessments, development of PFM reform roadmaps; and support for strengthening of legal frameworks	<ul style="list-style-type: none"> ▪ At least 1 PEFA assessment conducted in each PFTAC country during the funding cycle with significant country staff involvement and ownership. ▪ Priority Reform road maps developed with significant involvement and ownership by country officials following each PEFA assessment, including support to high-level dialogue. ▪ Governments approve changes to legal frameworks or financial instructions in order to achieve PFM systems are aligned with recognized good international practices.
Strengthened integration of budgeting and planning; preparations of medium-term expenditure forecasts, increased budget transparency; and strengthened debt, asset, and risk management	<ul style="list-style-type: none"> ▪ Budgeting becomes more comprehensive, transparent, policy-based, integrated with planning and with a medium-term orientation, timely, and reliable, in accordance with international standards. ▪ NTR policies, rates and collections are regularly reviewed as part of the annual budget process. • A clear fiscal oversight framework for AGAs and SOEs is significantly implemented according to international standards ▪ Financing is adequate to meet pension or social security benefit promises and is sustainable in the long-run. ▪ Public investment and capital asset management is developed according to international standards.
Strengthened budget execution, monitoring, reporting and accountability	<ul style="list-style-type: none"> ▪ Budget execution controls are improved according to international standards. ▪ Cash management is improved according to international standards. ▪ Internal Audit is operational covering major central government entities, and generally meets international standards. ▪ Accounting, fiscal monitoring, and reporting is improved according to international standards.

Improved planning and prioritizing PFM reforms, including through PEFA assessments, assistance with development of PFM reform roadmaps

103. This TA program aims at developing the capacity of countries in systematically planning PFM reforms by identifying priority issues and consolidating and sequencing reform activities to a manageable level within the country’s capacity. If changes in the legal framework are needed to achieve these, those are considered for implementation either through changes to PFM framework laws or Financial Instructions/Regulations. Anticipated activities in FY2017 include:

- No PEFAs are currently scheduled for FY2017. The revised PEFA Framework was just recently released in early February 2016. During FY2017 PFTAC’s LTX Advisors will revise Self-Assessment Workbooks and other training materials. Work on PEFAs will commence in FY2018 with regional workshops on the new framework for MOFs and Audit Offices;

⁹ The PFM logical framework for the FY2017 will be revised in the Phase V program document to reflect a set of RBM objectives, outcomes and measurable indicators that the Fund has established and agreed to.

- Support to [Kiribati](#), [Nauru](#), and [Vanuatu](#) is planned for development of PFM Reform Roadmaps. PEFA Self-assessments for those three countries either were completed in FY2016 or are planned for FY2017;
- TA has been budgeted to assist [Fiji](#) and [Solomon Islands](#) revise their Financial Instructions. A desk review of existing PIC PFM laws is also planned to identify provisions that could be obstacles to implementation of disciplined PFM, and preventing implementation through modifications to country Financial Instructions. The review will highlight changes that are essential and identify those that might be "nice" but not essential because current law allows implementation through Financial Instruction changes.

Strengthened integration of budgeting and planning, preparation of medium-term expenditure forecasts, increased budget transparency, and improved debt, asset, and risk management

104. This TA program aims at developing the capacity of countries in improving the policy and medium-term orientation of the budget, as well as managing assets, debt, and other fiscal risks. The milestones for envisioned reforms include:

- **Budgeting becomes more comprehensive, transparent, policy-based, integrated with planning and with a medium-term orientation, timely, and reliable:** The revised PEFA framework released in February 2016 includes a strengthening of the indicators for policy-based medium-term expenditure budgeting, and new indicators assessing the credibility of fiscal strategy, revenue budgeting, asset management, and performance measurement. These changes were made because of increasing international recognition that effective medium-term frameworks are essential to:
 - Implementing quality spending for those essential public services that by their nature require longer implementation time-frames for reaching maturity, and
 - Addressing medium- and long-term risks to macroeconomic and financial stability and development.

PFTAC's planned FY2017 work in this area includes TA to [Fiji](#) to continue making improvements in the program/activity level narrative in their annual budget document. Fiji made a major change in its budget documentation starting with the 2015 budget and sustained those changes in the 2016 budget. [Regional workshops](#) on Expenditure Forecasting/Budget Documentation are also planned, further developing topics introduced during successful workshops in FY2016. PFTAC's basic approach for further developing medium-term fiscal planning in terms of major milestones suggested for country partners is summarized in Box 10.

Box 10: Medium-term Fiscal Planning Development Milestones

PFTAC's approach to assisting PICs develop a medium-term orientation will be organized around the following milestones:

- A fiscal note process is in place for Cabinets and applies to all new policy or project proposals funded by any source (including donor partners)
- Budget department develops and maintains a system for managing information on current and out-year costs for all services and projects, clearly distinguishing between policies/projects already approved, highly likely new policies/projects, demographic changes, and crucial fiscal space reserves to manage various risks.

Box 10: Medium-term Fiscal Planning Development Milestones

- Budget department prepares regular reports for the Finance Minister, Cabinet, and Parliament on the out-year (at least Y+3) surpluses or deficits implied by past Cabinet actions, highly likely future Cabinet actions, other cost drivers such as demographic flows, and important reserve accounts for managing fiscal risks.
 - Finance ministry uses this information to assist Cabinets in setting annual and medium-term spending ceilings within estimates of available resources
 - Budget department uses the information to assist in preparing budget narrative on medium-term strategy, medium-term estimates in annual budgets, and narrative in budgets on future issues.
 - Budget documents become more policy and performance focused for major public services within a medium-term framework. Over time these would incorporate the important visionary and substantive planning information now contained in disparate and poorly integrated separate documents like National Development Strategies, Corporate Plans, Annual Plans, and Sector Strategies.
- **NTR Management implemented according to international best practices:** CD in this area will be to assist governments in improving transparency of the policies and processes for non-tax revenue management, and to enhance skills in reviewing budget estimates and proposals for new or revised fees/rates. Priority will be for countries that started efforts and/or indicated interest in FY2016, particularly [Fiji](#), [Solomon Islands](#) and [Vanuatu](#).
 - **Debt, asset, and risks management:** Strengthening these functions is in support of implementing a medium-term budgeting system. Key elements include:
 - **Financing is adequate to meet pension or social security benefits and is sustainable in the long-run.** Article IV reviews have highlighted the challenges that will be faced by some PICs in financing the social security benefits obligations that have been taken. The PICs facing the biggest challenges include [FSM](#), [Palau](#) and [RMI](#). The difficulties that will face these social security systems are functions of a variety of factors including inadequate contribution levels, failure to enforce employer/employee contribution requirements, costly early retirement provisions, and loop-holes related to beneficiary designation. In Phase IV PFTAC, in cooperation with the IMF's Expenditure Policy Division, worked with [RMI](#) to develop an option to improve fund sustainability. The option involved phase-in of a revised benefit formula for future retirees and changes in the government's contributions to the fund. In [FSM](#) PFTAC assisted with the design of legislation for a supplemental defined contribution retirement plan for government employees. A sub-regional workshop is planned in late FY2016 for [FSM](#), [Palau](#) and [RMI](#) to continue discussing these critical issues. While no specific additional pension work is currently scheduled for FY2017, additional requests are anticipated during PFTAC's Phase V.
 - **Public investment and asset management is developed according to international standards.** TA in this area will focus on developing the capacity of countries to meet the criteria on public investment and asset management as suggested in the 2016 revised PEFA Framework (PI-11 and 12). This TA will be integrated with the TA program on budgeting, accounting and reporting. More specific seminars and TA on other aspects of public investment and asset management will be planned starting in FY2018.
 - **A clear fiscal oversight framework for autonomous government agencies (AGAs), SOEs, and sub-national governments (SNGs) is significantly implemented according to international**

standards. The focus of TA is to offer recommendations to improve the frameworks and mechanisms for fiscal oversight on AGAs, SOEs and SNGs, as well as develop the capacity to identify, assess, manage, monitor, and report key fiscal risks from these entities. Sound fiscal oversight requires mainstreaming this function into the budget management, debt management, fiscal monitoring and reporting processes of the central government, and at the same time improving the performance of individual entities. In FY2016 initial TA was provided to [Samoa](#) to improve its SOE oversight strategy. A sub-regional seminar is planned in FY2017 to promote good practices and enhance knowledge and skills in this area. In addition, TA is planned for the development of a framework to assess the amount and likelihood of fiscal risks arising from transactions between the central government and SOEs in [Fiji](#) and [Samoa](#).

Strengthening budget execution, monitoring, reporting and accountability

105. This TA program aims at improving budget execution controls and internal monitoring to strengthen risk management, while at the same time enhancing the reliability, timeliness, transparency and relevance of fiscal reporting, in order to evaluate fiscal outcomes, and strengthen accountability. FY2017 efforts will emphasize the following four major areas:

- **Budget execution controls are improved according to international standards:** Weaknesses of budget execution controls, if not resolved, will lead to budget overruns - bigger deficits and arrears in the future. Sound budget execution controls require effective commitment control, payroll control, virements control, monitoring of arrears, and other internal control procedures. PFTAC TA will conduct assessments of internal controls and provide recommendations to address the gaps. The results of the internal control assessments can be useful in enhancing the financial regulations and process flows on budget execution, as well as designing IFMIS specifications, and internal audit strategy. FY2017 activity in this area is currently planned for [RMI](#).
- **Cash management is improved according to international standards:** PFTAC TA will focus on developing a Treasury Single Account or an equivalent cash consolidation system, improving methods of cash forecasting and cash flow analysis, and improving government banking frameworks. These capacities are expected to sustain cash buffers that would cover shortfalls, natural disasters, and other contingencies in the short term, and building up reserves for future loan repayments, replacement of capital assets, and other contingencies. In FY2016 TA was provided to [PNG](#) and [Samoa](#) that led to governments' adoption of an improved cash management strategy, and its initial implementation. Follow-up TA for FY2017 is planned for [PNG](#) and [Samoa](#), and for the [Solomon Islands](#) to review and improve its existing strategy.
- **Internal Audit is operational covering major central government entities, and generally meets international standards:** The focus of the TA is to improve institutional capacity in developing, managing and implementing a medium-term audit strategy framework based on an analysis of fiscal risks particularly on key issues such as on payroll, procurement, capital works, grants and subsidies. FY2016 TA was focused on [Vanuatu](#) and this led to improvement of internal audit performance in the 2015 PEFA Self-assessment. This TA will continue in FY2017 to support implementation of internal audit reforms in [Vanuatu](#)
- **Accounting and fiscal reporting are improved according to international standards:** PFTAC TA will focus on assisting countries in planning and implementing government accounting reform such as in prioritizing and sequencing of reform strategies, and drafting of priority accounting

policies and procedures consistent with IPSAS. On fiscal reporting, TA will focus on improving the reliability, relevance, and transparency of fiscal reporting frameworks according to international standards.¹⁰ TA will be provided to countries that are expected to continue accounting and reporting reforms during FY2017 such as [Fiji](#), [PNG](#), [Samoa](#), and [Tonga](#). PASAI and PFTAC will continue to promote a closer partnership among accountants and auditors in the region. In FY2017 a second batch of a joint accounting and auditing reform workshop will be conducted. Likewise, a workshop focusing on enhancing Chart-of-Accounts is planned in FY2017.

106. In addition, work on IFMIS upgrading is expected in Tonga, Kiribati, and Cook Islands. TA on IFMIS will consist of technical support in the conceptual design and specifications of the system, and in review of the initial operations. This reform will be coordinated with reforms on budget formulation, execution, accounting, and reporting.

107. The indicators used in the RBM framework for monitoring progress towards the PFM objectives have been further modified. In our assessment, the indicators that had been set previously were insufficiently nuanced to reflect progress in different aspects of PFM reform in any given country, and also insufficiently graduated to capture incremental progress. In the revised RBM logical framework for PFM, the indicators are now more clearly aligned with the major groupings of PFM objectives in the PEFA framework (see Annex V). More comprehensive information about PIC PEFA ratings will be presented in each annual report showing progress, and identifying PFM strengths and weaknesses. In our view, not only are these superior to the previous indicators, but also are better aligned to our assessment of performance with the implementation of PEFA reforms. The PFM logical framework for the FY2017 will be further revised and a new logframe following the RBM structure that the Fund has agreed to will be presented in the program document.

108. PFTAC will also continue a partnership with PICPA at the USP to train more PFM professionals in the region. With satellite campuses in 12 countries and sophisticated 2-way video distance learning and other technology, USP has great potential to regularly train much larger numbers of PFM professionals (both in Finance Ministries and line ministries) than traditional and more expensive approaches to training (out-of-country workshops or flown-in experts). Training expected to be emphasized in the near future includes Procurement, Skills for Budget Analysts, Accounting, and Internal Controls.

Revenue Administration

109. The FY2016 PFTAC strategy focused on reviewing the “current state” in PIC revenue administrations and building reform plans with the authorities to strengthen revenue administration. These plans provide a strong foundation for the FY2017 work plan.

110. PFTAC’s FY2017 work plan will continue to be guided by the view that a major goal of any tax administration is to promote voluntary compliance. As in many developing administrations, PICs have lacked an understanding of modern compliance management concepts and are now recognizing that achieving a proper balance between service to the taxpayer and enforcement of the laws is important in

¹⁰ These international reporting standards include to the PEFA Framework on Accounting and Reporting, IMF Fiscal Transparency Code, and GFS Manual.

promoting voluntary compliance. PFTAC invested heavily in changing this mindset which has resulted in a number of countries changing their business models to facilitate this change in direction.

111. FAD's new RBM framework, defined across three high level categories will guide delivery of PFTAC's FY2017 technical assistance. These are to assist members to strengthen:

- Revenue Administration Management and Governance arrangements;
- Core Tax Administration functions;
- Core Customs Administration functions.

112. Key outcomes relating to these objectives are summarized in Box 11. Although strengthening revenue administration management and governance will receive some attention, the largest proportion of TA will focus on improving core tax functions, an important and urgent priority currently facing PICs. Strengthening customs administration will fall under the auspices of the Oceania Customs Organization (OCO) which remains the primary vehicle supporting PIC's in the implementation of their customs reform programs.

Box 11: RBM Framework for Revenue Administration: Key objectives and outcomes

Strengthen Revenue Administration Management and Governance arrangements

- **Reform strategy and implementation governance framework** adopted and institutionalized.
- **Organizational arrangements** enable more effective delivery of strategy and reforms.
- **Support functions** enable more effective delivery of strategy and reforms.
- Transparency and accountability more effectively supported by independent **external oversight and internal controls**.
- Corporate priorities and compliance better managed through effective **risk management**.
- Tax/customs **administrative procedures** legally established.
- More independent, accessible, effective and timely **dispute resolution** mechanisms adopted.

Strengthen core Tax Administration Functions

- Integrity of the registered **taxpayer base** strengthened.
- Taxpayer **services** initiatives to support voluntary compliance strengthened.
- More taxpayers meet their **filing obligations** as required by law.
- More taxpayers meet their **payment obligations** as required by law.
- **Audit and other verification programs** more effectively ensure completeness and accuracy of reporting.

Strengthen Core Customs Administration Functions.

- **Trade facilitation and service initiatives** support voluntary compliance.
- Foreign trade operators meet their **reporting and payment obligations**.
- **Customs control** during the clearance process more effectively ensures accuracy of declarations.
- **Audit and anti-smuggling programs** more effectively ensure enforcement of customs laws.

Strengthening Revenue Administration Management and Governance Arrangements

113. Strategic and operational planning are important management tools that are being used to guide the deployment of resources and provide focus on key activities and measurements for achieving the vision of PICS. PFTAC will continue to assist those PICs who have taken steps to implement new strategic plans, operational plans, and new roles and job descriptions to ensure proper implementation and sustainability. Key elements of CD will involve:

- **Reform Strategy and Governance:** Experience shows that although there is potential for reform progress is often hampered by poor governance frameworks and inexperience in setting up a modernization project management structure. PFTAC, during FY2017, will continue to assist PICs in this area.
- **Organizational Arrangements:** FY2016 has seen good progress with PICs moving towards functional structures. In some cases, reflecting different environments, consideration is given to a hybrid approach where a focus on large, medium and small taxpayers segments is maintained and the more functional approach is employed for registration, processing and payments. Nevertheless, more assistance is required in this area to ensure that the benefits of a functional structure with segmentation for certain types of taxpayers are achieved.
- **Support functions:** To strengthen revenue administration support functions also need to be considered e.g. information technology (IT), human resources and legal functions. Most countries have some form of IT at the moment but for those that do not PFTAC will continue to provide assistance with IT strategic planning¹¹. PFTAC will also help PICS identify new skills and competencies needed to implement other modern tax administration practices.
- **Oversight:** PFTAC will work with PICs to improve transparency and accountability by helping tax administrations to develop, implement, monitor and maintain performance measurement and management frameworks. Assistance in this area will help provide benchmarks for measurement of performance improvements. The RAFIT is providing a valuable tool in institutionalizing this discipline with more PICs understanding the value and importance of capturing this information.
- **Risk management:** A key PFTAC focus during FY2017 will be the continuation of technical assistance directed towards improving voluntary compliance through enhanced risk management and the implementation of compliance improvement strategies. This approach, already adopted by a number of PICs, will take time to fully implement and assist in mitigating major compliance risks. PFTAC technical assistance will provide guidance on how to develop a compliance strategy through identifying, assessing, and prioritizing major risks and then determining treatment actions. Efforts would aim to achieve wide impact within the taxpayer population by understanding the reasons for non-compliance and then positively influencing taxpayer behaviors, using whatever treatment option that can best achieve taxpayer compliance.
- **Administration Procedures:** Most countries have administration procedures legally established through a Revenue Administration Act. For those North Pacific member countries who are considering comprehensive policy reform, a Revenue Administration Act will form part of the package and PFTAC will provide guidance on the administration provisions.

¹¹ Funding for implementation will not be provided through PFTAC.

Strengthening Core Tax Administration Functions

114. Technical assistance in FY2017 will continue to assist PICs in developing their core revenue administration functions which are centered on the implementation and enforcement of tax legislation and regulations. These activities include identification and registration of taxpayers, processing of tax returns and third party information, examination of the completeness and correctness of tax returns, assessment of obligations, collection of taxes, and provision of services to taxpayers.

- **Registration:** For various reasons a number of PICs in the region have neglected keeping their registration data bases up to date resulting in inaccuracies which impact on the delivery of effective compliance programs. PFTAC FY2017 technical assistance will continue to highlight the importance of tax administrations compiling and maintaining an accurate and reliable register and focused activities to ensure taxpayers are registered if they are liable to be registered.
- **Taxpayer Services:** To promote voluntary compliance and public confidence in the tax system PFTAC will continue assisting PIC's shift towards adopting a service orientated attitude towards taxpayers, ensuring that taxpayers have the information and support they need to meet their obligations under the law. Generally tax administrations have been weak in this area with a fuller understanding of this persuasive function in tax administration only now emerging.
- **On-time filing and payment:** On-time filing and payment, a key foundation of good tax administration is lacking in many PICs and although some ground has been made to improve performance in these areas more needs to be done. PFTAC FY2017 TA will focus on assisting PICs develop their strategies, processes and filing enforcement capacity to achieve higher rates of compliance in these areas.
- **Verification:** The audit function plays a vital role in tax administration and represents a core and essential function that, with suitably qualified staff, has the potential to identify under-declared tax liabilities. The amount of additional revenue raised obviously depends not only on the level of compliance within the taxpayer community, but also on the effectiveness of the inspectors and audit program planning and implementation. TA in FY2017 will assist PICs build capacity in this area which was identified as a weakness in the training needs analysis conducted across PICs in 2014.

Strengthen Core Customs Administration Functions

115. The OCO, based in Suva, Fiji remains the primary vehicle supporting PICs in the implementation of their customs reform programs. However, PFTAC will continue to support the development of integrated corporate strategies and risk based compliance improvement strategies for those countries that have combined tax and customs offices.

PFTAC's Revenue Administration CD plan FY2017

116. PFTAC's CD strategy for revenue administration during FY2016, which saw a shift from tax policy and legislation drafting assistance to strengthening core tax administration functions, signifies the start of a technical assistance program that will run beyond FY2017. Most PIC tax administrations accept that they face a number of challenges moving ahead and that TA will be needed to facilitate the transition to

more modern tax administration. Box 12 provides a high level overview of the focus of TA and member countries FY2017.

Box 12: Focus of PFTAC Revenue Administration Technical Assistance Plan FY2017		
RBM Objective	RBM Description	Country
Strengthen Revenue Administration and Governance arrangements	1.1 Reform strategy and implementation governance framework adopted and institutionalized.	Fiji, FSM, Kiribati, Nauru, Palau, RMI, Samoa,
	1.2 Organizational arrangements enable more effective delivery of strategy and reforms.	Tonga, Tuvalu and Vanuatu.
	1.3 Support functions enable more effective delivery of strategy and reform.	
	1.4 Transparency and accountability more effectively supported by independent external oversight and internal controls.	
	1.5 Corporate priorities and compliance better managed through effective risk management.	
	1.6 Tax/Customs administrative procedures legally established.	
	1.7 More independent, accessible, effective and timely dispute resolution mechanisms adopted. ¹²	
Strengthen Core Tax Administration functions	2.1 Integrity of the registered taxpayer base strengthened.	Cook Islands, Fiji, FSM, Kiribati, Nauru, Palau, RMI, Samoa, Tonga, Tuvalu and Vanuatu.
	2.2 Taxpayer services initiatives to support voluntary compliance strengthened.	
	2.3 Larger proportions of taxpayers meet their filing obligations as required by law.	
	2.4 Larger proportions of taxpayers meet their payment obligations as required by law.	
	2.5 Audit and other verification programs more effectively ensure completeness and accuracy of reporting.	
Strengthen Core Customs Administration functions.	3.1 To be dealt with under the umbrella of the Oceania Customs Organization with PFTAC assisting in the development of corporate strategies and compliance plans.	Fiji, Samoa, Tonga and Vanuatu.

Regional Activities

117. Over the last year, PITAA has taken its biggest steps towards independence by appointing staff to an interim secretariat, formalizing the constitution and collecting annual subscriptions from members. PFTAC has played a valuable role in supporting PITAA's strategic development, funding training programs and conferences, and facilitating regional knowledge sharing from which most PICs have benefited. This relationship will be built upon during FY2017 where training and capacity building will be continued with an added dimension of facilitating the development of PITAA's strategic direction and

¹² **Disputes Resolution:** An effective and independent disputes resolution process is a fundamental feature of a good tax administration system. Many PIC tax administrations do not meet good international practice in their dispute resolution processes, however PFTAC considers that a high priority is to get the core functions operating effectively first. To the extent that any TA is provided in disputes resolution it is expected that it will be at a later stage of the program.

business plan for the next five years. This will include: (a) defining more concisely the role that PITAA will play in stimulating regional cooperation and capacity building; (b) the development of regional training material and trainers to deliver the training;¹³ (c) the development of a TADAT type tool that could be used specifically to assist the smaller and less developed tax administrations identify and design plans to improve tax administration performance; (d) a regional initiative to promote the use of data to improve overall tax administration; (e) whether an internship program could be developed to assist the less developed tax administrations develop expertise from their larger and more developed counterparts; (f) regional approaches to deal with high risk sectors and the cash economy; and (g) assist PICs in the design of Taxpayer Satisfaction Surveys. Box 13 provides an overview of anticipated PFTAC training initiatives during FY2017.

Box 13: Anticipated PFTAC/PITAA FY2017 Seminars and Workshops

- Strengthening the audit function;
- Indirect audit methods;
- Developing an on-time filing and on-time payment strategy;
- Developing a taxpayer services and communication strategy;
- Strengthening VAT management;
- Developing a strategy to deal with large taxpayers;
- Improving compliance in the construction industry; and
- Developing a cash economy strategy.

Financial Sector Supervision

118. In FY2017, PFTAC Technical assistance will focus on strengthening financial sector supervision by focusing its activities on building the on-site banking examination capacity of supervisors and establishing modern oversight credit union frameworks. Owing to the diverse nature of PFTAC membership, ranging from jurisdictions requiring targeted support, such as consolidated supervision, against those where basic development of supervisory capabilities are more appropriate, country specific objectives will be built into the program.

119. The program to strengthen on-site examinations will remain a top priority. Last year PFTAC moved from providing theoretical workshops on examination concepts to the practical application of lessons learned with the introduction of a comprehensive on-site examination program which will continue this year. The focus will be on establishing adequate examination preparedness, scoping and planning followed by supporting the actual examination and the drafting of the final report. Participating central bank supervisors will develop annual examination programs that will result in the execution of at least two examinations in each jurisdiction during the year. (RBM 3.)

¹³ PFTAC has commenced a Train-of-Trainer program which has resulted in PIC staff co-presenting at seminars and workshops.

120. PFTAC on-site examination program will be supplemented with the use of STX with expertise in on-site examination to provide long-term support to bank supervisors in planning, scoping and executing a number of on-site examinations, including attending the actual examination. The STX would not act as examiners but, as mentors, providing guidance and direction. The STX will also assist with drafting a final examination report and deliver short workshops on subjects relevant to the topic at hand. Over the year the expert could provide support for one or two on-site examinations, as well as, interim consulting on related issues. The program is intended to provide the support required by supervisors to eventually plan and execute on-site examinations of banks on their own accord.

121. PFTAC will work with the bank supervisors to ensure that examinations are conducted in accordance with sound business and financial principles with the introduction of concepts related to Risk Based Banking Supervision. As regulatory entities perfect their on-site examination skills they will be offered the opportunity to graduate to more advanced concepts with PFTAC offering technical workshops on advanced topics such as consolidated supervision and targeted sectors like insurance and pensions.

122. To increase the sustainability of technical assistance there will be greater focus on developing or ensuring that the authorities have up to date documentation, such as examination manual and supervisory guidance notes for use in training new staff and codifying standard procedures. The examination program will ensure that each mission will produce recommendations as to improvements to current practices and where warranted changes will be introduced.

123. The Credit Union Reform Program is moving forward following its introductory workshop in Guam in 2014 (RBM objective 3.9). A number of countries have since received technical assistance in drafting laws and building oversight capacity, as well as, implementing a credit union financial reporting program. The program will evolve this year with three main components:

- **Modernizing legal frameworks for operation and supervision of credit unions.** This popular program includes a review of current legislation, and recommendations for amendments or drafting of new legislation was implemented in [Fiji](#), [Micronesia](#), [Palau](#), [Samoa](#), [Solomon Islands](#), [Timor-Leste](#), [Tonga](#), and [Vanuatu](#) and last year. PFTAC will build on those workshops this year to support the actual legislative process to ensure each and every jurisdiction proceeds with the adoption of a new Credit Union Act. Advisory support will include drafting Regulations, Guidelines and Bylaws as required. The IMF Legal department will be managing this component with the assistance from the PFTAC Advisor.
- **Credit Union capacity building.** PFTAC will provide support to Supervisors who will be tasked with ensuring credit unions are adequately prepared to comply with the requirements that will be outlined in a new more modern legislation. This will include holding workshops to introduce standard financial statements and statutory reporting templates that will be designed to be compliant with the requirements of international standards.
- **Credit union oversight.** PFTAC will ensure that each Central Bank participating in this program will be provided with sufficient training to be able to adequately supervise credit unions operating within its oversight authority. This will include training the supervisor and his/her staff on how to adequately perform the off-site supervision and on-site examination of this sector.

124. With the assistance of the IMF Legal Department, PFTAC will provide support for reforms to provide supervisors with adequate legal powers and the ability to exercise them. The objective is to

strengthen financial stability and promote better access to finance. Where appropriate, PFTAC will be ready to identify and advise on reforms needed to make bank regulation commensurate with the risk profile of banking systems.

125. The FY2017 work program will also include continued PFTAC financial sector outreach. This will include acting as Secretariat for the AFSPC annual meeting, hosted by the Financial Institution Commission of [Palau](#) in June, including the delivery of a thematic workshop on financial sector resilience to, and preparedness for, natural disasters, a subject of interest to regional supervisors. We will also continue to support the annual Governors' annual meeting.

Macroeconomic Statistics

126. PFTAC will continue to assist member countries in compiling and improving national accounts statistics with a focus on rebasing constant price estimates, developing quarterly measures of GDP, and improving existing methodologies. These key objectives align with the RBM framework that was designed to better monitor statistical support provided in the Pacific region. PFTAC also developed detailed milestones to harmonize progress monitoring across countries against each RBM objective. These objectives and related milestones are shown in the RBM framework tables in Annex V. In addition, we will increase the level of assistance provided in GFS to complete the work begun by the Japanese-supported IMF project on GFS, which closed in late 2015.

127. Regular rebases of constant price GDP estimates (RBM objective 4.2) are essential to maintain an accurate measure of the economy as new activities develop and relative prices change. PFTAC recommends rebasing national accounts statistics in constant prices at least every ten years. During FY2017 this will be undertaken in several countries in the region including the [Cook Islands](#), [Fiji](#), the [Solomon Islands](#), and [Vanuatu](#), and additional rebasing plans should start in a number of other countries where the base year is approaching ten years old. This work will enable most countries to keep rating high against the milestones for this RBM objective. Significant methodological changes are often kept on hold and introduced while rebasing due to the consequential revisions of estimates. In addition, rebases are also the opportunity to incorporate new data sources such as household or business surveys. These developments require extensive external TA and need to be carefully planned in advance. PFTAC will continue to provide bilateral TA with rebasing, as well as regional workshops.

128. Developing a quarterly measure of GDP is another area of development for countries where data sources enable the compilation of more frequent estimates (RBM objective 4.3). The compilation of quarterly GDP estimates enables a better short-term tracking of the state of the economy leading to improved and timelier decision making. This has been a particular focus of IMF and PFTAC TA in recent years. Currently three countries, the [Cook Islands](#), [Fiji](#), and [Samoa](#) regularly compile quarterly estimates of GDP or are in the process of doing so. Progress against this RBM objective should enable the last milestone against this RBM objective to be reached in the coming years with at least four Pacific countries compiling these estimates.

129. Another key area of assistance remains the improvement of methodologies and data sources (RBM objective 4.5) in all countries. This involves improving the coverage, quality and timeliness of national accounts statistics. GDP is the key indicator used to measure economic performance and the bilateral TA and workshops provided by PFTAC focus on its continuous enhancement. This is a central aspect of the TA provided by PFTAC and recognized by users of the statistics but not always visible and often

difficult to quantify. Progress against this RBM objective has been strong but data quality in a number of countries is still insufficient to reach the last milestone and have good quality national accounts statistics published regularly. PFTAC will continue to promote the use of administrative data and particularly tax data where relevant as they provide a comprehensive and cost-effective source of information for the compilation of national accounts estimates.

130. Capacity supplementation is also provided by PFTAC in small countries without the critical mass to have enough staff members dedicated to the compilation of national accounts statistics. The support provided by PFTAC enables the regular compilation and publication of national accounts statistics (RBM objective 4.7) in statistical offices where resources are insufficient and the expertise required to compile national accounts cannot be developed locally. Even in these countries it is important to involve local staff as much as possible and to ensure that methodologies are well documented to ensure clarity and continuity.

131. The other objectives included in the RBM framework will also continue to be pursued. Price statistics are a key component for the compilation of national accounts statistics and PFTAC supports improvements in this area (RBM objective 4.8). Coordination with index compilers is important because of the need for consistency across economic statistics (RBM objective 4.6) an example being the close correlation between consumer price index weights and household final consumption expenditure estimates. Prices are the primary responsibility of the SPC, which filled its vacant price statistician post in 2015. The ABS also provides prices support in some PICs; the present regional coordination will be continued in this area.

132. PFTAC's provision of TA including training in macroeconomic statistics will continue to be coordinated with development partners within the framework of the TYPSS Phase II (2015–2017). The PSSC oversees the implementation of the TYPSS. PFTAC will continue coordination within PSSC and provide input to the working groups as required. The present collaboration with the resident and peripatetic long-term economic statistics advisors in the [FSM](#), [Palau](#), [RMI](#), the [Solomon Islands](#), and [Timor-Leste](#) will continue, as will the close coordination with the economic statisticians at the SPC in the areas of macroeconomic statistics, surveys and administrative data, and international trade statistics.

133. PFTAC will expand its provision of GFS TA in FY2017 in line with the Phase V strategy in which an additional LTX will be employed to provide capacity development in GFS. Now that the IMF GFS and ESS projects funded by the Government of Japan have been completed there is a demonstrated need for further support in these areas. These two projects both significantly contributed to improving the accuracy, availability, comparability, and timeliness of their statistics through country-specific TA and regional training workshops for the region. This work will be continued into FY2017 primarily for GFS but with ESS support provided to two or three countries using an STX.

134. Several sub-regional training courses will be held during FY2017 to meet local needs. This approach, initiated a few years ago, allows a better focus on specific issues faced in countries with similar statistical skills and development needs while targeting small groups of compilers. Following past successes and ongoing demand, sub-regional courses will continue to be conducted for countries from the Northern Pacific ([FSM](#), [Palau](#), and [RMI](#)) and Melanesia ([PNG](#), the [Solomon Islands](#), and [Vanuatu](#)) depending on topics. Country-specific TA will still represent most of PFTAC's support with advisory in-country missions and remote support.

135. **With support from statisticians from the region, PFTAC intends to engage further with macroeconomic statisticians from the region through the PINACLE association,** to assist in developing the capacity, expertise and infrastructures for the production and dissemination of high quality national accounts statistics in the region. Technical papers prepared on specific national accounts topics are available on the PINACLE Internet site: <http://pinacle.pftac.org/page/Training/National/>.

Macroeconomic Analysis and Forecasting

136. **Technical assistance and training will continue to focus on incorporating medium-term trends and risks into forecasting and policy analysis.** Strengthening macroeconomic policy formulation will remain the principal objective of the program. The program will continue to include monetary and fiscal policy. A second macroeconomic advisor from the second half of FY2017, which marks the first six months of the Phase V program, would focus on macro-prudential policy to assist members establish tools and processes for monitoring and enhancing macroeconomic and financial stability. The program will seek to achieve three main outcomes: (i) enhanced monitoring, forecasting and policy analysis tools; (ii) strengthened capacity to develop sustainable policies, and (iii) strengthened capacity to build greater resilience to shocks. The addition of a second macroeconomic advisor will be particularly helpful in increasing PFTAC's ability to provide macroeconomic TA to fragile states in the region which, in several cases, need capacity supplementation.

137. **Financial programming, which is a useful empirical tool for the analysis of economic developments, will continue to be used and enhanced to strengthen capacity for monitoring, forecasting and policy analysis.** A key advantage of FP frameworks is that they are flexible—they can be adapted and modified to users' needs. In developing FP frameworks the strategy has been to start simple with a basic framework that is build around the key macroeconomic data sources and the main linkages in an economy. As economies evolve over time, more data become available and staff capacity in empirical modeling expands, the basic framework is then gradually developed further.

138. **The main development of a financial programming framework will be completed in FY2017 in a number of countries.** As a result, PFTAC TA will shift from assistance with constructing frameworks to supporting staff to embed the new tools into work processes and applying them in empirical analysis. The focus is on learning by doing as it is an effective way for users to familiarize themselves with a new tool and identify aspects of the tool that should be improved. Having a sound understanding of the macroeconomic and fiscal linkages and the channels in a framework is crucial because FP frameworks are a simple tool that from time to time will need to be modified and augmented by users to analyze a particular shock or policy scenario, for instance, to evaluate the fiscal and economic impacts of particular climate change policies or strategies. The development of a FP framework is therefore an investment that requires maintenance and updating. It also requires the management of risks, such as staff departures and staff absences.

139. **TA will assist countries in modifying and adapting FP frameworks for policy analysis, as well as developing methodology to forecast key economic variables that underlie the framework.** All countries' financial programming frameworks, while having a basic structure consistent with the FP framework used by the IMF to analyze macroeconomic developments, have unique features and characteristics. To support regional sharing of knowledge, experiences, resources, and best practices, PFTAC will facilitate a workshop on using financial programming frameworks for policy analysis. Another objective will be to

encourage the collaboration between institutions in the region on common issues. A workshop on forecasting economic activity in the tourism sector, which is important in many Pacific Island countries, is also planned for FY2017.

140. Taxes are becoming an increasingly important source of revenue for Pacific Island governments to finance public expenditures, such as healthcare, education and infrastructure. Government spending typically involves multi-year programs and projects, requiring medium-term fiscal planning and for the government to have accurate forecasts of tax revenue collections. Work on enhancing tax revenue forecasting methodology will therefore continue into FY2017. The focus will be on complementing the top-down revenue forecasts by ministries of finance based on economic projections with bottom-up forecasts that make use of the internal knowledge on tax trends, including on compliance improvement and risk management activities, by tax administrations and more use of individual taxpayer data. In *FSM*, *Palau* and *RMI* top-down revenue forecasts will be based on GDP projections by external forecasters, e.g. the US Graduate School or International Monetary Fund. Moreover, analysis of tax revenues will seek to quantify the effects of tax expenditures (i.e. tax reliefs, tax subsidies, tax incentives, tax aids, tax concessions).

141. Demographic changes are at the forefront of macroeconomic management challenges in Pacific Island economies. Some countries are experiencing high and rising birth rates, while others face large outward migration, internal migration to larger islands, and population ageing. Furthermore, rising incidence of NCDs is adding fiscal pressures. Technical assistance and training will develop tools and methodologies for evaluating and managing the fiscal risks of changing demographics. In countries that have a FP framework population projections will be incorporated into those frameworks to enhance medium-term fiscal planning and budgeting. For PFTAC's other members, technical assistance and training will be tailored and delivered according to needs.

142. Capacity to undertake debt sustainability analysis will be strengthened further—building on the tools developed in the Cook Islands to improve the management of exchange rate risks and the allocation of budget funding for debt servicing. Debt sustainability analysis will require having ready access to necessary data and information, including up-to-date lists of all decisions made in the past on new policies or projects that will require additional resources in future years, and estimated capital asset repair and replacement costs. Adequate public debt data is currently an issue in several countries that needs to be addressed first.

143. In the area of macroeconomic and financial stability, if it is included in the Phase V program, a priority would be to gain a better understanding of the structure of countries' financial systems and financial sector policies. Different financial institutions operate in countries, e.g. commercial banks, development banks, provident funds, insurance companies, credit unions, micro finance lenders, but knowledge of the financial products and services offered and their relative contribution to financial intermediation is limited. PFTAC CD would focus on developing capacity to compile and construct indicators, including on sectoral balance sheet positions and financial interdependencies, to assess macroeconomic and financial stability and to produce regular reports on the soundness and efficiency of countries' financial systems. Two regional workshops would be organized during the first six months of the Phase V program on financial development, financial inclusion and economic growth and on financial stability and natural disasters.

ANNEX I: THE IMF REGIONAL TECHNICAL ASSISTANCE CENTERS (RTACs)

A. General Information on RTACs

Nine Regional Technical Assistance Centers (RTACs) in the Pacific, the Caribbean, 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.

RTACs combine local expertise and on-the-ground capacity building with strategic advice from IMF headquarters. All technical assistance (TA) and training 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.

B. 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 STX, 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.

C. 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 member countries to provide step-by-step assistance with TA implementation. Given their physical proximity, they can respond promptly to urgent capacity development (CD) requests and follow up, and are less costly in the delivery of CD. RTACs are using and building local expertise.

D. RTACs' Governance Structure and Operational Arrangements

RTACs are governed by Steering Committees (SC) composed of representatives of member countries, donor partners 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.

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

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 STX) are recruited, supervised, and backstopped by the IMF, ensuring quality and consistency of policy advice.

E. Existing RTACs

The **Pacific Financial Technical Assistance Center** (PFTAC) was established in Suva, Fiji, in 1993 and now serves 16 PICs and territories, including the Cook Islands, FSM, Fiji, Kiribati, Nauru, Niue, Palau, Papua New Guinea, RMI, Samoa, Solomon Islands, Timor-Leste, Tokelau, Tonga, Tuvalu, and Vanuatu. Its current program cycle is funded by the ADB, Australia, the European Union, the IMF, Korea, New Zealand, and the host country Fiji.

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 member countries.

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, five African Regional Technical Assistance Centers (AFRITACs) have been established:

AFRITAC East was opened in Dar es Salaam, Tanzania, in 2002, now serves seven countries in East Africa (Eritrea, Ethiopia, Kenya, Malawi, Rwanda, Tanzania, and Uganda).

AFRITAC West 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).

AFRITAC Central was opened in Libreville, Gabon, in 2007, to serve Burundi, Cameroon, Central African Republic, Chad, Democratic Republic of the Congo, Equatorial Guinea, Gabon, Republic of Congo, and São Tomé and Príncipe.

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).

AFRITAC West 2, based in Accra, Ghana, started operations in December 2013, covering the non-francophone countries from the Economic Community of West African States (ECOWAS) that are not served by the current AFRITAC West: Cape Verde, The Gambia, Ghana, Liberia, Nigeria, and Sierra Leone.

The AFRITACs are financed by contributions from a number of donor partners, the IMF, as well as host and member countries. Current donor partners include the African Development Bank, Australia, Brazil, Canada, China, the European Investment Bank, the European Union, 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 Union, France, Germany, the IMF, Kuwait, Oman, the United States, the host country Lebanon, and member 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 PFM, money markets, and macroeconomic statistics. Improved institutions and increased regional integration are the objectives. The Center's new program phase is currently funded by the European Union, Mexico, Luxembourg, the IMF, the host country Guatemala, and member countries. Negotiations with other donor partners of Phase I (Canada, Germany, the Central American Bank for Economic Integration, the Inter-American Development Bank) as well as potential new donor partners are ongoing.

ANNEX II: PFTAC STAFF

The Center is managed by a Coordinator and comprises seven resident advisors and four local administrative staff. PFTAC also employs STX from the region and the IMF roster of experts.

SCOTT ROGER, PFTAC COORDINATOR

Scott joined PFTAC in January 2013. Scott is a Canadian and New Zealander, and served in the Bank of Canada, the Reserve Bank of New Zealand and at the Bank for International Settlements before joining the IMF. At the IMF he served in the Asia and Pacific Department and the Monetary and Capital Markets Departments and, most recently, in the IMF European Office.



IRIS CLAUS, MACROECONOMIC ANALYSIS ADVISOR

Iris joined PFTAC in February 2015. Iris has dual German and Canadian nationality. Before joining PFTAC she held policy and research positions at the Asian Development Bank, the New Zealand Inland Revenue, the New Zealand Treasury, the Reserve Bank of New Zealand, and the Bank of Canada. She is on the editorial boards of the *Journal of Economic Surveys* and *Asian Economic Papers* and is a Senior Fellow at the University of Waikato, New Zealand.



RUSSEL FREEMAN, STATISTICS ADVISOR

Russel Freeman joined PFTAC in September 2013. Russel is a New Zealander, and worked at Statistics New Zealand before becoming a TA consultant on prices and national accounts predominantly in the Pacific and Africa. More recently he worked as a senior economist in the IMF Statistics Department.



RON HACKETT, PUBLIC FINANCIAL MANAGEMENT ADVISOR

Ron joined PFTAC in July 2011. Ron is American and served for many years as a financial manager in the Minnesota State Government. Later he provided advice to many countries in the Middle East and Africa before joining PFTAC.



GREGORY LEGOFF, STATISTICS ADVISOR

Gregory Legoff joined PFTAC in October 2012. In August 2015 he transferred to AFRITAC South, in Mauritius. Gregory is French and Australian and has extensive experience in real sector statistics at the OECD in Paris, and in national accounts statistics at the Australian Bureau of Statistics.

**CHITA MARZAN, PUBLIC FINANCIAL MANAGEMENT ADVISOR**

Chita joined PFTAC in September 2014. Chita is a Filipino, and served in senior positions in financial and budget management in the Philippines government during the first part of her career. Subsequently she worked as a PFM adviser with the UNDP in Rwanda and Bangladesh before joining the IMF Fiscal Affairs Department as a PFM technical adviser.

**PIERRE SÉGUIN, FINANCIAL SECTOR ADVISOR**

Pierre Séguin joined PFTAC in July 2013. Pierre is Canadian and has over 30 years experience in financial sector regulation in the Ontario Ministry of Financial Institutions, as a Senior Inspector, the Canadian government, and as a technical advisor in Asia, Africa and the Caribbean.

**STAN SHROSBREE, REVENUE ADMINISTRATION ADVISOR**

Stan joined PFTAC in June 2014. Stan is South African and started his career in the South African Revenue Services before joining the IRD in New Zealand. He later served as Advisor to the Directorate General Taxation in Indonesia. Since joining the IMF in 2006, he has been involved in tax reform initiatives in South Eastern Europe.

**RICHARD WILD, STATISTICS ADVISOR**

Richard joined PFTAC in January 2016, replacing Greg Legoff. Richard is British and has broad experience of national accounts statistics gained in previous roles at the UK Office for National Statistics. Prior to joining PFTAC, Richard worked for the IMF as a short-term expert



PETER AMPUTCH, LOGISTICS ASSISTANT

In December 2015, Peter transferred to the office of the IMF Resident Representative in the Pacific. Prior to that Peter supported the administration of travel and payment processing, mission documentation and managed PFTAC security arrangements.

**RUSILA BITUWAQA, TEAM ASSISTANT**

Rusila is PFTAC's receptionist and is also responsible for PFTAC travel arrangements and assists with accounting, security and conference logistics. She has a Diploma in Business Accounting from FIT.

**ELENOA BOGIWALU, SENIOR INFORMATION ASSISTANT**

Elenoa is responsible for general administration of the Centre, including mission documentation, IT systems, external communications and publications. She worked previously at the RBF and the ILO.

**JOSAIA NAKETE, LOGISTICS ASSISTANT**

Josaia Nakete joined PFTAC in December 2015, replacing Peter Amputch. Josaia supports the administration of travel and payment processing, mission documentation and manages PFTAC security arrangements. Previously he spent 9 years with the Government of Fiji, including 7 years with Fijian Elections Office, and more recently with the Ministry of Finance.

**MARIA NINA SAMUELA, SENIOR OPERATIONS ASSISTANT**

Nina 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 with USAID.



ANNEX III: PFTAC RESULTS-BASED MANAGEMENT LOGICAL FRAMEWORK FY2016

Objective: Improved economic management and economic growth in the Pacific Islands

Regional Program Objective	Verifiable Indicators	Progress on Indicators	General Risks/Assumptions/ Risk Mitigation
<p>1. Improved public financial management.</p>	<p>Progress relative to the May 2013 baseline, as measured by the “Percent of Members with Repeat PEFA’s showing Improvement or No Change with an A or B rating in both years”:</p> <ul style="list-style-type: none"> • the 4 indicators for “Credibility of the Budget” • the 6 indicators for “Comprehensiveness and Transparency” • 2 indicators (#11 & 12) for “Policy-Based Budgeting” • The 4 indicators for “Accounting, Recording, and Reporting” • The 3 indicators for “External Scrutiny and Audit” <p>Improvements in PFM systems noted in other qualitative assessments.</p>	<p>All but 2 of the PFTAC countries have now had at least 1 formal PEFA Assessment, but both of these have been through a PFTAC coordinated self-assessment. PFTAC has constructed a database of indicators used to monitor PFM progress.</p> <p>Summaries of up-to-date PEFA results will be presented in PFTAC’s Annual Reports and will be reported to FEMM on a periodic basis.</p>	<p>Requires political commitment to implementing PFM reform roadmaps.</p> <p>Sustained progress is dependent on broader reforms to the public sector, including recruitment, retention and remuneration.</p> <p>Coordinated development partner financial and technical support required for implementation of PFM reforms.</p>
<p>2. Broader-based and more efficient revenue systems.</p>	<p>Improved ratio of tax collected to administration expenses.</p> <p>Improved rankings on benchmarking of regional tax administrations.</p>	<p>IMF’s RA-FIT first cut of data has been finalized and a second round is now in process. The results will be published on the database.</p> <p>PITAA benchmarking is conducted bi-annually and the next round will be completed at the end of</p>	<p>Political commitment to tax reform and adequate resourcing of tax administrations are essential for improved revenue</p>

Regional Program Objective	Verifiable Indicators	Progress on Indicators	General Risks/Assumptions/ Risk Mitigation
<p>3. Increased resolution and minimization of the risk factors identified in the financial system.</p>	<p>Timely assessment of the condition and performance of individual banks and the overall banking system by supervisory authorities.</p> <p>Increased frequency of on-site examinations of financial institutions.</p> <p>Greater compliance with Basel Core Principles across the Pacific.</p>	<p>the PFTAC program cycle.</p> <p>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.</p> <p>On site examinations are made by most jurisdictions; Tonga has recently committed to increasing the frequency.</p>	<p>collections.</p> <p>Adequate financial and staff resources needed in supervisory institutions.</p>
<p>4. More timely and reliable economic statistics.</p>	<p>Improvement in PIC statistical capacity indicator scores;</p> <p>Improved GDDS participation and compliance.</p> <p>Increased quarterly publication of GDP and expenditure measures.</p>	<p>Statistical capacity indicators will be monitored through the World Bank's public database.</p> <p>Since the start of Phase IV, 7 more countries have begun participation in the GDDS initiative.</p> <p>Methodology improvements in second GDP measures effected in a number of countries, developed in Fiji and Kiribati and quarterly GDP methodologies under development in Fiji.</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 through the launch of phase II of the Ten Year Pacific Statistics Strategy.</p>
<p>5. Improve overall quality of analysis underlying macroeconomic policy.</p>	<p>5.1 Integrated macroeconomic monitoring / projection processes.</p> <p>5.2 Multi-year fiscal planning frameworks.</p> <p>5.3 Ability to assess debt sustainability.</p> <p>5.4 Incorporation of disaster risks into the fiscal planning process.</p>	<p>5.1 Financial programming frameworks have been introduced in seven countries; the use of frameworks can be enhanced further to support macroeconomic analysis and policy.</p> <p>5.2 Few countries routinely undertake fiscal planning beyond a two-year budget horizon.</p>	<p>Political commitment to transparency of economic information is required.</p> <p>Adequate staffing and resourcing of economic units are required.</p>

Regional Program Objective	Verifiable Indicators	Progress on Indicators	General Risks/Assumptions/ Risk Mitigation
		5.3 Few countries are able conduct their own debt sustainability assessments. 5.4 Some countries incorporate contingency reserves into the budget process; some trust funds can provide limited contingency financing.	Budget and planning processes are coordinated. Accurate and timely disaggregated public debt data are available. Disaster risk management is considered a priority.

Public Financial Management Logical Framework FY2016

Objective: Improved public financial management

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ¹⁴	Activity/Mission Description	Person days	Relevant Milestone*	Comments
1.1 At least 1 PEFA assessment conducted in each PFTAC country during the funding cycle with significant country staff involvement and ownership						
	Cook Islands	4	Finalize report and obtain PEFA Check	2 LTX	RBM Milestone #1 No. of formal assessment conducted	Conducted December 2014; Received PEFA check with final comments in August

¹⁴ Ratings defined as follows: 1= Very limited progress towards objective; 2= Some progress towards objective; 3= Substantial progress towards objective; 4= Objective largely or fully achieved.

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ¹⁴	Activity/Mission Description	Person days	Relevant Milestone*	Comments
						2015.
	Kiribati	1	PEFA Self Assessment	28 LTX	RBM Milestone #1: Number of self-assessments conducted	Tentatively scheduled for Feb-April quarter of 2016
	Nauru	1	Self Assessment in conjunction with an AusDFAT	28 LTX	RBM Milestone #1: Number of self-assessments conducted	Tentatively scheduled for Feb-April quarter of 2016 in cooperation with Australia DFAT
	Papua New Guinea	4	PEFA follow-up and Action Plan Development	combined with PNG Roadmap effort below	RBM Milestone #1: Number of self-assessments conducted	PEFA was finalized in August 2015 after review by PEFA Secretariat
	Tuvalu	2	PEFA Self Assessment with AusDFAT Assessment of National Systems	8 LTX +7 LTX +17 STX	RBM Milestone #1: Number of self-assessments conducted	Conducted May 19- June 4, 2015.
	Vanuatu	2	PEFA Self-assessment & PFM Roadmap start	12 LTX +15 STX+15 STX	RBM Milestone #1: Number of self-assessments conducted	Conducted June 1-12, 2015
1.2 : Reform road maps developed following each PEFA assessment						
	Papua New Guinea	4	PEFA follow-up and Action Plan Development	7 LTX +9 STX+9 STX	RBM Milestone #3: Number of PFM reform roadmaps developed	Government adopted the PFM Reform Roadmap in September, 2015
	RMI	3	Determine areas of priority to strengthen capacity to operationalize		RBM Milestone #3: Number of PFM reform roadmaps developed	PFTAC advisors had a teleconference with the

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ¹⁴	Activity/Mission Description	Person days	Relevant Milestone*	Comments
			PFM Reform Plan			new RMI Finance Secretary and discussed priority areas (see proposed mission on Budget Execution)
	Tonga	3	PFM Case Study with World Bank, ADB, and Australia DFAT	5 LTX	RBM Milestone #3: Number of PFM reform roadmaps developed	This joint September mission with the World Bank, ADB, and AusDFAT was intended primarily to identify strengths/weaknesses of past approaches to Roadmap development and implementation
	Tonga	1	Workshop for the Public Accounts Committee on legislative scrutiny of PFM	7 STX; 4 LTX	RBM Milestone #3: Number of PFM reform roadmaps developed	The workshop was aimed at strengthening to improve performance on legislative scrutiny of the budget and the accounts. PFTAC funded the participation of STX Save Narube and PFM Adviser Chita Marzan as among the resource speakers/facilitators. Workshop cost was funded by DFAT and

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ¹⁴	Activity/Mission Description	Person days	Relevant Milestone*	Comments
	Tuvalu		PFM Roadmap start	Combined with Self-Assessment Reported Above		overall coordination was done by PASAI.
	Vanuatu		PFM Roadmap start	Reported Above		Due to political crisis, PFM reform planning is expected to be moved to FY17.
1.3 : Modernized legal frameworks and financial instructions implemented						
	Cook Islands	3	TA for the revision of the MFEM/PFM Act	46	RBM Milestone #4: Number of countries with identified legal obstacles (in law or financial instructions) to implementing good PFM practice (as reflected in PFTAC's RBM outcomes 1.4 – 1.9) who were provided TA for improvements	TA started in August 2015 as home-based work, followed by in-country mission in September, and follow-up home-based work to finalize a draft in October. Expected to be submitted to Parliament in January 2016. Tentatively planned for FY17
	Nauru	0	Implementing instructions for budget execution consistent with FMIS		Same as above	

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ¹⁴	Activity/Mission Description	Person days	Relevant Milestone*	Comments
	Solomon Islands	3	Improve draft of new Financial Instructions		Same as above	Moved to FY17
1.4 : Budget Credibility Improves (PEFA Indicators 1-4)						
Activity in this area is heavily inter-twinned with 1.6						
1.5 : Budget Comprehensiveness and Transparency Progresses Toward International Standards (PEFA Indicators 5-10)						
Activity in this area is heavily inter-twinned with 1.6						
1.6 : Budgeting Becomes More Policy Focused with a Medium-term Orientation (PEFA Indicators 11-12)						
	Fiji	3	Training of budget analysts to improve the quality of activity-level budget narrative including improved medium-term focus with greater policy/strategy content	2 LTX	RBM Milestone #16: Budget documents clearly explain the policies and strategies driving funding changes; #17: Budget process focuses on a medium-term time-frame at the program/sub-program level.	Training commenced in March 2015 with an early focus on non-tax revenue reviews. Training continued periodically on an as-need basis through October.
	Fiji	3	Review of operations for the Fiji National Provident Fund	5	Same as above	Mission report is complete.
	Fiji		Improve budget document in line with international standards	3 LTX		Policy/strategy information added to budget document at the Program/activity level
	Solomon Islands		Support to APD's 5 th ECF Review	3 LTX		

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ¹⁴	Activity/Mission Description	Person days	Relevant Milestone*	Comments
	Tonga	2	High Level Dialog with Cabinet on PFM issues and improving the integration of planning and budgeting		RBM Milestone #16: Budget documents clearly explain the policies and strategies driving funding changes; #17: Budget process focuses on a medium-term time-frame at the program/sub-program level.	Moved to FY17
	Regional	4	Deep Sea Minerals workshop focusing on PFM and tax policy issues	10 LTX & STX	#17: Budget process focuses on a medium-term time-frame at the program/sub-program level.	Workshop conducted August 24-28
	Regional	4	IMF/PFTAC joint workshop on Fiscal Frameworks	10 LTX	RBM Milestone #16: Budget documents clearly explain the policies and strategies driving funding changes; #17: Budget process focuses on a medium-term time-frame at the program/sub-program level.	Workshop conducted on June 22-25
	Sub-Regional	0	Pension funding challenges and potential options	28 (14 LTX + 14 STX)	RBM Milestone #16: Budget documents clearly explain the policies and strategies driving funding changes; #17: Budget process focuses on a medium-term time-frame at the program/sub-program level.	Tentatively scheduled for the March/April 2016 period
	<i>Sub-regional</i>	4	Expenditure Forecasting- Group A (Countries not on calendar financial years)	5 LTX	RBM Milestone #16: Budget documents clearly explain the policies and strategies driving funding changes; #17: Budget process focuses on a medium-term time-frame at the program/sub-program level.	Nov 2-6, Nadi (With Macro-Forecasting Advisor & UNESCAP)

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ¹⁴	Activity/Mission Description	Person days	Relevant Milestone*	Comments
	<i>Sub-regional</i>		Expenditure Forecasting- Group B (countries on calendar financial years)	5 LTX	RBM Milestone #16: Budget documents clearly explain the policies and strategies driving funding changes; #17: Budget process focuses on a medium-term time-frame at the program/sub-program level.	Tentative-Early February (With Macro-Forecasting Advisor & UNESCAP)
1.7 : Budget Execution Progresses Toward International Standards (PEFA Indicators 16_21)						
	FSM		Introductory mission to improve treasury management	5 LTX	Milestone #22: Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations	Tentatively planned for the March/ April 2016 period.
	Marshall Is.	1	Scoping mission on improving budget execution internal controls	5LTX	Milestone #22: Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations	Tentatively scheduled end of March 2016
	Papua New Guinea	3	Technical support for accelerated implementation of PNG's new IFMIS	30 STX +39 STX	Effective operation of an IFMS has implications for many milestones within both this outcome group, as well as outcome group 1.8 (accounting, recording, and reporting). Most	Activity is also highly relevant to effective achievement of many other RBM Milestones, particularly

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ¹⁴	Activity/Mission Description	Person days	Relevant Milestone*	Comments
					important for outcome group 1.7 is: RBM Milestone #22: Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations	RBM Milestone 24: Bank reconciliation for all central government bank accounts takes place at least monthly at aggregate and detailed levels, usually within 4 weeks of end of period.
	Papua New Guinea	2	Improve cash management	12 STX+19 STX	Milestone 18: Ministries are provided good cash flow information on the periodic availability of funds for	Significant changes made to the organization, operation, and coverage of PNG's "new" IFMS. Outsourcing of communications linkages and other IT services has occurred, and number of departments covered by the system has increased from 3 to 22 (in December 2015) since PFTAC TA commenced (May 2014) First mission from June 22 to July 10, and second mission in September 2015 conducted by

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ¹⁴	Activity/Mission Description	Person days	Relevant Milestone*	Comments
					commitment of expenditures.	Stephen Mayes. Recommendations to implement a cash pooling scheme accepted by Ministry of Finance and BPNG. Cash Management Unit created by DOF to resolve delay in bank reconciliation.
	Samoa	2	Improve cash management	14 STX	Milestone 18: Ministries are provided good cash flow information on the periodic availability of funds for commitment of expenditures.	Mission completed on November 3-16, 2015 with Mark Silins. Recommendations accepted by MOF
	Solomon Islands	1	Improve cash management		Milestone 18: Ministries are provided good cash flow information on the periodic availability of funds for commitment of expenditures.	Moved to FY17
	Tonga		Treasury business process review	19 STX	Milestone #22: Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations	Has been cancelled as the authorities decided to make use of existing software for the short-term

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ¹⁴	Activity/Mission Description	Person days	Relevant Milestone*	Comments
	Vanuatu	3	Strengthening Internal Audit	12 STX	Internal audit focusing on systems risks	Follow-up TA conducted in October 2015 by Tony Prcevich. Report indicated progress in using the audit software and risk-based auditing
1.8 : Accounting, Recording and Reporting Improves in line with international standards (PEFA Indicators 22-25)						
	Fiji	3	Staff mentoring and development of policy/manual on debt accounting based on IPSAS	15 LTX	Milestone #27: Consolidated government financial statement is prepared annually according to internationally acceptable standards; submitted to external audit within 6 months of fiscal year end, and includes full information on revenue, expenditure and financial assets/liabilities.	Continuing advisory provided, and resulted to improving presentation of the 2014 financial statements, proposed debt accounting and reporting policy and manual to be presented to Policy Committee in January 2016.
	Samoa	2	Develop strategy on fiscal oversight for state-owned enterprises	12 STX+ 16 LTX	Consolidated fiscal risk issues on SOEs submitted on an annual basis according to international standards	Conducted on August 24 to September 4, 2015 with James Colvin. Recommendations accepted, and expected to be implemented starting in the 2016 report on SOEs.

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ¹⁴	Activity/Mission Description	Person days	Relevant Milestone*	Comments
	Samoa	1	Improve accounting and financial reporting framework	12 LTX+12 STX	Milestone #27: Consolidated government financial statement is prepared annually according to internationally acceptable standards; submitted to external audit within 6 months of fiscal year end, and includes full information on revenue, expenditure and financial assets/liabilities.	Tentatively planned on February 29 to March 11, 2016 with Eroni Vatuloka.
	Tonga	2	Improve accounting and financial reporting framework	12 LTX+12 STX	Milestone #27: Consolidated government financial statement is prepared annually according to internationally acceptable standards; submitted to external audit within 6 months of fiscal year end, and includes full information on revenue, expenditure and financial assets/liabilities.	Conducted in January 2016 with Eroni Vatuloka; A three year reform plan was proposed and adopted by the authorities.
	Regional	2	Joint PFTAC/PASAI Workshop on accounting and auditing reforms	6 LTX	Milestone #27: Consolidated government financial statement is prepared annually according to internationally acceptable standards	Completed on November 23-27, 2015; Participants gave very satisfactory evaluation.

Revenue Policy and Administration FY2016

Objective: Broader-based and more efficient revenue systems

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ¹⁵	Activity/Mission Description	Person Days	Relevant Milestone	Comments
2.2 : Appropriate legislation and regulations for effective policy implementation are adopted						
	Fiji	2	Review of the Income Tax Decree.	12	Laws enacted	Legislation updated and implemented
	Nauru	2	Finalize the Business Tax Bill.	12	Laws drafted.	Business Tax Bill finalized – implementation targeted for July 1, 2016.
	Regional		Workshop: Developing a seabed minerals regime.	3	Creating an understanding of seabed mining.	PFTAC has been instrumental in advising PICs on this important topic.
2.3 : Modern and integrated processes are adopted to verify & maintain taxpayer information & compliance obligations						
	Cook Islands	3	Improving core tax functions.	15	Core tax functions operating at TADAT efficiency levels.	Introduce a project plan to improve core tax operations.

¹⁵ Ratings defined as follows: 1= Very limited progress towards objective; 2=Some progress towards objective; 3= Substantial progress towards objective; 4= Objective largely or fully achieved.

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ¹⁵	Activity/Mission Description	Person Days	Relevant Milestone	Comments
	Fiji	3	Improving the audit function (2 missions).	20	A capable audit function operating at TADAT efficiency levels.	(a) audit department restructured and additionally staffed (b) risk management Unit created and staffed (c) a modern risk based audit plan implemented from January, 2016.
	Fiji	3	Improving core tax functions.	20	Core tax functions operating at TADAT efficiency levels.	Project Reforms Office created to address weaknesses exposed by TADAT and all PFTAC recommendations
	Fiji	3	Improving the management of tax returns.		On-time filing of tax returns at TADAT efficiency levels.	New processes put in place to facilitate on-time filing of tax returns.
	Kiribati	2	Improving core tax functions (2 missions).	10	A functionally driven organization to facilitate improved compliance.	TA and training provided to create a better understanding of core tax functions and operations attached thereto.
	Kiribati	2	Review overall reform progress and determine future technical assistance needs.	10	Progress reviewed and TA needs defined.	Progress evaluated, barriers to reform identified and next steps put in place.
	Kiribati	2	Review of VAT implementation.	10	Successful implementation of VAT.	VAT implemented April 2014, post implementation review carried out to critique performance.
	Republic of the Marshall Islands	2	Strengthening core tax functions.	15	Core tax functions operating at TADAT efficiency levels.	November 2015 election results lean towards a more intense tax reform program. Current activities will be expanded to facilitate a more

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ¹⁵	Activity/Mission Description	Person Days	Relevant Milestone	Comments
	Republic of the Marshall Islands	2	Building operational capability to support VAT implementation.	15	Successful implementation of VAT.	structured modernization plan. Policy and legal framework already in place. PFTAC to assist with operational implementation and public awareness of the VAT system.
	Republic of the Marshall Islands.	3	Review of overall reform progress/develop a strategic plan (overlap with RBM 2.8).	10	Reform program reviewed and strategic plan developed and adopted.	Strategic and operational plan designed and signed off by the authorities.
	Samoa	3	Review overall reform progress.	5	Progress reviewed and TA needs identified.	Progress evaluated, barriers to reform identified and a renewed TA plan put in place (1 st quarter 2016).
	Samoa	3	Strengthen arrears and returns management (2 missions).	10	Improve on-time payment and on-time filing to TADAT levels.	A PFTAC facilitated improvement plan accepted an introduced by the authorities.
	Tonga	3	Review overall reform progress.	10	Progress to be reviewed and TA needs identified.	Progress evaluated, barriers to reform identified and a renewed TA plan developed (1 st quarter 2016).
	Tonga	3	Review of the taxpayer services function.	10	Taxpayers receiving high levels of service and education.	Taxpayer services function introduced and reviewed to identify gaps.
	Tuvalu	-	Review overall reform progress.	10	Progress reviewed and TA needs identified.	Progress evaluated, barriers to reform identified and next steps put in place.
	Regional	-	Workshop: Management of the audit function.	5	Improve management of the audit function to	The need to improve management capability identified in the

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ¹⁵	Activity/Mission Description	Person Days	Relevant Milestone	Comments
	Regional	-	Workshop: Management of the taxpayer services function.	7	TADAT levels. Improve management of the taxpayer services function.	PFTAC/PITAA training needs analysis. PFTAC training is playing a key role in this area. The need to improve management capability identified in the PFTAC/PITAA training needs analysis. PFTAC training is playing a key role in this area.
	Regional	-	Workshop: Arrears and returns management.	5	Improve on-time payment and on-time filing to TADAT efficiency levels.	Data has shown that PIC's performance in this area is weak. The workshop provided an in-depth overview of modern management methods and practical steps to improve performance.
2.4 : Business systems & processes are based on risk-management principles						
	Fiji	3	Compliance risk management workshop.	5	Introduction of a compliance improvement strategy.	(a) Risk Management Unit created and staffed (b) a risk based compliance improvement strategy introduced with effect from January, 2016.
	Fiji	3	Compliance risk management.	25	A risk based revenue administration with capability to identify and treat highest risks.	As above.
	Federated States of	2	Compliance Risk Management (2 missions).	23	Risks identified and treatment plan	Risk based compliance plan introduced with good results

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ¹⁵	Activity/Mission Description	Person Days	Relevant Milestone	Comments
	Micronesia				implemented.	achieved to date.
2.5 : Compliance improvement strategies use a mixture of service and enforcement approaches						
	Fiji	2	Developing a compliance improvement strategy.	5	Introduction of a compliance improvement strategy.	Compliance improvement strategy designed and implemented with effect from January 1, 2016.
	Fiji	2	Compliance risk management (2 missions).	14	Risks identified, assessed and addressed.	Compliance improvement strategy designed and implemented with effect from January, 2016.
	Samoa	3	Compliance Risk Management.	10	Compliance Improvement strategy introduced.	PFTAC facilitated compliance plan adopted and introduced.
	Tonga	3	Compliance Risk Management.	10	Compliance improvement strategy introduced.	PFTAC assisted in developing a framework for a compliance plan and assisted in introducing a risk management unit.
	Vanuatu	3	Compliance risk management.	10	Introduction of a compliance improvement strategy.	PFTAC facilitated compliance improvement strategy adopted and implemented.
	Vanuatu	3	Review of the compliance improvement strategy.	10	Proper functioning of a compliance improvement strategy.	Compliance improvement strategy evaluated and weaknesses identified.
	Regional	-	Workshop: Improving compliance in the tourism industry.	8	A regional initiative to understand the tourism	Tourism represents a big sector in PICs with anecdotal evidence of high

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ¹⁵	Activity/Mission Description	Person Days	Relevant Milestone	Comments
	Regional	-	Workshop: Identifying and dealing with VAT fraud.	7	Improving VAT compliance.	tax evasion. This workshop will help PICs in designing a plan to address this issue. VAT is a high risk area that PICs need to understand more fully. This workshop will provide valuable information on how to use internal and third party information to identify risks.
	Regional	-	PITAA annual conference “Modernizing Tax Administration in the Region” – focus to improve compliance (2STX).	4	Improving compliance.	The workshop reemphasized the PFTAC strategy to improve tax compliance through identification and treatment of risk.
	Regional	-	Workshop: Compliance Risk Management (2STX)	10	Improved use of internal/external data to identify non-compliance.	PFTAC has exposed PICs to the importance of extracting and using data to identify compliance trends and high risk.
	Regional	-	Workshop: Performance management	10	Introduction of a compliance improvement strategy/use of data to improve compliance and regional commitment to the RAFIT.	5 PICs have or are in the process of implementing a compliance improvement strategy. PFTAC assistance has been vital in creating a broader understanding of modern compliance management concepts.
2.7 : Organizational and operating structures are relevant to the business and allow for the effective use of resources						
	Kiribati	2	Designing a new organizational structure.	10	A new functionally based organizational structure	Structure approved by the Ministry of Finance and implemented.

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ¹⁵	Activity/Mission Description	Person Days	Relevant Milestone	Comments
	Palau	2	Design a new strategic plan and develop a new organizational structure (overlap between RBM 2.7 and 2.8).	10	introduced. A new functionally based organizational structure implemented.	New structure designed accepted by the authorities.
	Palau	2	Implement a new organizational structure.	10	A new functionally based organizational structure implemented.	New structure accepted by the authorities and currently being implemented.
	Tonga	2	Review of the organizational structure.	10	A new function based organizational structure	Proposals developed and presented to the authorities.
2.8 : Good corporate strategies, business planning processes and management information reports are adopted, implemented and updated regularly						
	Fiji	3	Designing a modernization change management strategy.	10	A planned and coordinated modernization plan supported by employees.	Planned for April, 2016.
	Fiji	3	Facilitating change management implementation.	5	A planned and coordinated modernization plan supported by employees.	PFTAC provided advice on facilitating change and setting up a project management structure to oversee reforms.
	Regional	-	Conference: Oceania Customs Organization.	5	Building a relationship between PFTAC and the OCO.	Ensuring that both organizations are supportive of each other's strategies and avoid overlaps.

Financial Sector Supervision Logical Framework FY2016

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

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ¹	Activity/Mission Description	Person Days	Relevant Milestone	Comments
<i>3.1 Development and Implementation of Prudential Returns</i>						
	Cook Islands	5	None, section completed		Banks are submitting returns Production of reports	Implemented
	Palau	5	None, section completed		Banks are submitting returns Production of reports	Implemented
	Solomon Islands	5	None, section completed		Banks are submitting returns Production of reports	Implemented
	Tonga	5	None, section completed		Banks are submitting returns Production of reports	implemented
	Vanuatu	5	None, section completed		Banks are submitting returns Production of reports	implemented
<i>3.2 Implementation of Financial Sector Information System (FSIS)</i>						

¹ Ratings defined as follows: 1= Very limited progress towards objective; 2= Some progress towards objective; 3= Substantial progress towards objective; 4= Objective largely or fully achieved.

Regional						Pilot program concluded in Solomon Islands. Further deployment terminated.
Measurable Outcome	Country	Progress against Milestones at end-FY2015 ²	Activity/Mission Description	Person Days	Relevant Milestone	Comments
3.3 Strengthened Off-site Supervision						
	Papua New Guinea	4	Workshop on Consolidated Supervision of Conglomerates	7	Participants are able to perform a financial review of a conglomerate and prepare for its on-site examination.	A STX delivered a five day workshop sponsored by PFTAC. 24 participants. December 2015
	Timor-Leste	2	Training session on Preparedness for an on-site examination. Include scoping, financial review, data analysis, planning, team tasks, and drafting engagement letter.	7	Participants are able to plan the on-site examination of a commercial bank	Workshop held for examiners in preparation for an up-coming examination of a commercial bank.
	Regional	3	Training session on Preparedness for an on-site examination. Include scoping, financial review, data analysis, planning, team tasks, and drafting engagement letter.	7	Participants are able to plan the on-site examination of a commercial bank	Workshop held in Guam; Participants from Palau, FSM and Marshall Islands June 2015

² Ratings defined as follows: 1= Very limited progress towards objective; 2= Some progress towards objective; 3= Substantial progress towards objective; 4= Objective largely or fully achieved.

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ³	Activity/Mission Description	Person Days	Relevant Milestone	Comments
3.4 Strengthened On-site Examination						
	FSM	3	On-site examination Development bank	15	Examination concluded in accordance with plan	STX Support Program March 2016
	Palau	3	On-site examination Development bank	15	Examination concluded in accordance with plan	STX Support Program September 2015
	Samoa	3	On-site examination Commercial bank	15	Examination concluded in accordance with Plan	STX Support Program August 2015
	Samoa	3	On-site examination Commercial Bank	15	Examination concluded in accordance with Plan	STX Support Program November 2015
	Samoa	3	On-site examination Commercial Bank	15	Examination concluded in accordance with Plan	STX Support Program March 2016
	Timor-Leste	2	On-site examination Commercial Bank	15	Examination concluded in accordance with Plan	STX Support Program September 2015
		2	On-site examination Commercial Bank	15	Examination concluded in accordance with Plan	STX Support Program March 2016
	Tonga	3	On-site examination Development Bank	15	Examination Concluded in accordance with Plan	LTX Support Program June 2015

³ Ratings defined as follows: 1= Very limited progress towards objective; 2= Some progress towards objective; 3= Substantial progress towards objective; 4= Objective largely or fully achieved.

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ⁴	Activity/Mission Description	Person Days	Relevant Milestone	Comments
	Regional	3	AFSPC Annual workshop How to examine Board Governance	2	Supervisors will be able to adequately review the Governance of Bank Boards.	FSM, Fiji, Palau, PNG, Samoa, Solomon Islands, Tonga, Vanuatu, Cook Islands and Timor-Leste. 21 Participants Aug 2015
	Regional	3	AFSPC annual workshop Banking supervision Needs assessment Questionnaire	1	Supervisors provided input into the development of the Basel Core Principle Banking Supervision Questionnaire.	FSM, Fiji, Palau, PNG, Samoa, Solomon Islands, Tonga, Vanuatu, Cook Islands and Timor-Leste. 21 Participants Aug 2015
3.5 Development of Standardized Examination Reports						
	Palau	3	Drafting on-site examination report: Development bank	2	Examination report drafted and presented to bank	STX Support Program September 2015
	Samoa	3	Drafting on-site examination Report: Commercial bank	2	Examination report drafted and presented to bank	STX Support Program August 2015
	Samoa	3	Drafting on-site examination Report: Commercial Bank	2	Examination report drafted and presented to bank	STX Support Program November 2015
	Timor-Leste Tonga	2	Drafting on-site examination Report: Commercial Bank	2	Examination report drafted and presented to bank	STX Support Program September 2015
		3	Drafting on-site examination Report: Development Bank	2	Examination report drafted and presented to bank	LTX Support Program June 2015

⁴ Ratings defined as follows: 1= Very limited progress towards objective; 2= Some progress towards objective; 3= Substantial progress towards objective; 4= Objective largely or fully achieved.

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ⁵	Activity/Mission Description	Person Days	Relevant Milestone	Comments
3.8 Modernized Legal Framework						
	Fiji	3	Workshop Drafting Credit Union Act	7	Draft completed and ready for legislative process	IMF Legal Dept. lead the workshop with support from PFTAC.
	Tonga	3	Review current Prudential Statements, amend where required and draft new Regulations.	15	Draft process completed and results submitted to Reserve Bank.	Reviewed all Prudential Statements in light of amendments to the FI Act.
	Tuvalu	3	Provided amendment to the Banking Commission Act	3	Ministry of Finance will submit to Parliament for approval.	Slight change to the act required to facilitate its implementation
	Regional	3	Workshop Drafting a credit Union Act	7	Participants have sufficient information to both amend their current CU Act or Repeal and present a new Act.	IMF Legal department lead the workshop with support from PFTAC
3.9 Non-banks, Credit unions, and Microfinance institutions have Strengthened Legal, Supervisory and Operational Frameworks						
	Fiji	3	Workshop: Capacity Building Credit Unions Financial Reporting	10	Financial statements are reviewed and regulatory compliance established	Review performed to establish the level of compliance against international standards.

⁵ Ratings defined as follows: 1= Very limited progress towards objective; 2= Some progress towards objective; 3= Substantial progress towards objective; 4= Objective largely or fully achieved.

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ⁶	Activity/Mission Description	Person Days	Relevant Milestone	Comments
	FSM	2	Workshop; Capacity building Credit Unions Financial Reporting	7	Financial statements are reviewed and regulatory compliance established	Review performed to establish the level of compliance against international standards.
	Palau	3	Workshop: Capacity building Credit Unions Financial Reporting	9	Financial statements are reviewed and regulatory compliance established	Review performed to establish the level of compliance against international standards.
	Samoa	3	Workshop: Capacity building Credit Unions Financial Reporting	6	Financial statements are reviewed and regulatory compliance established	Review performed to establish the level of compliance against international standards.
	Solomon Islands	3	Workshop: Capacity building Credit Unions Financial reporting	7	Financial statements are reviewed and regulatory compliance established	Review performed to establish the level of compliance against international standards
	Tonga	3	Workshop: Capacity building Credit Unions Financial reporting	7	Financial statements are reviewed and regulatory compliance established	Review performed to establish the level of compliance against international standards

⁶ Ratings defined as follows: 1= Very limited progress towards objective; 2= Some progress towards objective; 3= Substantial progress towards objective; 4= Objective largely or fully achieved.

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ⁷	Activity/Mission Description	Person Days	Relevant Milestone	Comments
	Vanuatu	3	Workshop; Capacity Building Credit Unions Financial Reporting	7	Financial statements are reviewed and regulatory compliance established	Review performed to establish the level of compliance against international standards.
3.10: Effective Outreach on Financial Sector Issues						
	Regional (1)		Regional Financial Sector Development Partners' meeting	2	Partners meeting Exchange on program activities	Provide an opportunity to exchange on our activities in the region Host: European Union Nov 2015
	Regional (2)		Annual AFSPC meeting	5	Review of the year's performance, presentation of the YE16 program	Host: Solomon Islands Representatives from 11 countries August 2015
	Regional (3)		Governors' Annual Meeting	3	Presentation on PFTAC's Activities	Host: Reserve Bank NZ December 2014
	Regional (4)		By-annual Microfinance Conference	4	Review Pacific region activities and financial inclusion programs	Host: Solomon Islands September 2015
	Regional (5)		PFTAC annual Steering Committee meeting	3	Presentation on PFTAC's Activities Financial Institutions Sector.	Host: Samoa February 2016
	Regional (6)		Credit Union Pacific Congress	4	Staged two workshops; Governance and CU Financial stability	Host Fiji October 2015 80 Participants

⁷ Ratings defined as follows: 1= Very limited progress towards objective; 2= Some progress towards objective; 3= Substantial progress towards objective; 4= Objective largely or fully achieved.

Macroeconomic Statistics Logical Framework FY2016

Objective: More timely and reliable economic statistics

Measurable Outcome	Country	Progress against Milestone at end-FY2015	Activity/Mission Description	Person Days	Relevant Milestone	Comments
4.1 At least 8 countries compile at least two independent measures of GDP						
	Fiji	2	National Accounts: Assist in the development of 2011 supply-use tables and review GDP estimates by expenditure and income.	12	Sound methods in place. 2011 supply-use tables compiled.	Final balancing completed.
	Samoa	2	National accounts expenditure estimates review.	6	Work on second measure nearly complete.	Resuming TA to Samoa after a government- funded project.
4.2 Constant price GDP estimates are rebased at least every 10 years						
	Cook Islands	2	National accounts rebase and methodology improvements.	12	Surveys and other data sources available for rebase.	Focus changing from 4.4 to 4.2.
	Solomon Is.	1	National Accounts: Incorporating HIES data and rebasing constant price accounts.	12	Base year less than 10 years old, plans in place to keep it thus.	This will take two missions to complete, the second one in next fiscal year.
	PNG	2	National Accounts: Strengthening methodologies and assist with rebasing GDP estimates in constant prices. Assist with the	46	GDP estimates published.	The PNG NSO needs substantial TA to resume regular compilation of national accounts. This is four missions including February assuming adequate progress.

Measurable Outcome	Country	Progress against Milestone at end-FY2015	Activity/Mission Description	Person Days	Relevant Milestone	Comments
NSO reform process.						
4.3 At least 8 member countries compile regular annual GNI, GNDI, saving and net lending/borrowing aggregates						
	Fiji	2	National Accounts: Assist in the development of 2011 supply-use tables and review GDP estimates by expenditure and income.		Sound methods in place. 2011 supply-use tables compiled.	(Refer to 4.1)
	Kiribati	3	National Accounts: Strengthening methodologies for the compilation of GDP estimates by production.		Sound methods in place.	(Refer to 4.5)
4.4 At least 4 countries compile quarterly national accounts						
	Fiji	2	National accounts: assist in the development of quarterly GDP estimates.	7	Country has QNA methodology under development.	The aim is to publish by the end of March 2016.
4.5 Data sources are adequate and methodologies are sound						
	Cook Islands	2	National accounts rebase and methodology improvements.		Surveys and other data sources available for rebase.	(Refer to 4.2)
	Cook Islands	1	BOP: Current Account development		Draft balance of payments produced. Coverage and methodology weak.	(Refer to 4.9)

Measurable Outcome	Country	Progress against Milestone at end-FY2015	Activity/Mission Description	Person Days	Relevant Milestone	Comments
	Fiji	2	National Accounts: Assist in the development of 2011 supply-use tables and review GDP estimates by expenditure and income.		Sound methods in place. 2011 supply-use tables compiled.	(Refer to 4.1)
	PNG	2	National Accounts: Strengthening methodologies and assist with rebasing GDP estimates in constant prices. Assist with the NSO reform process.		GDP estimates published.	.(Refer to 4.2)
	Tuvalu	2	National accounts update, review, and training.	5	National accounts produced but with major deficiencies.	Country compiler will travel to Suva.
	Kiribati	3	National Accounts: Strengthening methodologies for the compilation of GDP estimates by production and developing an expenditure measure of GDP.	15	Sound methods in place.	Undertaken by an STX.
	Solomon Is.	1	National Accounts: Incorporating HIES data and rebasing constant price accounts.		Base year less than 10 years old, plans in place to keep it thus.	(Refer to 4.2)
	Niue	2	National accounts methodology review and update.	14	National accounts produced but with major deficiencies.	National accounts previously done by SPC.
	Samoa	2	National accounts expenditure estimates review.		Work on second measure nearly complete.	(Refer to 4.1)

Measurable Outcome	Country	Progress against Milestone at end-FY2015	Activity/Mission Description	Person Days	Relevant Milestone	Comments
	Tonga	2	Review national accounts methodology especially fixed ratios and use of tax data.	14	Adequate national accounts produced but with some deficiencies.	Introduce new STX to Pacific work.
	Regional		Training on national accounts for FSM, Palau and RMI. Streamline systems and simplify methodologies to increase local capacity.	10	Sound methods in place.	Aim to reduce reliance on external consultants.
	Regional		Analyze HIES data and develop standard template of HIES output for national accounts and BOP.	6	Sound methods in place.	Meeting of the PSSC HIES working group.
	Regional		Participation in the Pacific Statistics Steering Committee which coordinates Statistics TA in the region.	2	TA Coordination improved. Phase II of the Ten Year Pacific Statistics Strategy implemented.	Coordination with the SPC which plays a key role in the Committee has been challenging.
4.6 National accounts statistics are consistent with other statistics including balance of payments and government finance statistics (GFS)						
	Cook Islands	2	Completion of GFS classifications, data input.	17	Improvement of GFS	New area. Previously IMF HQ.
	FSM, Palau, Marshall islands	2	Inclusion of extra-budgetary units, Social Security funds, Public Corporations	15	Improvement of GFS	Work similar for each country. Remote input from STX.

Measurable Outcome	Country	Progress against Milestone at end-FY2015	Activity/Mission Description	Person Days	Relevant Milestone	Comments
4.7 National accounts statistics and associated metadata are readily available.						
	Kiribati	3	National Accounts: Strengthening methodologies for the compilation of GDP estimates by production and developing an expenditure measure of GDP.		Sound methods in place.	(Refer to 4.5)
	Niue	2	National accounts methodology review and update.		National accounts produced but with major deficiencies.	(Refer to 4.5)
4.8 Price statistics are of good quality and base years up to date.						
	Regional	2	Training course for compilers of consumer price indexes.	21	CPI produced, imputations, item replacement reasonable.	Course run jointly with SPC who take the lead on price statistics in the region. Training supplemented with a component on the IMF HQ preferred compilation software, using an STX.
4.9 Improvement in the coverage, quality and timeliness of balance of payments estimates.						
	Cook Islands	1	BOP: Current Account development	36	Draft balance of payments produced. Coverage and methodology weak.	Two STX missions. Aim is to have publishable current account.
	Nauru	2	BOP update.	10	Draft Balance of payments produced. Coverage and methodology weak.	Follow-up STX mission. Nauru expected to join IMF in February.

Macroeconomic Analysis Logical Framework FY2016

Objective: Improved macroeconomic analysis

Measurable Outcome	Country	Progress against Milestones at end-FY2016 ¹	Activity/Mission Description	Mission Days	Relevant Milestone	Comments
5.1 Integrated macroeconomic monitoring / projection processes						
	Cook Islands	4-	Develop an integrated macroeconomic and fiscal framework.	9	Macroeconomic and fiscal projections are consistent. The integrated model is less resource intensive to maintain.	Substantial progress was made due to high capacity of staff and joint collaboration.
	Samoa	3	Review of tax revenue forecasting methodology used at the Ministry for Revenue and the Ministry of Finance. Facilitate a cross institution (Ministry of Finance, Ministry for Revenue, Central Bank of Samoa, Samoa Bureau of Statistics) workshop on the Samoa Economic and Revenue Forecasting (SERF) model and the compilation of government finance statistics.	7 7	Discrepancies between tax collection estimates and actual collections are reduced. Macroeconomic and fiscal projections are consistent.	
	Solomon Islands	3-	Develop the fiscal sector of the Solomon Islands financial programming framework.	7	Macroeconomic and fiscal projections are consistent.	

¹ Ratings defined as follows: 1 = Very limited progress towards objective; 2 = Some progress towards objective; 3 = Substantial progress towards objective; 4 = Objective largely or fully achieved.

Measurable Outcome	Country	Progress against Milestones at end-FY2016 ¹	Activity/Mission Description	Mission Days	Relevant Milestone	Comments
	Tonga	4-	Develop a financial programming (FP) framework for Tonga.	10	A financial programming framework is developed and used in budget preparations and for policy advice and analysis.	Technical assistance is provided jointly with the ADB.
			Facilitate a training workshop for staff from the Ministry of Finance and National Planning (MFNP), the Ministry of Revenue and Customs (MORC) and the Tonga Department of Statistics on practical applications of the Tonga FP framework.	8		The sharing of industry-level GDP forecasts by the Ministry of Finance and National Planning with the Ministry of Revenue and Customs sets a new standard in the region.
			Develop a revenue forecasting tool for MORC staff.	8	A basic revenue forecasting tool is developed.	
			Support the use of the FP framework during budget processes and in preparations for the IMF Article IV.	19		
	Vanuatu	3	Conduct a cross institution (Department of Finance and Treasury (DOFT), Reserve Bank of Vanuatu (RBV), Vanuatu National Statistics Office) workshop on practical applications of the Vanuatu FP framework.	15	A financial programming framework is developed and used in policy advice and analysis.	The development of the FP framework is greatly assisted by strong management support and high levels of cooperation between public sector agencies as well motivation and dedication by staff.
			Develop gross domestic product (GDP) forecasting and monitoring methodology and train staff at the RBV and DOFT on using the FP framework.	7	A national framework for revenue forecasting is developed.	
			Develop a national framework for tax revenue forecasting consistent with the FP framework.	7		
5.2 Multi-year fiscal planning frameworks						
	Regional		Participate in Workshop on Strengthening	16	Collaboration between institutions	Workshops were organized

Measurable Outcome	Country	Progress against Milestones at end-FY2016 ¹	Activity/Mission Description	Mission Days	Relevant Milestone	Comments
	Regional		Fiscal Frameworks in the Pacific Islands. Facilitate two workshops on Medium-Term Expenditure Planning for National Sustainable Development.	18	is strengthened to better link development plans into budgets and to improve tax revenue forecasts.	in collaboration with PFTAC's PFM and Revenue Policy and Administration Advisors, the United Nations Economic and Social Commission for Asia and the Pacific, Pacific Office (UNESCAP), the Pacific Islands Tax Administrators Association (PITAA), and the Fiji Revenue and Customs Authority (FRCA).
	Regional		Facilitate two workshops on Tax Revenue Forecasting.	12	Capacity is increased to undertake medium-term fiscal budgeting and planning.	
	Regional		Facilitate a workshop on Pension Issues.	9	Pension funds are fiscally sustainable in the long run. Peer learning takes place and professional networks are formed in the region. Countries' priority areas are identified for follow-up bilateral technical assistance.	

ANNEX IV: PFTAC MISSIONS AND MEETINGS IN FY2016

Public Financial Management

Country	Description	Advisor Type	Mission Days	RBM Codes
Cook Islands	Complete review of legal framework Phases 1 & 2	Short-term Expert	15	1.3
	Final draft revised CI's PFM legal framework Phase 3	Short-term Expert	12	1.3
Fiji	Review of operations for Fiji National Provide Fund (Phase 1)	Short-term Expert	5	1.3
	Improve budget document in line with international standards	Resident Advisor	3	1.8
	Staff mentoring on accounting based on IPSAS	Resident Advisor	2	1.8
	Improve medium term focus of the annual budget process	Resident Advisor	7	1.6
FSM	Introductory mission to improve treasury management	Resident Advisor	7	1.7
Kiribati	PEFA Self Assessment	Resident Advisor	13	1.1
Marshall Is.	Strengthen capacity to operationalize PFM Reform Plan	Resident Advisor	5	1.7
Nauru	Implementing instructions for budget execution consistent with FMIS	Short-term Expert	32	1.3
	Self Assessment in conjunction with an Australia DFAT	Resident Advisor	6	1.1
	Self Assessment in conduction with Australia DFAT	Resident Advisor	6	1.1
Papua New Guinea	Technical support for accelerated implementation of PNG's new IFMIS	Short-term Expert	32	1.7,1.8
	PEFA follow-up and Action Plan Development	IMF	9	1.1,1.2
	PEFA follow-up and PFM Roadmap Development	IMF	9	1.1,1.2
	PEFA follow-up and PFM Roadmap Development	IMF	9	1.1,1.2
	PEFA follow-up and PFM Roadmap Development	Resident Advisor	7	1.1,1.2
	Improve cash management (mission2)	Short-term Expert	17	1.7
	Follow-up on IFMS transformation	Short-term Expert	39	1.7
	Improve Cash Management	Short-term Expert	24	1.7
Samoa	Develop strategy on fiscal oversight for state-owned enterprises	Short-term Expert	18	1.8
	Improve cash management	Resident Advisor	16	1.8
	Improve cash management	Short-term Expert	20	1.7
	Strengthen accounting and reporting frameworks	Resident Advisor	12	1.8
	Strengthen accounting and reporting frameworks	Short-term Expert	12	1.8
Solomon Islands	Support to APD's 5 th ECF Review	Resident Advisor	3	1.6
	Improve cash management	Resident Advisor	12	1.7
Tonga	PFM case study with World Bank and Australia DFAT	Resident Advisor	5	1.2,1.6
	Improve reporting framework	Resident Advisor	12	1.8

Country	Description	Advisor Type	Mission Days	RBM Codes
	Improve reporting framework	Short-term Expert	12	1.8
	Capacity-building Workshop for the Public Accounts Committee	Short-term Expert	3	1.2
Tuvalu	PEFA Self Assessment with Australia DFAT Assessment of National Systems	Short-term Expert	17	1.1,1.2
	Tuvalu PEFA Self-Assessment Facilitation	Resident Advisor	8	1.1,1.2
	PEFA Self Assessment with Australia DFAT Assessment of National Systems	Resident Advisor	7	1.1,1.2
Vanuatu	Strengthening Internal Audit	Short-term Expert	20	1.7
	PEFA Self-assessment & PFM Roadmap start	Resident Advisor	12	1.1,1.2
	PEFA Self-assessment & PFM Roadmap start	Short-term Expert	16	1.1,1.2
	PEFA Self-assessment & PFM Roadmap start	Short-term Expert	14	1.1,1.2
Regional	Enhancing Macroeconomic resilience to Natural Disasters and Strengthening Fiscal Frameworks	Resident Advisor	5	1.6
	Preparation for Deep Sea Minerals Workshop	Resident Advisor	5	1.6
	Deep Sea Minerals Workshop	Short-term Expert	7	1.6
	Deep Sea Minerals Workshop	Short-term Expert	4	1.6
	Deep Sea Minerals Workshop	Resident Advisor	4	1.6
	Finalizing Results Documents on DSM Fiscal Regime and Revenue Management for ACP States	Short-term Expert	6	1.6
	Workshop on Fiscal Frameworks	Resident Advisors	10	1.6
	Sub regional workshop on pension issues	Resident Advisor	15	1.6
	Improve medium term focus of the annual budget process workshop	Resident Advisor	6	1.6
	PASAI Workshop	Resident Advisor	6	1.8

Revenue Policy and Administration

Country	Description	Advisor Type	Mission Days	RBM Codes
Cook Islands	Improving core tax functions	Short-term Expert	12	2.3
Fiji	Risk management and self assessment	Resident Advisor	5	2.5
	Improving the audit function	Short-term Expert	12	2.3
	Strengthen the Filing of Tax Returns	Short-term Expert	5	2.3
	Compliance Improvement Strategy	Short-term Expert	5	2.4
	Compliance Improvement Strategy (1)	Short-term Expert	10	2.4
	Compliance Risk Management (2)	Short-term Expert	12	2.4,2.5
	Improving the audit function	Short-term Expert	20	2.4
	Implementation of strategic objectives	Resident Advisor	5	2.5
	Finalizing the Income Tax Bill	Short-term Expert	5	2.2
	Improving core tax functions	Resident Advisor	2	2.3
	Facilitating change management implementation	Resident Advisor	7	2.9

Country	Description	Advisor Type	Mission Days	RBM Codes
	Designing a modernization change management plan	Short-term Expert	12	2.9
	Compliance Risk Management (3)	Short-term Expert	15	2.5
FSM	Compliance Risk Management (1)	Short-term Expert	19	2.4,2.5
	Compliance Risk Management (2)	Short-term Expert	20	2.4,2.5
	Review overall reform	Resident Advisor	4	2.4,2.5
Kiribati	Improving core tax functions(2)	Short-term Expert	21	2.3
	Assist in the implementation of a new organization structure	Short-term Expert	20	2.7
	Reviewing VAT Implementation	Short-term Expert	12	2.3
	Review overall reform progress/develop strategic plan	Resident Advisor	7	2.3
Marshall Is.	Review overall reform	Resident Advisor	4	2.4,2.5
	Strengthen core tax functions	Short-term Expert	15	2.3
	Implementation of VAT	Short-term Expert	15	2.3
Nauru	To assist the authorities finalize the Business Tax Bill	IMF-Legal	10	2.2
	To assist the authorities finalize the Business Tax Bill	IMF	4	2.2
Palau	Review overall progress and determine future TA	Resident Advisor	8	2.4,2.5
	Strategic Planning/Compliance Risk Management	Short-term Expert	28	2.7
	Facilitate implementation of a new organization structure	Short-term Expert	12	2.7
Samoa	Compliance Risk Management	Short-term Expert	16	2.4
	Strengthen Arrears and Returns Management	Short-term Expert	12	2.3
	Review overall reform progress	Resident Advisor	6	2.3
Tonga	Self Assessment and Compliance Risk Management (1)	Short-term Expert	18	2.4,2.5
	Adopting a Function Structure – Phase 1	Short-term Expert	14	2.7
	Review overall reform progress	Resident Advisor	5	2.3
	TA in Fiscal Law	IMF	10	n.a.
Tuvalu	Review overall reform progress	Resident Advisor	10	2.5
Vanuatu	Compliance Risk Management	Resident Advisor	6	2.5
	Improving core tax functions	Short-term Expert	12	2.3
	TA in Fiscal Law : VAT	IMF	5	n.a
Regional	Measuring Tax Administration Performance Workshop	Short-term Expert	14	2.3
	Measuring Tax Administration Performance Workshop	Short-term Expert	14	2.3
	Measuring Tax Administration Performance Workshop	IMF	9	2.3
	Deep Sea Minerals Workshop	Short-term Expert	4	2.2
	Finalizing Results Documents on DSM Fiscal Regime and Revenue Management for ACP Countries	Short-term Expert	5	2.2
	Arrears and Debt Collection Workshop	Short-term Expert	5	2.3

Country	Description	Advisor Type	Mission Days	RBM Codes
	Pacific Islands Tax Administrators Annual Meeting	Short-term Experts	6	n.a.
	Pacific Islands Tax Administrators Annual Meeting	Resident Advisor	3	n.a.
	Pacific Islands Tax Administrators Annual Meeting	IMF	3	n.a.
	Workshop on Management of the Audit Function	Short-term Expert	14	2.3
	Workshop on Management of the Audit Function	Resident Advisor	1	2.3
	Workshop on Management of the taxpayer services function	Short-term Expert	5	2.3
	Annual Oceania Customs Organization Meeting	Resident Advisor	3	2.4,2.5
	Workshop on Revenue Forecasting (1)	Resident Advisor	5	2.8
	Workshop on Compliance Risk Management	Short-term Expert	5	2.5
	Workshop on Compliance Risk Management	Short-term Expert	5	2.5
	Improving Tax Compliance in the Tourism Industry	Short-term Expert	5	2.4
	PFTAC Steering Committee Meeting	Resident Advisor	3	n.a.
	Workshop on Revenue Forecasting (2)	Resident Advisor	5	2.8

Financial Sector Supervision

Country	Description	Advisor Type	Mission Days	RBM Codes
Cook Islands	On-site examination of a commercial Bank	Resident Advisor	11	3.4
Fiji	Capacity Building; Supervisory Oversight and sector financial reporting , Credit Unions	Resident Advisor	15	3.9
	Credit Union Law Workshop	Resident Advisor	7	3.9
	Credit Union Law Workshop	IMF	7	3.9
FSM	Support Banking Commission with public consultation (Credit Union Act)	Resident Advisor	10	3.9
	On-site examination of a commercial bank	Short term expert	15	3.4,3.5
Marshall Is.	Capacity building: Supervisory oversight and sector financial reporting, credit unions	Resident Advisor	15	3.9
Palau	On-site examination of a commercial Bank	Short-term Expert	12	3.4,3.5
	Capacity building: Supervisory oversight and sector financial reporting, Credit Unions	Resident Advisor	15	3.9
Papua New Guinea	Workshop Consolidated Supervision of Conglomerates	Short-term Expert	5	3.4
Samoa	On-site examination of a commercial Bank	Short-term Expert	19	3.4,3.5
	On-site examination of a commercial Bank	Short-term Expert	18	3.4,3.5
	Capacity Building Supervisory oversight and sector financial reporting, credit unions	Resident Advisor	12	3.9
Solomon Is.	Capacity building; Supervisory oversight and sector financial reporting, credit unions	Resident Advisor	15	3.4,3.5
Timor Leste	Examination Preparedness Workshop	Short-term Expert	11	3.3,3.4,3.5
	On-site examination of a commercial Bank	Short-term Expert	19	3.4,3.5
Tonga	Review of Prudential Guidelines/desk review	Short-term Expert	17	3.8
	On-site examination of a commercial Bank	Resident Advisor	15	3.4,3.5
	On-site examination of a commercial Bank	Resident Advisor	11	3.4,3.5
	Capacity Building: Supervisory Oversight and sector	Resident Advisor	10	3.8

Country	Description	Advisor Type	Mission Days	RBM Codes
	financial reporting, credit unions			
Tuvalu	Setting up a banking commission and Financial reporting	Resident Advisor	3	3.8
Vanuatu	Post natural disaster banking sector assessment/supervision strategy	Resident Advisor	4	3.4
Regional	Credit Union Congress Presentations; Governance & Financial stability	Resident Advisor	4	3.9
	Examination Preparedness Workshop (Northern Region)	Short-term Expert	8	3.4,3.5
	Examination Preparedness Workshop (Northern Region)	Resident Advisor	7	3.4,3.5
	Annual Governor's meeting	Resident Advisor	3	3.10
	Association of Financial Supervisors of Pacific Countries Annual Meeting (AFSPC)	Resident Advisor	7	3.10
	Association of Financial Supervisors of Pacific Countries Annual Meeting and Workshop on Governance	Short-term Expert	3	3.4
	Workshop : TA needs assessment questionnaire	IMF	5	3.4
	Pacifica Microfinance Conference	Resident Advisor	7	3.9
	PFTAC Steering Committee Meeting	Resident Advisor	4	3.10

Macroeconomic Statistics

Country	Description	Advisor Type	Mission Days	RBM Codes
Cook Islands	Balance of Payments Statistics	Short-term Expert	19	4.5,4.6,4.9
	National Accounts: Rebase & Methodology Improvements	Resident Advisor	12	4.2,4.5
	Balance of Payments Statistics	Short-term Expert	17	4.5,4.6,4.9
	Government Finance Statistics	Short-term Expert	17	4.6
Fiji	National Accounts: Assist in the development of 2011 supply-use tables	Resident Advisor	12	4.1,4.3,4.5,4.6
	CPI Compilation System Training	Short-term Expert	5	4.8
	Quarterly National Accounts: Training & Publication	Resident Advisor	5	4.4
FSM	Government Finance Statistics: Development and Training	Short-term Expert	5	4.6
Kiribati	National Accounts in updating the GDP estimates	Short-term Expert	7	4.3,4.5,4.7
Marshall Is.	Government Finance Statistics: Development and Training	Short-term Expert	5	4.6
Nauru	Balance of Payments Statistics: Compilation of 2014-15 Estimates and IIP	Short-term Expert	10	4.9
	National Accounts: Compilation of GDP estimates by production & methodology improvements	Resident Advisor	8	4.5
Niue	National Accounts: Methodology Review and NA Update	Resident Advisor	14	4.5, 4.6, 4.7
Palau	Government Finance Statistics: Development and Training	Short-term Expert	5	4.6
Papua New Guinea	National Accounts Statistics	Resident Advisors (2)	22	4.2,4.5,4.6
	National Accounts: Methodologies and assist with reform process	Resident Advisor	12	4.2,4.5,4.6

Country	Description	Advisor Type	Mission Days	RBM Codes
Samoa	Training: National Accounts	Resident Advisor	3	4.1, 4.5
	Training: National Accounts	Resident Advisor	3	4.1, 4.5
Solomon Is.	National Accounts: Rebasing of estimates in constant prices	Resident Advisor	11	4.2,4.5
Tonga	National Accounts: Annual Methodology and Review of 2014-15 annual GDP estimates	Resident Advisor	7	4.5,4.6
		Resident Advisor	7	4.5,4.6
Tuvalu	National Accounts: Update, Review and Training	Resident Advisor	5	4.5,4.6
Regional	Participation in the Pacific Steering Committee (1)	Resident Advisor	1	4.5,
	Quality Adjustments and Item Substitution in the Consumer Price Index	Resident Advisor	2	4.8
	Quality Adjustments and Item Substitution in the Consumer Price Index	Short-term Expert	14	4.8
	National Accounts: Training & Methodology Improvements	Resident Advisor	5	4.5
	National Accounts: Training & Methodology Improvements	Resident Advisor	5	4.5
	HIES technical working group with TA provider	Resident Advisor	3	4.5,4.9
	HIES technical working group with TA provider	Resident Advisor	3	4.5,4.9
	Training: Course for Compilers from PNG and Solomon Islands	Resident Advisor	10	4.2,4.5,4.6
		Resident Advisor	10	4.2,4.5,4.6
	Training: Course for Compilers from PNG and Solomon Islands			
	PFTAC Steering Committee Meeting	Resident Advisor	4	n.a.
	PFTAC Steering Committee Meeting	Resident Advisor	4	n.a.

Macroeconomic Analysis and Forecasting

Country	Description	Advisor Type	Mission Days	RBM Codes
Cook Islands	Develop an integrated macroeconomic and fiscal framework	Resident Advisor	9	5.1-5.3
Kiribati	Support authorities during the 2015 IMF Article IV consultation; discuss authorities' priorities and needs and identify areas for PFTAC technical assistance and training going forward	Resident Advisor	11	n.a.
Samoa	Review of tax revenue forecasting methodology used at the Ministry for Revenue and the Ministry of Finance	Resident Advisor	7	5.1
	Enhance the SERF model's ability to undertake debt sustainability analysis	Resident Advisor	7	5.1
Solomon Islands	Develop the fiscal sector of the Solomon Islands financial programming framework	Short-term Expert	10	5.1, 5.3
Tonga	Develop a financial programming (FP) framework for Tonga	Resident Advisor	10	5.1
	Facilitate a training workshop for staff from the Ministry of Finance and National Planning (MFNP), the Ministry of Revenue and Customs (MORC) and the Tonga Department of Statistics on practical applications of the Tonga FP framework	Resident Advisor	8	5.1, 5.2

Country	Description	Advisor Type	Mission Days	RBM Codes
	Develop a revenue forecasting tool for MORC staff and operationalize the MFNP FP framework	Resident Advisor	8	5.1
	Support the use of the FP framework during budget preparations	Short-term Expert	11	5.1
	Continue developing the revenue forecasting tool; support the use of the FP framework in preparations for the IMF Article IV	Resident Advisor	8	5.1
Vanuatu	Conduct a cross institution (Department of Finance and Treasury (DOFT), Reserve Bank of Vanuatu (RBV), Vanuatu National Statistics Office) workshop on practical applications of the Vanuatu FP framework	Resident Advisor	15	5.1, 5.2
	Develop gross domestic product (GDP) forecasting and monitoring methodology and train staff at the RBV and DOFT on using the FP framework	Resident Advisor	7	5.1
	Develop a national framework for revenue forecasting consistent with the FP framework	Resident Advisor	7	5.2
	Develop a debt management tool	Short-term Expert	11	5.2, 5.3
Regional	Participate in a High Level Dialogue Meeting on Enhancing Resilience to Natural Disasters in Pacific Islands and a Workshop on Strengthening Fiscal Frameworks in the Pacific Islands	Resident Advisor Short-term Expert	6 12	5.2, 5.4
	Participate in a workshop on The Economics of Climate Change	Resident Advisor	2	5.4
	Facilitate two workshops on Medium-Term Expenditure Planning for National Sustainable Development	Resident Advisor Short-term Expert	12 6	5.2 5.2
	Facilitate two workshops on Tax Revenue Forecasting	Resident Advisor	12	5.2
	Facilitate a workshop on Pension Issues	Resident Advisor	9	5.2
	2016 Steering Committee Meeting	Resident Advisor	4	n.a.

Meetings, Seminars and Training in FY2016

TA Sector	Description	Location	Number of participants
PFM	Preparation for Deep Sea Minerals Workshop	Fiji	36
	Deep Sea Minerals Workshop	Fiji	36
	Sub regional workshop on pension issues	Marshall Is.	15
	Medium-Term Expenditure Planning for National Sustainable Development (2)	Fiji	33
	PASAI Workshop	Fiji	32
Revenue	Measuring Tax Administration Workshop	Fiji	25
	Deep Sea Minerals Workshop	Fiji	36
	Arrears and Debt Collection Workshop	Fiji	18
	Pacific Islands Tax Administration Annual Meeting	PNG	35

TA Sector	Description	Location	Number of participants
	Management of the Audit Function Workshop	Fiji	23
	Management of the Taxpayer Services Function Workshop	Fiji	21
	Annual Oceania Customs Organization	Palau	30
	Workshop on Compliance Risk Management	Fiji	20
	Tax Revenue Forecasting (2)	Fiji	44
Financial Supervision	Examination Preparedness Workshop	Guam	8
	Association of Pacific Countries Annual Meeting	Solomon Is.	15
	Workshop on Governance Audit	Solomon Is.	15
	Workshop on TA Needs assessment questionnaire	Solomon Is.	15
	Credit Union Congress Presentations: Governance and Financial Stability	Fiji	80
	Workshop: Fiji Credit Union Act with IMF Legal Department	Fiji	12
	Workshop: Regional Credit Union Act with Legal Department	Fiji	10
Statistics	Training Course for Compliers for PNG and Solomon Islands	PNG	16
	Quality Adjustments and Item Substitution in the Consumer Price Index	Fiji	20
	National Accounts: Training & Methodology improvements	FSM	20
Macroeconomics	The Economics of Climate Change	Taipei	30
	Medium-Term Expenditure Planning for National Sustainable Development (2)	Fiji	33
	Tax Revenue Forecasting (2)	Fiji	44
	Sub regional workshop on pension issues	Marshall Is.	15
IMF/PFTAC	High Level Dialogue Meeting on Enhancing Resilience to Natural Disasters in Pacific Islands and Workshops on Strengthening Fiscal Frameworks in the Pacific Islands	Fiji	80
	PFTAC Steering Committee Meeting	Samoa	55

ANNEX V: PFTAC RESULTS-BASED MANAGEMENT LOGICAL FRAMEWORK FY2017

Objective: Improved economic management and economic growth in the Pacific Islands

Regional Program Objective	Verifiable Indicators	Progress on Indicators	General Risks/Assumptions/ Risk Mitigation
1. Improved public financial management.	<p>Progress relative to the May 2014 baseline, as measured by the “Percent of Members with Repeat PEFA’s showing Improvement or No Change with an A or B rating in both years”:</p> <ul style="list-style-type: none"> the 4 indicators for “Credibility of the Budget” the 6 indicators for “Comprehensiveness and Transparency” 2 indicators (#11 & 12) for “Policy-Based Budgeting” The 4 indicators for “Accounting, Recording, and Reporting” The 3 indicators for “External Scrutiny and Audit” <p>Improvements in PFM systems noted in other qualitative assessments.</p>	<p>All but 2 of the PFTAC countries have now had at least 1 formal PEFA Assessment, but both of these have been through a PFTAC coordinated self-assessment.</p> <p>PFTAC has constructed a database of indicators used to monitor PFM progress.</p> <p>Summaries of up-to-date PEFA results will be presented in PFTAC’s Annual Reports and will be reported to FEMM on a periodic basis.</p> <p>As of February 2016, 8 PFTAC Members have had repeat PEFA Assessments. Since the FY2015 Annual Report, only the Cook Islands and PNG have undergone an external PEFA,. Preliminary results, suggest improvements in several areas</p>	<p>Requires political commitment to implementing PFM reform roadmaps.</p> <p>Sustained progress is dependent on broader reforms to the 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>Improved ratio of tax collected to administration expenses.</p> <p>Improved rankings on benchmarking of regional tax administrations.</p>	<p>IMF’s RA-FIT first cut of data has been finalized and a second round is now in process. The results will be published on the database.</p> <p>PITAA benchmarking is conducted bi-annually and the next</p>	<p>Political commitment to tax reform and adequate resourcing of tax administrations are essential for improved revenue</p>

Regional Program Objective	Verifiable Indicators	Progress on Indicators	General Risks/Assumptions/ Risk Mitigation
		round will be completed at the end of the PFTAC program cycle.	collections.
<p>3. Increased resolution and minimization of the risk factors identified in the financial system.</p>	<p>Timely assessment of the condition and performance of individual banks and the overall banking system by supervisory authorities.</p> <p>Increased frequency of on-site examinations of financial institutions.</p> <p>Greater compliance with Basel Core Principles across the Pacific.</p>	<p>Central Banks and supervisory authorities currently maintain adequate off-site data on the condition of the banking system and timeliness and quality of the data continue to be enhanced with the completion of the prudential returns program.</p> <p>Off-site supervision is performed by most jurisdictions. On-site examinations are performed by all regulatory authorities and most are planning to upgrade the level of and intensity of the examinations curriculum with the support of PFTAC through a defined on-site examination program.</p> <p>The credit union sector in most countries is expected to be enhanced through a comprehensive review of legislation and capacity building of the oversight regime.</p>	<p>Adequate financial and staff resources needed in supervisory institutions.</p>
<p>4. More timely and reliable economic statistics.</p>	<p>Improvement in PIC statistical capacity indicator scores;</p> <p>Improved GDDS participation and compliance.</p> <p>Increased quarterly publication of GDP and expenditure measures.</p>	<p>Statistical capacity indicators will be monitored through the World Bank's public database.</p> <p>Since the start of Phase IV, 7 more countries have begun participation in the GDDS initiative. An IMF project will focus on improving participation in the GDDS in Papua New Guinea, Samoa, and Timor Leste.</p> <p>Methodology improvements in second GDP measures continued in a number of countries should also enable publication of GDP estimates by expenditure in Fiji and Kiribati and the compilation of quarterly GDP estimates in</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 through the implementation of the phase II of the Ten Year Pacific Statistics</p>

Regional Program Objective	Verifiable Indicators	Progress on Indicators	General Risks/Assumptions/ Risk Mitigation
		Fiji. Methodologies and GDP estimates by expenditure should be improved in Papua New Guinea following re-engagement with the national statistics office in collaboration with the Australian Bureau of Statistics.	Strategy supported by a regional coordination unit and strengthened by several working groups.
5. Improve overall quality of analysis underlying macroeconomic policy.	5.1 Development of integrated macroeconomic monitoring / projection process. 5.2 Development of multi-year fiscal planning framework. 5.3 Ability to assess debt sustainability. 5.4 Incorporate disaster risks into fiscal planning process.	5.1 Many countries have started to use financial programming frameworks; further training needed to help staff use the frameworks effectively. 5.2 Few countries routinely analyze fiscal planning beyond a two-year budget horizon. 5.3 Few countries are able conduct their own debt sustainability assessments. 5.4 Countries have some procedures and measures in place but lack a comprehensive approach.	Requires political commitment to transparency of economic information. Staffing and resourcing of economic units required. Dependant on data availability and quality. Requires closer coordination between and within institutions.

Public Financial Management Logical Framework FY2017¹*Objective: Improved public financial management*

Measurable Outcome	Country	Progress against Milestones at end-FY2016 ²	Activity/Mission Description	Person Days ³	Relevant Milestone	Comments
<i>1.0 Improved planning, prioritizing, monitoring, and evaluation of PFM reforms.</i>						
<i>1.1 At least 1 PEFA assessment conducted in each PFTAC country during the funding cycle with significant country staff involvement and ownership</i>						
<i>1.2 Priority Reform road maps developed with significant involvement and ownership by country officials following each PEFA assessment</i>						
	Kiribati		<u>Objective:</u> Guide country staff to develop and agree to a PFM Reform Roadmap <u>Output:</u> PFM Reform Roadmap adopted by the Government	IV LTX: 7 IV STX: 21	Milestone 3: Number of PFM reform roadmaps developed	
	Nauru		<u>Objective:</u> Guide country staff to develop and agree to a PFM Reform Roadmap <u>Output:</u> PFM Reform Roadmap adopted by the Government	V LTX: 7 V STX: 21	Milestone 3: Number of PFM reform roadmaps developed	

¹ The PFM logical framework for the FY2017 will be revised in the Phase V program document to reflect a set of RBM objectives, outcomes and measurable indicators that the Fund has established and agreed to.

² Ratings defined as follows: 1= Very limited progress towards objective; 2= Some progress towards objective; 3= Substantial progress towards objective; 4= Objective largely or fully achieved.

³ "IV" indicates funding from Phase IV; "V" is an estimate for Phase V

Measurable Outcome	Country	Progress against Milestones at end-FY2016 ²	Activity/Mission Description	Person Days ³	Relevant Milestone	Comments
	Vanuatu		<u>Objective:</u> Guide country staff to develop and agree to a PFM Reform Roadmap <u>Output:</u> PFM Reform Roadmap adopted by the Government	V LTX: 7 V STX: 11	Milestone 3: Number of PFM reform roadmaps developed	
2.0 Strengthening staff and institutional capacity						
	Regional	1	2017 Annual PFTAC Steering Committee Meeting <u>Objective:</u> Formulate annual work plan <u>Output:</u> Proposed work plan for approval by Steering Committee	V LTX: 8	Staff trained on various PFM functions and sustained participation in development partners forum.	Participation in Steering Committee meeting
	Regional	1	<u>Objective:</u> Strengthen fiscal resilience <u>Output:</u> Workshop on strengthening fiscal resilience	V LTX: 14		Participation in HQ-initiated workshop
	Regional	1	<u>Objective:</u> Strengthen regional coordination <u>Output:</u> Participation in regional forum	V LTX: 10		Participation in Pacific forum
3.0 Progressive implementation of reform roadmaps, including strengthened (a) legal frameworks, (b) fiscal and budget integration and planning, (c) budget execution, monitoring, reporting and accountability, (d) budget transparency, and (e) debt, asset, and risk management.						
3.1 Governments approve changes to legal frameworks or financial instructions in order to achieve PFM in line with recognized good international practices						
	Fiji		<u>Objective:</u> FI revision after FMA adoption <u>Output:</u> Revised Financial Instructions	IV LTX: 0 IV STX: 0 V LTX: 4 V STX: 21	Milestone 4: Number of countries with identified legal obstacles (in law or financial instructions)	

Measurable Outcome	Country	Progress against Milestones at end-FY2016 ²	Activity/Mission Description	Person Days ³	Relevant Milestone	Comments
	Nauru		<u>Objective:</u> FI preparation <u>Output:</u> Revised Financial Instructions	IV LTX: 0 IV STX: 0 V LTX: 0 V STX: 30	to implementing good PFM practice who were provided TA for improvements. Milestone 5: % of assisted countries adopting and implementing recommended changes	
	Solomon Islands		<u>Objective:</u> FI preparation <u>Output:</u> Revised Financial Instructions	IV LTX: 0 IV STX: 0 V LTX: 0 V STX:19		
	Regional		<u>Objective:</u> Desk review of PIC PFM laws to identify provisions in existing law that could be obstacles to implementation of disciplined PFM, and preventing implementation thru modifications to Financial Instructions <u>Output:</u> Report identifying PICs with the greatest need for modifications in their PFM laws	IV LTX: 0 IV STX: 0 V LTX: 0 V STX: 30 (WFH)	Milestone 4: Number of countries with identified legal obstacles (in law or financial instructions) to implementing good PFM practice who were provided TA for improvements. Milestone 5: % of assisted countries adopting and implementing recommended	

Measurable Outcome	Country	Progress against Milestones at end-FY2016 ²	Activity/Mission Description	Person Days ³	Relevant Milestone	Comments
					changes	
3.2 Budgeting becomes more comprehensive, transparent, policy-based, integrated with planning and with a medium-term orientation, timely, and reliable, in accordance with international standards.						
	Fiji	3	<p><u>Objective:</u> Continued refinement of budget documents and process</p> <p><u>Output:</u> Improved program/activity level narratives in detailed budget documents explaining policy or demographic reasons for funding changes; greater emphasis on medium-term issues; and improved estimates of medium-term expenditures</p>	<p>IV LTX: 5</p> <p>V LTX: 5</p>	<p>Milestone 16: Budget process is orderly and allows adequate time for meaningful participation by line ministries, Cabinets, and Parliaments.</p> <p>Milestone 17: Budget process shows evidence of a multi-year perspective in fiscal planning, expenditure policy and budgeting.</p>	
	Sub-regional		<p><u>Objective:</u> Workshop on Expenditure Planning & Budget Documentation for PICs with Jan-Dec financial years</p> <p><u>Output:</u> Participants identify the programs/activities in their countries' budgets that will face medium-term cost pressures from demographic flows, past Cabinet/Parliament decisions, and attempt</p>	<p>IV LTX: 0</p> <p>IV STX: 0</p> <p>V LTX: 5</p> <p>V STX: 0</p>	<p>Milestone 16: Budget process is orderly and allows adequate time for meaningful participation by line ministries, Cabinets, and Parliaments.</p> <p>Milestone 17: Budget process shows evidence</p>	With macro advisor, ADB, PIFS, UNESCAP

Measurable Outcome	Country	Progress against Milestones at end-FY2016 ²	Activity/Mission Description	Person Days ³	Relevant Milestone	Comments
	Sub-regional		<p>rough estimates of future cost adjustments that may be required because of those factors as well as costs of crucial reserves.</p> <p><u>Objective:</u> Workshop on Expenditure Planning & Budget Documentation for PICs with other financial years</p> <p><u>Output:</u> Participants identify the programs/activities in their countries' budgets that will face medium-term cost pressures from demographic flows, or past Cabinet/Parliament decisions, and attempt rough estimates of future cost adjustments that may be required because of those factors as well as costs of crucial reserves.</p>	<p>IV LTX: 0</p> <p>IV STX: 0</p> <p>V LTX: 5</p> <p>V STX: 0</p>	<p>of a multi-year perspective in fiscal planning, expenditure policy and budgeting.</p> <p>Milestone 16: Budget process is orderly and allows adequate time for meaningful participation by line ministries, Cabinets, and Parliaments.</p> <p>Milestone 17: Budget process shows evidence of a multi-year perspective in fiscal planning, expenditure policy and budgeting.</p>	<p>With macro advisor, ADB, PIFS, UNESCAP</p>
3.3 NTR Management implemented according to international best practices.						
	Solomon Islands	2	<p><u>Objective:</u> Introduce basic principles and good practices on NTR management</p> <p><u>Output:</u> Staff trained on NTR review</p>	V: STX: 14	NTR policies, rates and collections are regularly reviewed as part of the annual budget process, in consultation with key stakeholders.	Scoping mission was initiated in 2014.
	PNG	1	<u>Objective:</u> Introduce basic principles and	V LTX: 0	NTR policies, rates and	

Measurable Outcome	Country	Progress against Milestones at end-FY2016 ²	Activity/Mission Description	Person Days ³	Relevant Milestone	Comments
			good practices on NTR management <u>Output:</u> Strategy recommendations on improving NTR management	V STX: 14	collections are regularly reviewed as part of the annual budget process, in consultation with key stakeholders.	
3.4. Budget execution controls are improved according to international standards.						
	Marshall Islands	1	<u>Objective:</u> Strengthen Internal Control <u>Output:</u> Strategy recommendations to improve design of treasury processes starting with payroll	IV: LTX: 0 IV STX: 0 V: STX: 14	20. Personnel database and payroll are directly linked to ensure data consistency and monthly reconciliation.	Scoping mission is planned on end of March 2016.
3.5 Cash management is improved according to international standards.						
	PNG	2	<u>Objective:</u> Review/support cash management reform <u>Output:</u> TA to improve staff skills on cash forecasting and develop system for cash consolidation	IV LTX: 0 IV STX: 28 V LTX: 0 V STX: 14	Milestone 18: Ministries are provided good cash flow information on the periodic availability of funds for commitment of expenditures	Initial TA was provided in 2015 and authorities adopted a new cash management strategy
	Samoa	2	<u>Objective:</u> Strengthen cash forecasting <u>Output:</u> Training on use of cash forecasting model; TA on cash consolidation	IV STX: 7	Milestone 18: Ministries are provided good cash flow information on the periodic availability of	Initial TA was provided in 2015 and authorities adopted a new cash management

Measurable Outcome	Country	Progress against Milestones at end-FY2016 ²	Activity/Mission Description	Person Days ³	Relevant Milestone	Comments
	Solomon Islands	1	<u>Objective:</u> Strengthen cash management <u>Output:</u> TA to improve cash management strategy	V: LTX: 14 V STX: 14	funds for commitment of expenditures Milestone 18: Ministries are provided good cash flow information on the periodic availability of funds for commitment of expenditures	strategy
3.6 Internal Audit is operational covering major central government entities, and generally meets international standards						
	Vanuatu	3	<u>Objective:</u> Strengthen internal audit <u>Output:</u> TA to improve risk-based auditing	V STX: 14	23. Action by management on internal audit findings is prompt and comprehensive across central government entities.	Initial TA was provided in 2014 and 2015, and there has been good progress which resulted to improved performance in 2015 PEFA self-assessment.
3.7 : Accounting, Fiscal Monitoring, and Reporting improves in line with international standards						
	Fiji	1	<u>Objective:</u> Strengthen transparency and accountability in fiscal reporting <u>Output:</u> TA to improve Chart of Accounts	IV: LTX: 5 IV: STX: 0 V: STX: 21	27. A consolidated government financial statement is prepared annually according to internationally	This is one component of the government's Accounting Reform Roadmap

Measurable Outcome	Country	Progress against Milestones at end-FY2016 ²	Activity/Mission Description	Person Days ³	Relevant Milestone	Comments
	Fiji	2	<p><u>Objective:</u> Strengthen transparency and accountability in fiscal reporting</p> <p><u>Output:</u> Staff mentoring in implementing IPSAS</p>	<p>IV: LTX: 7</p> <p>V: LTX: 10</p>	<p>acceptable standards; submitted to external audit within 6 months of fiscal year end, and includes full information on revenue, expenditure and financial assets/liabilities.</p> <p>27. A consolidated government financial statement is prepared annually according to internationally acceptable standards; submitted to external audit within 6 months of fiscal year end, and includes full information on revenue, expenditure and financial assets/liabilities.</p>	<p>Significant progress was implemented, but would still need guidance. Initial TA was provided in December 2013 and follow-up TA provided in 2015</p>
	Sub-regional		<p><u>Objective:</u> Strengthen transparency and accountability in fiscal reporting</p> <p><u>Output:</u> Workshop to improve Chart of Accounts and accounting policies</p>	<p>IV LTX: 7</p> <p>IV STX: 12</p> <p>V LTX: 0</p> <p>V STX: 0</p>	<p>27. A consolidated government financial statement is prepared annually according to internationally</p>	<p>Priority participants will include Fiji, Samoa, Solomon Islands, PNG, Tonga</p>

Measurable Outcome	Country	Progress against Milestones at end-FY2016 ²	Activity/Mission Description	Person Days ³	Relevant Milestone	Comments
	Sub-regional		<u>Objective:</u> Strengthen transparency and accountability in fiscal reporting <u>Output:</u> Workshop to improve Chart of Accounts and accounting policies	IV LTX: 7 IV STX: 12 V LTX: 0 V STX: 0	acceptable standards; submitted to external audit within 6 months of fiscal year end, and includes full information on revenue, expenditure and financial assets/liabilities. 27. A consolidated government financial statement is prepared annually according to internationally acceptable standards; submitted to external audit within 6 months of fiscal year end, and includes full information on revenue, expenditure and financial assets/liabilities.	Priority participants will include Fiji, Samoa, Solomon Islands, PNG, Tonga
	Tonga	1	<u>Objective:</u> Strengthen transparency and accountability in fiscal reporting <u>Output:</u> Follow-up TA to improve accounting and financial reporting	IV LTX:0 IV STX:0 V LTX: 12 V STX:0	27. A consolidated government financial statement is prepared annually according to internationally	Initial TA is scheduled on January 2016.

Measurable Outcome	Country	Progress against Milestones at end-FY2016 ²	Activity/Mission Description	Person Days ³	Relevant Milestone	Comments
	Sub-regional	2	<p><u>Objective:</u> Strengthen transparency and accountability in fiscal reporting</p> <p><u>Output:</u> Workshop jointly with PASAI on accounting and auditing reform</p>	<p>IV LTX: 7 IV STX: 0 V LTX: 7 V STX: 0</p>	<p>acceptable standards; submitted to external audit within 6 months of fiscal year end, and includes full information on revenue, expenditure and financial assets/liabilities.</p> <p>27. A consolidated government financial statement is prepared annually according to internationally acceptable standards; submitted to external audit within 6 months of fiscal year end, and includes full information on revenue, expenditure and financial assets/liabilities.</p>	<p>This will be for 2nd batch of country participants. The first batch was conducted in November, 2015.</p>

Measurable Outcome	Country	Progress against Milestones at end-FY2016 ²	Activity/Mission Description	Person Days ³	Relevant Milestone	Comments
	PNG	3	<p><u>Objective:</u> Review/support IFMS implementation enhancements progress</p> <p><u>Output:</u> steady increases in IFMS coverage of additional departments at national and provincial levels</p>	<p>IV LTX: 0</p> <p>IV STX: 15</p> <p>V LTX: 0</p> <p>V STX: 30</p>	<p>Milestone 20: Personnel database and payroll are directly linked to ensure data consistency and monthly reconciliation.</p> <p>Milestone 22: Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations</p>	
	Cook Islands		<p><u>Objective:</u> Support planning for IFMS change</p> <p><u>Output:</u> Conceptual design for a centralized IFMS</p>	<p>IV LTX: 0</p> <p>IV STX: 0</p> <p>V LTX: 14</p> <p>V STX: 14</p>	<p>Milestone 20: Personnel database and payroll are directly linked to ensure data consistency and monthly reconciliation.</p> <p>Milestone 22: Comprehensive expenditure commitment controls are in place and</p>	

Measurable Outcome	Country	Progress against Milestones at end-FY2016 ²	Activity/Mission Description	Person Days ³	Relevant Milestone	Comments
					effectively limit commitments to actual cash availability and approved budget allocations	
	Kiribati		<p><u>Objective:</u> Support planning for IFMS change</p> <p><u>Output:</u> Government decides to replace current IFMS with one designed for government PFM</p>	<p>IV LTX: 0</p> <p>IV STX: 0</p> <p>V LTX: 0</p> <p>V STX: 28</p>	<p>Milestone 20: Personnel database and payroll are directly linked to ensure data consistency and monthly reconciliation.</p> <p>Milestone 22: Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations</p>	
3.8 Debt Strategy (Note: No activities planned for FY2017)						
3.9 A clear fiscal oversight framework for AGAs, SOEs, and SNGs is significantly implemented according to international standards .						
	Fiji	1	<p><u>Objective:</u> Strengthen transparency and accountability in fiscal reporting</p> <p><u>Output:</u> TA to develop fiscal risk</p>	<p>IV LTX: 14</p> <p>IV: STX: 0</p> <p>V STX: 14</p>	<p>13.Fiscal Policy includes AGAs, SOEs, and SNGs; performance and fiscal risks are monitored and</p>	

Measurable Outcome	Country	Progress against Milestones at end-FY2016 ²	Activity/Mission Description	Person Days ³	Relevant Milestone	Comments
			assessment framework on loan guarantees and on-lending		reported, at least on annual basis ;	
	Samoa	2	<u>Objective:</u> Strengthen fiscal oversight of SOEs <u>Output:</u> Follow-up TA to develop and pilot risk assessment framework	IV LTX: 14 IV STX: 14 V: STX: 0	13. Fiscal Policy includes AGAs, SOEs, and SNGs; performance and fiscal risks are monitored and reported, at least on annual basis	Initial TA provided in September 2015 where a reform strategy was developed and adopted by authorities.
	Sub-regional	1	<u>Objective:</u> Strengthen fiscal oversight of SOEs <u>Output:</u> Workshop on fiscal oversight of SOEs	V: LTX: 7 V: STX: 12	Same as above	Priority countries will be those that indicated similar activity in their Reform Roadmap

Revenue Policy and Administration FY2017

Objective: Broader-based and more efficient revenue systems

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ¹	Activity/Mission Description	Person Days	Relevant Milestone	Comments
2.1 Strengthen revenue administration management and governance arrangements (reform strategy and governance framework, organizational arrangements, support functions, oversight and internal controls, risk management, administrative procedures and dispute resolution).						
	Fiji	2	<p>Objective: New organizational arrangements institutionalized to support the PFTAC facilitated risk based Compliance Improvement strategy.</p> <p>Outcome: The management of compliance risks results in higher levels of voluntary compliance and community confidence in the tax system.</p>	19 ²	Risk based compliance improvement strategy institutionalized and supported by a governance framework in line with the TADAT dimensions.	Fiji has implemented a risk based compliance plan, created a risk management unit and strengthened management arrangements. An additional STX (1) mission will further assist in embedding the risk management approach.
	Kiribati	2	<p>Objective: Strengthen revenue administration management by</p>	19	Risk based compliance improvement strategy	Kiribati has introduced a new structure with the next phase of

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² Person days include preparation, mission days and travel.

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ¹	Activity/Mission Description	Person Days	Relevant Milestone	Comments
	Palau	2	<p>implementing a compliance management framework.</p> <p>Outcome: The management of compliance risks resulting in higher levels of voluntary compliance and community confidence in the tax system.</p> <p>Objective: Strengthening revenue administration by adopting a new function based organizational structure.</p> <p>Outcome: Organizational arrangements enable more effective delivery of strategy and reforms.</p>	48	<p>institutionalized and supported by a governance framework in line with TADAT dimensions.</p> <p>New functional structure in place and sufficiently staffed.</p>	<p>modernization linked to the introduction of a compliance improvement strategy. Additional STX (1) mission will further assist with implementation.</p> <p>The authorities recently accepted PFTAC advice on strengthening the current organizational structure. LTX (1) and STX (2) missions will further assist in implementation.</p>
	Vanuatu	3	<p>Objective: Strengthen revenue administration through effective risk management.</p> <p>Outcome: Compliance better managed through effective risk management.</p>	29	<p>Risk based compliance improvement strategy institutionalized and supported by a governance framework in line with TADAT dimensions.</p>	<p>Vanuatu recently introduced a new compliance plan. LTX (1) and STX (2) missions will further assist in reviewing and facilitating successful implementation.</p>
2.2 Strengthen core tax administration functions (taxpayer base, taxpayer services, filing obligations, payment obligations, and audit and other verification programs).						
	Cook Islands	2	<p>Objective: Strengthen core tax administration functions.</p> <p>Outcome: Revenue administration operations are efficient and effective in performing key tax functions and achieving expected outcomes.</p>	58	<p>Core tax functions operating at high efficiency levels in line with TADAT dimensions.</p>	<p>A review of core tax functions to be carried out. LTX (2) mission and STX (2) mission will provide recommendations.</p>

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ¹	Activity/Mission Description	Person Days	Relevant Milestone	Comments
	Fiji	3	Objective: Strengthen core tax administration functions. Outcome: Revenue administration operations are efficient and effective in performing key tax functions and achieving expected outcomes.	77	Core tax functions operating at high efficiency levels in line with TADAT dimensions.	Fiji underwent a TADAT which identified weaknesses that are currently being addressed. LTX (2) and STX (3) missions will further assist in introducing TADAT dimensions.
	Kiribati	2	Objective: Strengthen core tax administration functions. Outcome: Revenue administration operations are efficient and effective in performing key tax functions and achieving expected outcomes.	58	Core tax functions operating at high efficiency levels in line with TADAT dimensions.	LTX (2) and STX (2) missions will assist in raising efficiencies across core tax functions. PFTAC TA provided in FY 2016 but further strengthening required.
	Republic of the Marshall Islands	2	Objective: Strengthen core tax administration functions. Outcome: Revenue administration operations are efficient and effective in performing key tax functions and achieving expected outcomes.	48	Core tax functions operating at high efficiency levels in line with TADAT dimensions.	An environmental scan completed which shows potential for improving operations. LTX (1) and STX (2) missions will assist in raising efficiencies across core tax functions.
	Federated States of Micronesia	2	Objective: Strengthen core tax administration functions. Outcome: Revenue administration operations are efficient and effective in performing key tax functions and achieving expected outcomes.	58	Core tax functions operating at high efficiency levels in line with TADAT dimensions.	Improvements achieved during FY 2016 but further TA required. LTX (2) and STX (2) missions will assist in raising efficiencies across core tax functions.
	Nauru	2	Objective: Strengthen core tax administration functions. Outcome: Revenue administration	39	Core tax functions operating at high efficiency levels in line with TADAT dimensions.	New laws need to be supported by building capacity around core tax functions. LTX (2) and STX (1)

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ¹	Activity/Mission Description	Person Days	Relevant Milestone	Comments
	Palau	2	operations are efficient and effective in performing key tax functions and achieving expected outcomes. Objective: Strengthen core tax administration functions. Outcome: Revenue administration operations are efficient and effective in performing key tax functions and achieving expected outcomes.	48	Core tax functions operating at high efficiency levels in line with TADAT dimensions.	missions will support this process. A process of restructuring functions has commenced with more TA needed to support implementation. LTX (1) and STX (2) missions will provide further assistance.
	Samoa	3	operations are efficient and effective in performing key tax functions and achieving expected outcomes. Objective: Strengthen core tax administration functions. Outcome: Revenue administration operations are efficient and effective in performing key tax functions and achieving expected outcomes.	58	Core tax functions operating at high efficiency levels in line with TADAT dimensions.	LTX (2) and STX (2) missions will assist in raising efficiencies across core tax functions and support the recently launched compliance improvement plan.
	Tonga	3	operations are efficient and effective in performing key tax functions and achieving expected outcomes. Objective: Strengthen core tax administration functions. Outcome: Revenue administration operations are efficient and effective in performing key tax functions and achieving expected outcomes.	48	Core tax functions operating at high efficiency levels in line with TADAT dimensions.	LTX (1) and STX (2) missions will assist in raising efficiencies across core tax functions and support the implementation of a compliance improvement strategy.
	Tuvalu	3	operations are efficient and effective in performing key tax functions and achieving expected outcomes. Objective: Strengthen core tax administration functions. Outcome: Revenue administration operations are efficient and effective in performing key tax functions and achieving expected outcomes.	38	Core tax functions operating at high efficiency levels in line with TADAT dimensions.	STX (2) missions will assist in raising efficiencies across core tax functions.
	Vanuatu	3	operations are efficient and effective in performing key tax functions and achieving expected outcomes. Objective: Strengthen core tax	58	Core tax functions operating at	LTX (2) and STX (2) missions will

Measurable Outcome	Country	Progress against Milestones at end-FY2015 ¹	Activity/Mission Description	Person Days	Relevant Milestone	Comments
			administration functions. Outcome: Revenue administration operations are efficient and effective in performing key tax functions and achieving expected outcomes.		high efficiency levels in line with TADAT dimensions.	assist in raising efficiencies across core tax functions and also support implementation of the recently launched compliance improvement strategy.
2.3 Strengthen core customs administration functions						
The Oceania Customs Organization, based in Fiji, remains the primary vehicle supporting PICs in the implementation of their customs reform programs. For member countries who have combined tax and customs offices or which are revenue authorities, PFTAC will continue to support development of integrated corporate strategies and risk based compliance improvement strategies.						
2.4 Supporting PICs in development of modern tax policy, legislative frameworks and regulations.						
	Regional	3	Objective: Strengthen tax policy and legal frameworks. Outcome: Modern tax policy and legal frameworks adopted.	57	Modern tax policy frameworks and legislation adopted.	Most PICs have legal frameworks in place – provision made for updates and rewrites.
2.5 Regional Activities – Training						
	Regional		Objective: Regional Capacity Building through the Pacific Islands Tax Administration Association Outcome: Knowledgeable tax administration	20	Well trained staff.	Training initiatives covering compliance and core tax functions.

Financial Sector Supervision Logical Framework FY2017

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

Measurable Outcome	Country	Progress against Milestones at end-FY2016 ¹	Activity/Mission Description	Person Days	Relevant Milestone	Comments
<i>3.1 Development and Implementation of Prudential Returns</i>						
	Cook Is. Palau Solomon Is. Tonga Vanuatu	5	None		Commercial Banks are submitting returns. Central Banks are producing reports.	Implemented, no more activities
<i>3.2 Implementation of Financial Sector Information System (FSIS)</i>						
	None		None			No more activities
<i>3.3 Strengthened Off-site Supervision</i>						

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Measurable Outcome	Country	Progress against Milestones at end-FY2016 ¹	Activity/Mission Description	Person Days	Relevant Milestone	Comments
	Marshall Is.	1	On-site examination preparedness Develop banking expertise.	15	Supervisors have acquired sufficient knowledge to adequately perform the on-site examination of a commercial bank.	The examination team lacks banking working experience. STX Phase four period
	Timor-Leste	2	On-site examination preparedness Develop banking expertise.	15	Supervisors have acquired sufficient knowledge to adequately perform the on-site examination of a commercial bank.	The examination team lacks banking working experience. STX Phase four period
3.4 Strengthened On-site Examination						
	Cook Is.	3	On-site examination of a commercial Bank	18	Examination report issued	Will provide TA in the execution of an on-site examination, including the delivery of a 3 day workshop on a topic relevant to the examination. LTX phase four period
	FSM	2	On-site examination of a commercial Bank	18	Examination report issued	Will provide TA in the execution of an on-site examination, including the delivery of a 3 day workshop on a topic relevant to the examination. STX phase four period
	Samoa	3	On-site examination of a Public Financial Institution	18	Examination report issued	Will provide TA in the execution of an on-site examination, including the delivery of a 3 day workshop on a topic relevant to the examination. STX phase four period

Measurable Outcome	Country	Progress against Milestones at end-FY2016 ¹	Activity/Mission Description	Person Days	Relevant Milestone	Comments
	Solomon Is.	2	On-site examination of a commercial Bank	18	Examination report issued	Will provide TA in the execution of an on-site examination, including the delivery of a 3 day workshop on a topic relevant to the examination. LTX phase four period
	Timor-Leste	2	On-site examination of a commercial Bank	18	Examination report issued	Will provide TA in the execution of an on-site examination, including the delivery of a 3 day workshop on a topic relevant to the examination. LTX phase four period
	Tonga	3	On-site examination of a Public Financial institution	15	Examination report issued	Will provide TA in the execution of an on-site examination, including the delivery of a 3 day workshop on a topic relevant to the examination. LTX phase four period
	Palau	3	On-site examination of a commercial Bank	15	Examination report issued	Will provide TA in the execution of an on-site examination, including the delivery of a 3 day workshop on a topic relevant to the examination. STX Phase five period
	Tuvalu	1	On-site examination of a commercial Bank	7	Examination report issued	Will provide TA in the execution of an on-site examination, including the delivery of a 3 day workshop on a topic relevant to the examination. LTX phase four period
	Vanuatu	2	On-site examination of a commercial Bank	15	Examination report issued	Will provide TA in the execution of an on-site examination, including the delivery of a 3 day workshop on

Measurable Outcome	Country	Progress against Milestones at end-FY2016 ¹	Activity/Mission Description	Person Days	Relevant Milestone	Comments
	Regional (1)		Workshop on Basel Core Principles on Banking Supervision Questionnaire	4	Countries will complete the Questionnaire	a topic relevant to the examination. LTX phase five period MCM will introduce and lead the workshop at the AFSPC annual meeting. LTX Phase four period
3.5 Development of Standardized Examination Reports						
	Cook Is.	3	On-site examination of a commercial Bank	3	Draft examination report completed	Concurrent with section 3.4
	FSM.	2	On-site examination of a commercial Bank	3	Draft examination report completed	Concurrent with section 3.4
	Samoa	3	On-site examination of a Public Financial Institution	3	Draft examination report completed	Concurrent with section 3.4
	Solomon Is.	2	On-site examination of a commercial Bank	3	Draft examination report completed	Concurrent with section 3.4
	Tonga	3	On-site examination of a Public Financial Institution	3	Draft examination report completed	Concurrent with section 3.4
	Palau	3	On-site examination of a commercial Bank	3	Draft examination report completed	Concurrent with section 3.4

Measurable Outcome	Country	Progress against Milestones at end-FY2016 ¹	Activity/Mission Description	Person Days	Relevant Milestone	Comments
	Tuvalu	1	On-site examination of a commercial Bank	3	Draft examination report completed	Concurrent with section 3.4
	Vanuatu	2	On-site examination of a commercial bank	3	Draft examination report completed	Concurrent with section 3.4
3.8 Modernized Legal Framework				(Support from the IMF Legal Department)		
	Samoa	3	Revise existing Financial Institution Act	15	Draft Financial Institution Act completed	Support from the IMF Legal Depart. LEG Phase four period
3.9 Non-banks, Credit unions, and Microfinance institutions have Strengthened Legal, Supervisory and Operational Frameworks						
	Fiji	3	Capacity Building Supervisory Oversight and sector financial reporting	10	Oversight of Credit Unions with Reserve Bank and financial reporting in place and analyzed by the Supervisor.	Will provide TA in developing and implementing standard financial reporting and provide training on how to perform the oversight of the sector. LTX Phase four period
	Samoa	2	Capacity Building Supervisory Oversight and sector financial reporting	10	Oversight of Credit Unions with Reserve Bank and financial reporting in place and analyzed by the Supervisor.	Will provide TA in developing and implementing standard financial reporting and provide training on how to perform the oversight of the sector. LTX Phase four period
	Timor-Leste	2	Capacity Building Supervisory Oversight and sector financial reporting	10	Oversight of Credit Unions with Central Bank and financial reporting in place and analyzed by the Supervisor	Will provide TA in developing and implementing standard financial reporting and provide training on how to perform the oversight of the sector. LTX Phase four period

Measurable Outcome	Country	Progress against Milestones at end-FY2016 ¹	Activity/Mission Description	Person Days	Relevant Milestone	Comments
	Vanuatu	2	Capacity Building Supervisory Oversight and sector financial reporting	10	Oversight of Credit Unions with Central Bank and financial reporting in place and analyzed by the Supervisor.	Will provide TA in developing and implementing standard financial reporting and provide training on how to perform the oversight of the sector. LTX Phase four period
3.10 Effective Outreach on Financial Sector Issues						
	Regional (1)		Association Financial Supervisors of Pacific Country AFSPC. Secretariat function	5	Annual Meeting Host; Financial Commission Palau June 2016	Will provide a review of activities and his plan for the upcoming year. Members will provide an overview of their country's supervision program. LTX Phase four period
	Regional (2)		Credit Unions Pacific Congress Workshop instructor and facilitator	5	Deliver workshops to delegates on topic relevant to the credit union sector.	Topics relevant to the Pacific region. LTX Phase five period
	Regional (3)		Annual Governors' meeting Dec 2016 – Central Bank Timor-Leste	5	Outline PFTAC's Financial Sector advisory activities and results for the year.	Presentation will include achievements for the year and forecast for the upcoming year. LTX Phase five period
	Regional (4)		PFTAC Annual Steering Committee Meeting	5	Provide an overview of results and outline future programs.	Annual review and presentation of activities. LTX Phase four period
	Regional (5)		Regional Partners' Meeting	3	Financial sector Meeting to discuss regional issues	Host: TBD LTX Phase four period

Macroeconomic Statistics Logical Framework FY2017

Objective: More timely and reliable economic statistics

Measurable Outcome	Country	Progress against Milestones at end-FY2016 ¹	Activity/Mission Description	Person Days	Relevant Milestone	Comments
<i>4.1 : At least 8 countries compile at least two independent measures of GDP</i>						
	Fiji	2	National accounts: strengthening methodologies for the expenditure measure of GDP.	5	Work on second measure nearly complete.	Base measures from 2011 supply-use table.
	Kiribati	2	National accounts: strengthening methodologies for the compilation of GDP estimates by production and developing an expenditure measure of GDP.	20	Work started on second measure.	Adequate resources required for second measure. (STX possible)
	Samoa	2	National accounts: strengthening methodologies for the expenditure measure of GDP.	14	Work on second measure nearly complete.	
<i>4.2 : Constant price of GDP estimates are rebased at least every 10 years</i>						
	Cook Islands	2	National Accounts Rebase and Methodology Improvements	32	Surveys and other data sources available for rebase	LTX but possibly an STX for continuity.
	Solomon Islands	2	National accounts: TA with the rebasing estimates in constant prices	28	GDP estimates in constant prices rebased.	2 LTX missions.

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Measurable Outcome	Country	Progress against Milestones at end-FY2016 ¹	Activity/Mission Description	Person Days	Relevant Milestone	Comments
	Vanuatu	3	National accounts rebase	24	Data analyzed, worksheets being updated.	2 missions. Postponed from FY 2016.
4.4 : At least 4 countries compile quarterly national accounts						
	Fiji	3	QNA methodology training	10	Some countries producing QNA but not 4.	First published FY2016.
4.5 : Data sources are adequate and methodologies are sound						
	FSM	2	National Accounts training and methodology improvements. Combined with training course.	14	National accounts produced but with major deficiencies	TA Supplemented by sub-regional workshops
	Niue	2	National accounts methodology review and update. BOP Update.	16	Adequate national accounts produced but with some deficiencies	Major national accounts update in FY 16.
	Nauru	2	National Accounts: compilation of 2014-15 GDP estimates by production and methodology improvements.	10	GDP estimates published.	.
	Palau	2	National Accounts: TA mission combined with training course	14	Metadata available but not published.	
	Papua New Guinea	2	National accounts: strengthening methodologies and assist with the compilation of GDP estimates in current prices. Assist with rebasing GDP estimates in constant prices. Assist with the NSO reform process.	48	GDP estimates published. The NSO has resumed regular compilation and publication of GDP estimates. Rebased GDP estimates in constant prices compiled.	3 missions scheduled but dependent on proven demand. PFTAC provides TA in collaboration with the Australian Bureau of Statistics.
	RMI	2	National Accounts training and methodology improvements.	5	National accounts produced but with major deficiencies	TA Supplemented by sub-regional workshops

Measurable Outcome	Country	Progress against Milestones at end-FY2016 ¹	Activity/Mission Description	Person Days	Relevant Milestone	Comments
	Solomon Islands	2	National accounts: TA with the rebasing estimates in constant prices	25	Base year less than 10 years old, plans in place to keep it thus.	(See 4.2)
	Tokelau	2	GDP Estimate	2	GDP measure produced for HIES year.	HIES results available in 2017. Combine with mission to Samoa.
	Tonga	3	National Accounts: strengthening annual methodology and review of 2015-16 annual GDP estimates.	8	Good quality GDP estimates published regularly.	
	Tuvalu	2	National Accounts update, review, training.	8	National accounts produced but with major deficiencies	Can be done in-country or at PFTAC office.
	Regional	2	National accounts training course for compilers from PNG, Solomon Islands, Vanuatu focused on methodologies for rebasing national accounts in constant prices and on the incorporation of household survey data in national accounts.	20	Sound methods in place.	A follow-up to initial course held in 2015.
	Regional		Participation in the PSSC which coordinates TA in statistics in the region.	12	TA coordination improved. Phase II of the Ten Year Pacific Statistics Strategy implemented.	2 meetings. Coordination with SPC, ABS important.
	Regional	-	National accounts training course	10	Sound methods in place.	Both LTX involved and possibly staff from HQ combined with review mission.
	Regional	-	HIES work Group meeting	10		Both LTX involved.

Measurable Outcome	Country	Progress against Milestones at end-FY2016 ¹	Activity/Mission Description	Person Days	Relevant Milestone	Comments
	Regional	-	Annual headquarters RTAC Advisors meeting.	18		Both LTX attend.
	Regional		Participation in the PFTAC Steering Committee meeting.	8		Both LTX attend
4.6 : National accounts statistics are consistent with other statistics including balance of payments and government finance statistics						
	Cook Islands	2	Annual Government Finance Statistics (GFS) reconcile with quarterly.	40		2 missions. STX. Continuation of JSA project work. LTX after November.
	Fiji	2	GFS: Budget – GFSM 2014 General govt.	40		2 missions. Continuation of JSA. LTX after November.
	Solomon Islands	2	GFS: Assist Central bank with compilation of General Government.	20		STX. Continuation of JSA project work.
	Vanuatu	2	GFS: Compilation of General Government.	40		2 missions. Continuation of JSA project. LTX after November.
4.8 : Price statistics are of good quality and base years up to date						
						ABS and SPC providing assistance in prices.
4.9 : Improvement in the coverage, quality and timeliness of balance of payments estimates						
	Cook Islands	1	Current Account maintenance and further development of BOP.	40	Balance of payments up to current account, published regularly.	STX – two missions.
	Nauru	2	Balance of Payments Statistics: compilation of 2015-16 estimates and international investment position.	20	Balance of payments statistics published.	STX mission. Two if needed.

Macroeconomic Analysis Logical Framework FY2017

Objective: Improved macroeconomic analysis

Measurable Outcome	Country	Progress against Milestones at end-FY2016 ¹	Activity/Mission Description	Mission Days	Relevant Milestone	Comments
5.1 Integrated macroeconomic monitoring / projection processes (Phase IV program); Enhanced monitoring, forecasting and policy analysis tools (Phase V program)						
	Fiji	3	Develop a macroeconomic and fiscal framework with the Ministry of Finance.	LTX 0	A consistent macroeconomic and fiscal framework is used to produce revenue and expenditure forecasts.	
		3	Support and advise on econometric estimations and empirical analysis.	LTX 0	A range of statistical and econometric tools are used in empirical analysis. Policy advice is empirical based.	
		3	Support and advise on quantifying tax expenditures.	LTX 0	A tax expenditures report is produced.	
	Kiribati	2	Develop a macroeconomic and fiscal framework.	STX 18	A consistent macroeconomic and fiscal framework is used in budget preparations and analysis.	
	PNG	3	Continue developing a macroeconomic and fiscal framework.	LTX 16	A consistent framework is used to support monitoring	The development of a macroeconomic and fiscal

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Measurable Outcome	Country	Progress against Milestones at end-FY2016 ¹	Activity/Mission Description	Mission Days	Relevant Milestone	Comments
					and projection activities.	framework requires resources and support from management.
	Samoa	3	Review and enhance methodology for constructing a trimmed mean measure of consumer price inflation.	STX 10	An unbiased trimmed mean measure of inflation is constructed.	
	Samoa	3	Facilitate a cross institution (Ministry of Finance, Ministry for Revenue, Central Bank of Samoa, Samoa Bureau of Statistics) workshop on forecasting and sharing data.	LTX 7	An action plan for improving forecasting and data sharing is agreed and implemented.	
	Solomon Islands	2	Facilitate a cross institution workshop (Ministry of Finance and Treasury, Central Bank of Solomon Islands, Solomon Islands National Statistics Office) on forecasting and sharing data.	LTX 7	An action plan for improving forecasting and data sharing is agreed and implemented.	
		3	Enhance revenue and expenditure forecasting methodologies.	LTX 7	Forecasts are consistent.	
			Support the use of the FP framework in preparations for the IMF Article IV.	LTX 7	The FP framework is used to for empirical analysis.	
	Tonga	3	Continue developing the Ministry of Revenue and Customs revenue forecasting tool.	LTX 7	Discrepancies between tax collection estimates and actual collections are reduced.	
	Vanuatu	3	Support the use of the FP framework in preparations for the IMF Article IV.	LTX 7	The FP framework is used to inform IMF Article IV consultations.	
		3	Assist with budget preparations.	LTX 7	The national framework for revenue forecasting is used.	

Measurable Outcome	Country	Progress against Milestones at end-FY2016 ¹	Activity/Mission Description	Mission Days	Relevant Milestone	Comments
	Regional		Workshop on using financial programming frameworks for policy analysis	LTX 6 STX 14	Collaboration between central banks and ministries of finance is strengthened in the development of policy tools. Capacity is increased to undertake empirical based policy analysis. Peer learning takes place and professional networks are formed in the region.	
	Fiji, PNG, Samoa, Solomon Islands, Tonga, Vanuatu	2	Review of countries' financial system.	LTX 36	An inventory of financial institutions operating in countries is compiled.	The technical assistance would only be undertaken with the addition of a second macroeconomic advisor.
5.2 Multi-year fiscal planning frameworks (Phase IV program); Strengthened capacity to develop sustainable policies (Phase V program)						
	Cook Islands	4	Continue developing the macroeconomic and fiscal framework including the incorporation of population projections and improved government finance statistics.	LTX 9	The fiscal risks of demographic changes are assessed. Historical government finance statistics are available.	
	Samoa	4	Incorporate population projections into the SERF model.	LTX 3.5	The impacts of continued population growth are analyzed.	
	FSM, Palau, RMI	3	Sub-regional workshop on incorporating demographic changes into budget processes.	LTX 9	Fiscal provisions are made for demographic changes.	The workshop is organized in collaboration with PFTAC's PFM Advisor.

Measurable Outcome	Country	Progress against Milestones at end-FY2016 ¹	Activity/Mission Description	Mission Days	Relevant Milestone	Comments
		3	Sub-regional workshop on developing tax revenue forecasting methodology.	LTX 9	Tax revenue forecasts are produced based on economic projections.	The workshop is organized in collaboration with PFTAC's Revenue Policy and Administration Advisor.
	Regional	3	Workshop on incorporating demographic changes into budget processes.	LTX 6 STX 14	Fiscal provisions are made for demographic changes.	The workshop is organized in collaboration with PFTAC's PFM Advisor.
		3	Workshop on developing tax revenue forecasting methodology.	LTX 6	A range of tools and sources of information are used to produce tax forecasts.	The workshop is organized in collaboration with PFTAC's Revenue Policy and Administration Advisor.
		3	Workshop on forecasting economic activity in the tourism sector.	LTX 6 STX 14	Forecasts for the tourism sector are based on indicator variables. GDP forecast errors are reduced.	
	Fiji, PNG, Samoa, Solomon Islands, Tonga, Vanuatu	2	Review of countries' financial sector policies.	LTX 7 STX 36	An inventory of countries' financial sector policies is compiled.	The technical assistance would only be undertaken with the addition of a second macroeconomic advisor.
	Regional	2	Workshop on financial development financial inclusion and economic growth.	LTX 6 STX 10	Financial development is included into development plans.	The workshop would only be organized with the addition of a second macroeconomic advisor.
5.3 Ability to assess debt sustainability (Phase IV program); Strengthened capacity to build greater resilience to shocks (Phase V program)						
	Fiji	3	Use the macroeconomic and fiscal framework to undertake debt	LTX 10	The sustainability of policy scenarios is evaluated.	Required public debt data need to be compiled.

Measurable Outcome	Country	Progress against Milestones at end-FY2016 ¹	Activity/Mission Description	Mission Days	Relevant Milestone	Comments
			sustainability scenarios.			
	Samoa	3	Extend the forecast horizon of the SERF model for debt sustainability analysis.	LTX 3.5	The sustainability of policy scenarios is evaluated.	
		3	Develop a debt analysis tool.	STX 11	Better provision for debt servicing payments and management of exchange rate risks reduce fiscal volatility.	Required public debt data need to be compiled.
	Solomon Islands	3	Develop the fiscal sector of the Solomon Islands FP framework to undertake debt sustainability scenarios.	LTX 7	The sustainability of policy scenarios is evaluated.	Required public debt data need to be compiled.
	Solomon Islands, Tonga	3	Develop a debt analysis tool.	STX 22	Better provision for debt servicing payments and management of exchange rate risks reduce fiscal volatility.	Required public debt data need to be compiled.
	Regional	2	Workshop on financial stability and natural disasters.	LTX 6 STX 10	Emergency management plans include natural disasters.	The workshop would only be organized with the addition of a second macroeconomic advisor.

5.4 Incorporation of disaster risks into the fiscal planning process (Phase IV program)

Disaster risk scenarios will be incorporated into debt sustainability analysis.