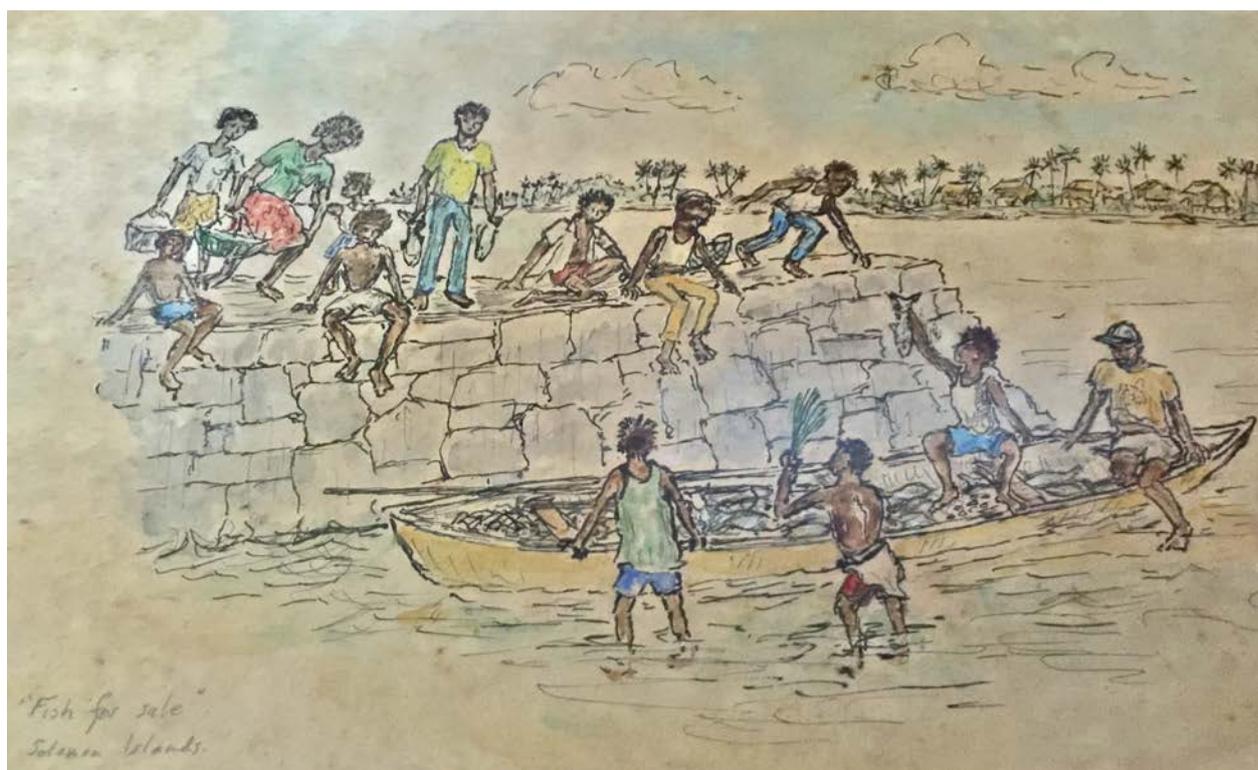




PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTRE

ANNUAL REPORT 2018



Australian Government
Department of Foreign Affairs and Trade



Ministry of Strategy
and Finance



NEW ZEALAND
FOREIGN AFFAIRS & TRADE

STATEMENT BY THE CHAIRMAN OF THE PFTAC STEERING COMMITTEE

On behalf of the Kingdom of Tonga, it is my pleasure to welcome you to the 2018 PFTAC Steering Committee Meeting. Under different circumstances, I would be extending this welcome to you in Nuku'alofa, the planned venue for the meetings this year. However, these plans were upset with the arrival of Tropical Cyclone Gita in February which was a devastating Category-4 storm that was one of the worst in decades. This had caused extensive destruction and damage to homes, buildings, and businesses as well as disruption to utility services. Such disasters are unfortunately an all too common occurrence that Pacific citizens must contend with, and something that our economic and financial planning increasingly must cover. Given the criticality of recovery efforts to restore services and facilities to the citizens of Tonga as quickly as possible, the meeting venue has been reluctantly switched to the Pacific Islands Forum Secretariat conference facilities in Suva which we greatly appreciate.

PFTAC provides a vital service to support inclusive growth in its 16 Pacific country membership through the provision of Capacity Development (CD) in several core economic and financial competencies of the IMF. Established in 1993, PFTAC was the first IMF CD centre that has now blossomed into a network of ten such centres globally. We look forward to celebrating this important milestone for both the Pacific and the IMF during a high-level 25th anniversary event planned for early December 2018.

Further donor financing is still being sought to close a remaining funding gap of around \$US 6 million for Phase V. However, the good news is the strong support and appreciation demonstrated by the region with most member countries having now formally committed to financially underwriting 10 percent of PFTAC operations, with more than \$US 1 million already received.

The annual Steering Committee meeting is an important governance event for PFTAC, where all financially contributing stakeholders have a voice in the strategic oversight of the centre's operations and directions and partners are welcomed to foster close collaboration. Fiscal year 2018 represents the first full year of operations in the fifth phase of PFTAC operations which saw a return to much higher levels of CD delivery after a slow-down in 2017 given funding uncertainty during the phase transition. These additional efforts are leading to positive outcomes on the ground, from stronger revenue collection capabilities; to more robust budget planning, execution, and reporting; to better macroeconomic forecasting capabilities and statistical compilation and dissemination, and addressing financial sector vulnerabilities. Progress towards these outcomes is now being tracked and reported for the first time from a new Results Based Management system.

We farewell just one member of the PFTAC team in 2018, Ms. Chita Marzan, one of the two PFM advisors, who we thank for her positive contribution over the past three years.

Sione Ngongo Kioa,

Governor of the National Reserve Bank of Tonga

FOREWORD BY THE CENTRE COORDINATOR

I am pleased to deliver this report for the first full fiscal year of our fifth operational phase which was also my first full year as Centre Coordinator. We are changing our annual reporting process this year. In the past, reports were drafted and published in hard-copy ahead of the annual Steering Committee several months before the fiscal year-end based on projected data. While that is also the case this year, this draft report is only provided electronically and will be updated in early FY2019 to reflect actual outturns where available, and most importantly, it will be repackaged in a new streamlined IMF-standard format with more appealing graphics and design. An updated electronic version should be available by late June, with hard-copies by end-July.

FY2018 has been a busy and productive year, with CD delivery and budget utilization at or above the highest previous annual levels. This was around 20 percent above FY2017, an abnormal year given staff turnover and budget uncertainty between phases. We have honed our planning and monitoring tools to more accurately manage and report our programs, with streamlined presentations of the annual work plans provided from both program and country perspectives, with a detailed mid-year update of the plan, a report of progress made, and then a detailed year-end analysis of projected outturn against the original and mid-year revised plans. Our Results Based Management approach has matured. In FY2018 we defined, tracked, and reported on the status of 254 milestones that, collectively, all 16 member countries are expected to achieve by April 2018 with PFTAC assistance.

Except for the earlier departure of the PFM expert, a stable and highly experienced team has delivered an impactful program of technical assistance (TA), with missions delivered to all 16 member countries, and regional training provided to twice as many participants as FY2017, including 46 percent women.

Working collaboratively with regional partners and across the PFTAC programs, our workshops have covered a wide range of technical issues as well as very topical and innovative subjects such as *Managing Fishing Revenues*, a large, but often volatile revenue source for some member countries. Peer-to-peer initiatives have been reintroduced and will be expanded further, including attachments of officials from one country to another with capacity or reform experience of interest to others. To further integrate TA and training, we encourage Pacific applications for training at the Singapore Training Institute and we have been spreading awareness and advocating participation in IMF online training. For example, the recently launched *PFMx* course provides an excellent foundation for PFM practitioners and opportunities to leverage the PFTAC delivery of in-person TA and training.

To conclude, FY2018 has been a fruitful year of PFTAC Capacity Development delivery and member country achievements, with the concluding months of the fiscal year heralding the start of the 25th anniversary year since PFTAC was established in 1993 that will be a major focus during FY2019.

David Kloeden,

PFTAC Centre Coordinator

CONTENTS¹	PAGE
Statement by the Chairman of the PFTAC Steering Committee	i
Foreword by the Centre Coordinator	ii
Acronyms	iv
I. Overview of the Pacific Financial Technical Assistance Centre	1
II. Review of FY2018 (May 2017-April 2018).....	6
A. Overview	6
B. FY2018 Financial Report	13
C. Sectoral Achievements in FY2018.....	16
D. Progress Towards Managing for Results.....	41
Objectives and Work Plan for FY2019.....	44
E. Overview	44
F. FY2019 Work Program and Budget.....	46
G. Sectoral Work Plans in FY2019	48
Annex I: PFTAC Results Based Management (RBM) Logical Framework (Logframe) Hierarchy	59
Annex II: PFTAC Staff.....	62
Annex III: Meetings, Seminars, and Training	65
Annex IV: TA Mission Reports Transmitted to Country Authorities	67
Annex V: FY2018 Projected Workplan Outturns by Program.....	71
Annex VI: FY2019 Draft Workplans by Program	71
Annex VII: FY2019 Draft Workplans by Country	71

¹ The cover photo on this Report is of a painting entitled “fish for sale”, provided by the Central Bank of the Solomon Islands.

Acronyms

ABS	Australian Bureau of Statistics
ADB	Asian Development Bank
AFSPC	Association of Financial Supervisors of Pacific Islands Countries
APD	IMF Asia and Pacific Department
BCMI	Banking Commission of the Marshall Islands
BPM6	Balance of Payments Manual, 6 th edition
BPNG	Bank of Papua New Guinea
CBS	Central Bank of Samoa
CBSI	Central Bank of the Solomon Islands
CD	Capacity Development
CIS	Compliance Improvement Strategy
CMU	Cash Management Unit
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
FRCS	Fiji Revenue and Customs Service
FSC	Financial Supervisory Commission
FSI	Financial Stability Indicator
FSM	Federated States of Micronesia
FP	Financial Programming
FY	Financial year
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GFSM	Government Finance Statistics Manual
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
ISORA	International Survey on Revenue Administrations
IT	Information technology
KOICA	Korean International Cooperation Agency
LEG	IMF Legal Department
LOU	Letter of Understanding
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
PIF	Pacific Islands Forum
PIFS	PIF Secretariat
PIMA	Public Investment Management Assessment
PITAA	Pacific Islands Tax Administrators Association
PNA	Parties to the Nauru Agreement
PNG	Papua New Guinea
PRIF	Pacific Regional Infrastructure Facility
PSSC	Pacific Statistics Steering Committee
RAP	Resource Allocation Plan
RBM	Results-Based Management
RBF	Reserve Bank of Fiji
RBNZ	Reserve Bank of New Zealand
RBV	Reserve Bank of Vanuatu
RMI	Republic of the Marshall Islands
RTAC	Regional Technical Assistance Centre
SC	PFTAC Steering Committee
SDG	Sustainable Development Goal
SERF	Samoa Economic and Revenue Forecasting model
SOE	State-Owned Enterprise
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

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 (TA) and training, otherwise termed, Capacity Development (CD).** 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 (SDGs).
- 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 three sources.** In the Phase V funding cycle, running from November 2016 to April 2022, funding is provided by PFTAC's traditional donors—the Asian Development Bank (ADB), Australia, the European Union (EU), Korea, and New Zealand—and, for the first time, by its member countries. Member countries also contribute through in-kind support for training activities in the region, and development partners also contribute through co-funding of workshops. The IMF contribution finances the center coordinator, local support employees, and office overheads.
- 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.** PFTAC staff work closely with IMF headquarters staff both in planning and implementing the work program. 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 annual Steering Committee meetings. The program provides for an external independent evaluation of PFTAC midway through each phase.

Capacity Development Strategy

- 5. CD provided by PFTAC reflects specifically defined program priorities, but adaptable within resource and competency constraints to evolving regional priorities and the needs of member countries.** The objectives defined in the Phase V Program Document (PD) provide a basic medium-term framework for guiding PFTAC's activities. However, PFTAC priorities and activities must be sufficiently flexible and nimble to respond to evolving 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 eventuate during the year to accommodate emerging CD requests following agreement between the Asia Pacific Department (APD) and relevant TA Department. The PFTAC RAP is prepared under leadership of APD, in close collaboration with PFTAC staff and the functional TA departments supporting the delivery of TA and training in the region.

PFTAC Programs

6. **Seven resident PFTAC advisors deliver and manage five CD programs.** There is major emphasis on fiscal issues given the importance in the region to ensuring sustainable public finances, with an even split in CD delivery and budget utilization between Public Financial Management (PFM) and Revenue Policy and Administration, both technically overseen or 'backstopped' by the Fiscal Affairs Department (FAD). Two macroeconomic statistics advisors supported by the Statistics (STA) Department focus primarily on National Accounts issues (plus modest external sector issues) and Government Finance Statistics (GFS), accounting for a further quarter of PFTAC operations. Two additional programs with sole advisors work on financial sector supervision (FSS) CD under the Monetary and Capital Markets (MCM) Department, and finally the Macroeconomic Analysis and Programming program supports effective medium-term frameworks, tools, and capacity that supports the work of the other programs and the IMF's surveillance mandate.

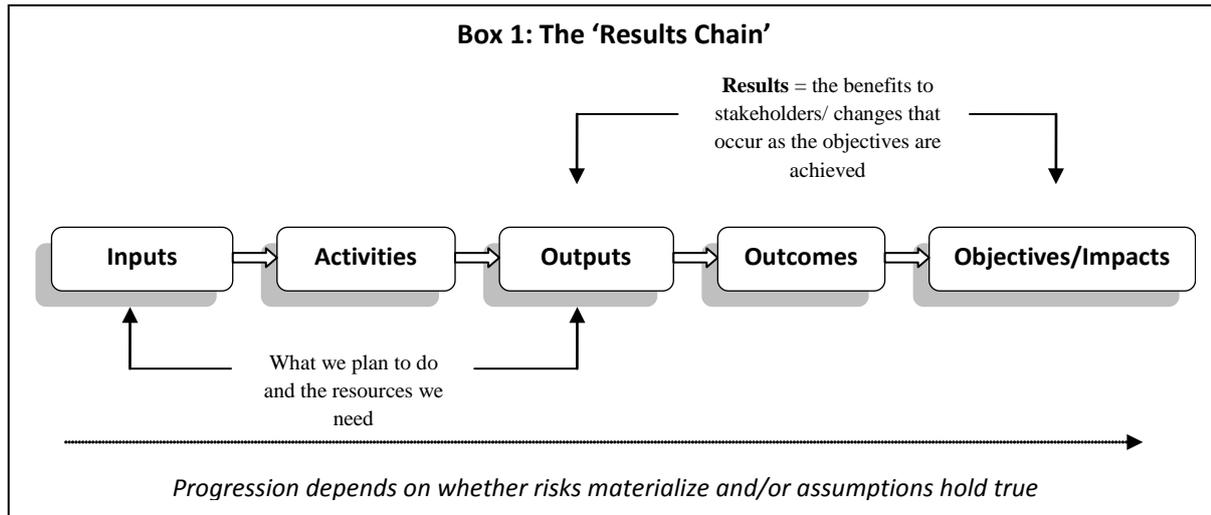
7. **The IMF's Results Based Management (RBM) framework and IT support system is now operational, including at PFTAC.** A hierarchical framework was developed to categorize all IMF provided CD according to a small number of high-level objectives that expands into a set of typically targeted outcomes per objective. Each TA department has developed its own catalogue to ensure consistency in developing, documenting, and importantly reporting CD activities. The PFTAC program draws on elements of catalogues developed by FAD (PFM, Revenue Administration, and Tax Policy), STA, and MCM, as well as a bespoke catalogue for the Macroeconomics program that is backstopped by APD. PFTAC works towards only a fraction of the CD areas covered by the entire IMF catalogue that covers more than 600 defined outcomes. During FY2018, the PFTAC programs were working towards 12 high-level objectives cited throughout this report, drilling down to 42 outcomes as detailed in Annex I.²

WHAT IS Results Based Management (RBM)?

RBM is a systematic approach to monitoring TA and training (collectively, capacity development) used in many international organizations and government agencies. The IMF's RBM framework and terminology are based on the OECD's Development Assistance Committee (DAC) recommendations. DAC defines RBM broadly as a management strategy focusing on performance and achievement of results. Our RBM approach makes use of logical frameworks (*LogFrames*) within the context of a TA project to improve the design and monitoring of our activities.

A *project* is defined as a set of planned and interrelated TA activities (e.g. missions) undertaken to achieve the TA's ultimate Objective(s). A separate LogFrame is created and monitored for each project, and in the case of PFTAC, this is the work towards one objective in one country, that may entail one or more outcomes being targeted. A logframe involves identifying strategic elements of the TA (*inputs, activities, outputs, outcomes* and *objectives*) and their causal relationships, indicators, as well as the assumptions or risks that may influence the success or failure of the project. At the heart of the logframe is a 'results chain' which shows the causal relationship among inputs, activities, outputs, outcomes and objectives of a given TA project on beneficiaries.

² PFM works on 6 core objectives towards 12 outcomes; the Revenue program works on 2 core objective areas towards 11 outcomes; the FSS program works on 2 core objective areas towards 6 outcomes; the Statistics program works on a single objective towards 10 outcomes; and the Macroeconomics program also has a single objective towards 3 outcomes.



8. The five PFTAC programs work towards:

- Strengthening PFM systems;
- Supporting the design and implementation of broad-based and efficient revenue systems;
- Supporting the development and implementation of sound financial system regulation and supervision;
- Assisting PICs to develop timely and reliable macroeconomic statistics based on enhanced source data; and
- Improving macroeconomic policy advice and decision making by governments and central banks.

Management and Implementation of CD

9. PFTAC is managed by a Centre Coordinator, and CD is provided by the team of resident advisors with substantial expertise in their respective sectors, and supported by four administrative employees in our Suva office (see Annex II). The advisors are based in Fiji and travel extensively throughout the region, which allows them to develop rapport with country authorities and familiarity with national and regional contexts and needs. On average, the resident advisors spend about half of their time each year on mission to member countries and the balance at the PFTAC office, maintaining an active dialogue with their counterparts following up on previous CD or preparing for upcoming missions or activities. 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 Centre 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

10. Development of the PFTAC annual workplan is part of the larger Resource Allocation Plan (RAP) of the IMF that comprehensively covers all CD planned for delivery for the forthcoming year, under all

programs, for all regions, and irrespective of the financing source. The PFTAC workplan for FY2019 therefore is a subset of the wider RAP for APD that also covers non-PFTAC CD planned for the Pacific. This would include missions in areas that PFTAC does not have a mandate or expertise (such as Anti-Money Laundering/Combating the Finance of Terrorism (AML/CFT), and other specialist financial, fiscal, statistical, or legal sector issues, or where other CD delivery arrangements have been instituted (e.g. External Sector Statistics CD for five PICs under a Japanese-funded project managed from Thailand).

11. The development of the workplan and RAP is an iterative multiparty exercise. The TA needs expressed by the beneficiary countries transmitted through various formal and informal channels drive the process. For PFTAC, much of this arises from the frequent interactions between the PFTAC team and member country officials and technical counterparts, and importantly in the dialogue between senior country officials and APD teams during Article IV missions and other surveillance discussions. PFTAC and APD country teams regularly consult to foster the closest possible integration of surveillance and CD, with feedback and needs factoring into prioritizing and scheduling activities in the PFTAC workplan, including responding to unforeseen events.

12. Country demands may exceed the capacity of PFTAC to supply the TA, so awareness of other TA providers' plans is vital as well as an appreciation of the beneficiaries' absorptive capacity. The RAP process includes a prioritization exercise between APD and the backstopping TA departments. For the PFTAC workplan, the process is relatively seamless given the extensive discussions between the APD country teams and PFTAC that occurs concurrently with detailed planning discussions between the resident advisors and their backstopping departments. This is guided by a framework that includes a budget envelope, known underway multi-year initiatives and resource needs, and the objectives in PFTAC's strategic Logical Framework (LogFrame) that are documented in the PD as well as the individual program LogFrames.

13. Close PFTAC collaboration with regional partners is vital to leverage the impact of the PFTAC program. PFTAC's long and productive history of working closely together and jointly delivering training and even some TA delivery with regional groups will continue. This includes the Pacific Association of Supreme Audit Institutions (PASAI), the Pacific Islands Tax Administrators Association (PITAA) on many tax topics along with the Oceanic Customs Organization (OCO), the Association of Financial Supervisors of Pacific Island Countries (AFSPC), and the University of the South Pacific (USP). Although PFTAC does not currently have responsibility or resources to provide TA in AML/CFT issues, recent remittance challenges in the Pacific with threats to Correspondent Banking Relationships (CBR) for the financial sector and in some cases macroeconomic stability have been of great concern. This led to an IMF organized and ADB and donor financed industry sector roundtable meetings in Sydney and Auckland respectively in February 2018 with a follow-up session for Pacific regulators in March 2018. Connections have accordingly been enhanced with the Asia Pacific Group (APG) on Money Laundering along with Washington-based IMF colleagues to ensure the FSS advisor and program are cognizant of AML/CFT developments in the region.

14. Working closely with regional development partners such as the ADB, the World Bank, regional organizations like the Pacific Islands Forum Secretariat (PIFS) and the Secretariat of the Pacific Community (SPC), as well as United Nations (UN) agencies such as the UN Development Programme (UNDP) and UN Economic and Social Commission for Asia and the Pacific (ESCAP), ensures that the comparative advantages and expertise of these organizations are melded with the economic and financial expertise of PFTAC to deliver well-rounded and comprehensive events for our respective, and mostly overlapping client bases.

Some development partners can provide co-financing (such as the ADB and UN/ESCAP) that may train more participants and/or accommodate additional PFTAC events than would have otherwise not been possible. Various events in FY2019 will follow past collaborative arrangements, plus several new initiatives. As the forthcoming EU financial contribution to PFTAC is under a regional arrangement with various organizations active in PFM issues (including PASAI, the UNDP, and USP) but coordinated by PIFS, the PFM Leadership event in 2018 will be financed by PIFS with significant PFTAC inputs. PFTAC is also looking to deliver an event with the ADB (possibly with financing) and the Pacific Regional Infrastructure Facility (PRIF) on infrastructure management and planning.

Challenges and Risk Management

15. Effective translation of CD into the ultimately targeted objectives and outcomes is challenging and risky. Challenges include very limited absorptive capacity in several countries, diseconomies of scale that challenge small and micro-states, limited ownership of reforms, political economy factors that place low value on reform objectives or do not fully understand them, and coordination weaknesses with other development partners, as well as PFTAC's own limitations:

- Almost all PFTAC activities involve working with, and assisting to develop, an adequate pool of skilled staff. However, human capacity, both in terms of numbers and education levels, is particularly challenging in many PICs. Staff turnover, that may be easily accommodated in larger countries, often leads to substantial reduction in technical capacity that is not easily replaced. Therefore, some TA and training under certain circumstances may be 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 challenging everywhere, but perhaps even more so in small countries. A change in government or finance minister can significantly affect the content and pace of a reform program.
- Development partners with sometimes different objectives may compete over the allocation of scarce local human capacity, or may advocate inconsistent measures or priorities. Examples include (i) how much of a country's statistical capacity to allocate to economic statistics versus health or environmental data, and (ii) development partners seeking to insulate development project finance and management from the general government budget.
- There are also limitations on the delivery capacity of PFTAC, requiring an appropriate balance of resident advisor field and support time, particularly given that most programs are substantially leveraged through effective use of STX, which in turn requires time and overheads in backstopping by the LTX to ensure appropriate quality of the CD. Finally, PFTAC is limited in the kinds of TA and training that it can provide. Specifically, PFTAC cannot provide long-term in-country experts or advisors to governments.

II. REVIEW OF FY2018 (MAY 2017-APRIL 2018)

This section details PFTAC's CD activities and outcomes in FY2018 with an update on PFTAC finances in the first full year of Phase V operations.

A. Overview

Main achievements

16. The focus of PFTAC's efforts and the design and delivery of its annual work program is driven by three overarching objectives articulated in the Phase V Program Document (PD), namely: (1) strengthening the *resilience* of PICs that are particularly susceptible to the volatility of natural disasters and external shocks; (2) promoting and working towards *sustainable* public finances; and (3) promoting *inclusive economic growth*.

17. The period May 1, 2017 through April 30, 2018 (FY2018) was the first full year of PFTAC operations in Phase V, benefiting from full resourcing – staff and financial – that facilitated CD delivery at or above the highest annual levels experienced in 24 years of PFTAC operations.

18. **Highlights of efforts and achievements in FY2018 include** (these are fully elaborated in later program narratives):

- The **Public Financial Management (PFM)** program has had a broad coverage across member countries to help strengthen the resilience and sustainability of public finances, including:
 - Support for planning, prioritizing, and delivery of fiscal reforms – facilitating PEFA self-assessments in **Kiribati** and **Tokelau**, updating the **Tuvalu** PFM roadmap, and enhancing the integration of IMF surveillance and TA through participation in Article IV missions to the **Solomon Islands** and **Timor Leste**.
 - Development of more comprehensive, credible, and policy-based budgets – hands-on assistance to **RMI**; and delivery of two joint regional workshops (see boxes below) with the Macroeconomics program and development partners: (1) with UN/ESCAP focused on inclusion of demographic factors in national planning and budgeting; and (2) with the ADB to encourage effective forecasting and management of fishing revenues in affected PICs.
 - Assistance to strengthen budget execution, accountability and transparency; and address fiscal risks – an internal audit charter developed for **Fiji** and internal audit training delivered in **Papua New Guinea**, and **Vanuatu**, and via a regional budget execution control workshop; progress towards IPSAS standards in **Papua New Guinea**, **Samoa**, **Solomon Islands**, **Tonga**, and **Vanuatu**; strengthened cash management capacity in **Kiribati** and **Solomon Islands**; and strengthened fiscal oversight of risks from State Owned Enterprise (SOE) through a sub-regional workshop plus TA provided to **Fiji** and **Samoa**.

- In **Macroeconomic Management**, CD efforts have continued and expanded in:
 - Strengthening and building-on earlier CD for the effective utilization of macroeconomic frameworks in **RMI, Samoa, Tonga, Vanuatu**.
 - Providing further capacity development to improve forecasting methodologies in the region through several workshops and training events delivered collaboratively with fellow PFTAC programs and development partners as well as in-country TA to **Papua New Guinea**, and **Tuvalu**.
 - Continuing assistance to the **Vanuatu** authorities to evaluate tax reform options with expanding efforts similarly in **Palau** to analyze and forecast tax reform options under consideration.
- For **Macroeconomic Statistics**, efforts continue to promote the compilation and dissemination of timely and accurate macroeconomic statistics that are crucial to the achievement and measurement of economic objectives, that for some countries require capacity supplementation rather than capacity development, an ongoing shortcoming given insufficient statistical resources, capacity, and national priorities of those countries:
 - The GFS program grew with an LTX in place for a full year for the first time, allowing for Chart of Accounts (CoA) improvements in **Cook Islands, Fiji, and Tonga**; expanding coverage to general government in **Fiji, Samoa, Solomon Islands, and Vanuatu**; and work commenced on compilation of public sector debt statistics in **Fiji, Samoa, Solomon Islands, and Vanuatu**.
 - The primary focus of the RSS program has been on National Accounts, with efforts on GDP rebasing in **Cook Islands, Nauru, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu**, and developing more accurate approaches to GDP deflation in **Fiji, Nauru, Papua New Guinea, and Samoa**.
 - With a new program established at the Thailand based IMF training center providing ESS support to five PICS, PFTAC's support in ESS is limited to a few missions a year to the other PICS, with a focus on balance of payments and international investment positions with missions delivered in **Cook Islands, FSM, and Solomon Islands**.
- The **Revenue Administration** program has delivered a demanding but highly effective CD program, increasingly in cooperation with PITAA particularly in technical training, but still not fully meeting regional demands without more resources that are being explored. PIC revenue administrations continue to improve their revenue and compliance capabilities, contributing to revenue mobilization with major reforms under way or being considered in a few:
 - Advice and preparation for possible new tax initiatives in **Palau, Solomon Islands, and Vanuatu**, and comprehensive reform gaining traction in **Papua New Guinea** to implement a Medium Term Revenue Strategy (MTRS);

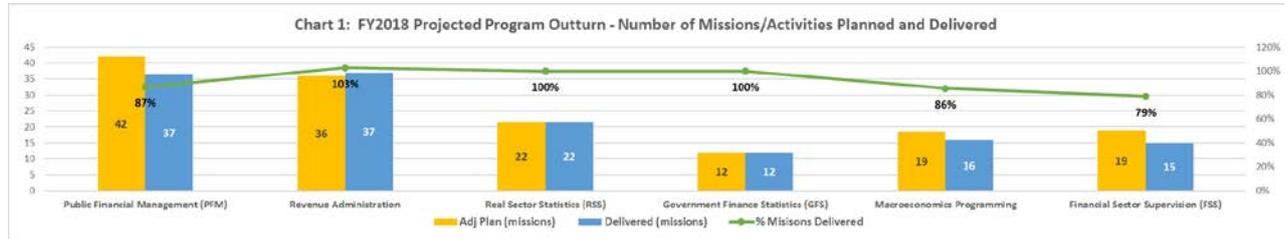
- With the IMF Legal Department, revenue legislation (tax statutes and administrative laws) have been revised in [Fiji](#), [Nauru](#), [Niue](#), [Papua New Guinea](#), [Tonga](#), [Vanuatu](#).
- Strengthened governance arrangements instituted through reorganized and refocused tax administrations are taking shape in [Kiribati](#), [Niue](#), and [Vanuatu](#).
- Core functions around taxpayer registration, filing, payment, and compliance have been strengthened in [Fiji](#), [FSM](#), [Kiribati](#), [Niue](#), [RMI](#), [Samoa](#), and [Vanuatu](#).
- The **Financial Sector Supervision (FSS)** program contributes to macroeconomic stability and growth through stable, well-supervised financial institutions that contribute to financial inclusion. Efforts and emerging improvements include:
 - Development of Financial Supervision Framework Enhancement strategies, based on initial diagnostic assessments in [Cook Islands](#), [Papua New Guinea](#), [Solomon Islands](#), and [Vanuatu](#).
 - Credit union supervision in [Kiribati](#), banking regulation reform and on-site examination capacity building in [RMI](#), and developing a supervision framework in [Tuvalu](#).

CD delivery in FY2018

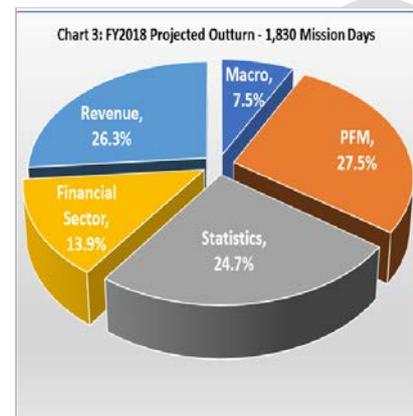
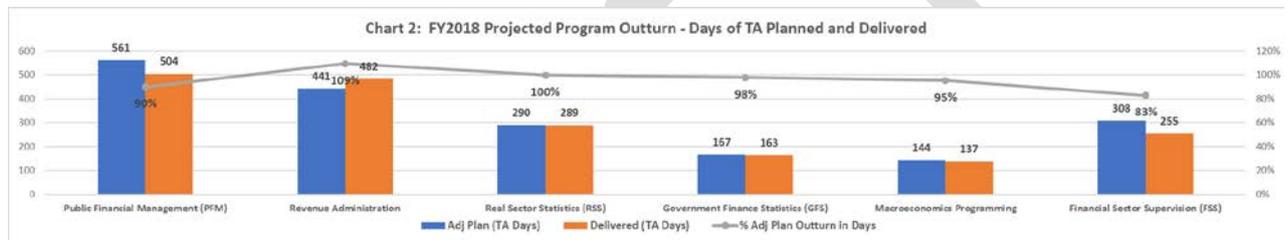
19. In FY2018, CD delivery and resource utilization returned above FY2016 levels. Given that FY2017 was a year of transition between funding phases, and uncertainty of financing for the final six months of FY2017, these circumstances necessitated a deceleration of activity to avoid exceeding resource availability. Additionally, three of the team of seven advisors changed in FY2017 (and the coordinator), whereas FY2018 benefited from a stable and experienced workforce, with all seven resident experts delivering a full TA workload. One unexpected staff gap arose with the early departure of one of the two PFM advisors, when Ms. Chita Marzan left PFTAC in February 2018 to take up a similar position at the IMF training center in Thailand. Other than the loss of two months of LTX time, Ms. Marzan minimized the impact on the PFM program by ensuring arrangements were in place after her departure for the STX missions she backstopped. Applications for a replacement PFM advisor closed March 2, 2018, with the vacancy targeted towards suitably qualified PFM experts from the Pacific and beyond. A replacement PFM advisor is expected to be recruited and in place early in FY2019, as soon as May 2018.

20. Presentation and monitoring of the workplan was enhanced during FY2018. The draft workplan presented in the 2017 Annual Report was repackaged in May 2017 to a streamlined format so that each program could be presented in a 2 or 3-page report. The new format preserved the clustering for each program for the specifically targeted RBM objectives and outcomes, noting the modality (e.g. a mission, workshop, remote activity or regional support), the anticipated resource utilization (LTX and/or STX days), the names of intended experts, activity dates, and tentative milestones resulting from the TA. Around November 2017 at the mid-point of FY2018, the PFTAC experts reviewed delivery of their workplans at that point and made adjustments reflecting new or changing requirements, resulting in a revised workplan to be delivered through April 30, 2018. The revised workplan at Annex V is provided from two perspectives; by PFTAC program, and by member country. Three columns of resource metrics are shown: (1) the original plan from the start of FY2018; (2) the mid-year revised plan; and (3) the projected outturn at the end of

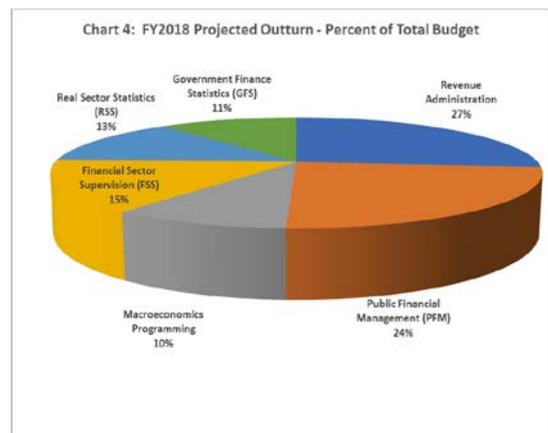
FY2018. Further analysis in this Annual Report of projected FY2018 activity outturn is based on the mid-year revised workplan.³



21. PFTAC workplan execution was 96 percent of total TA days planned (1,830 of 1,911) and 92 percent of the number of planned missions (136 of 149). The percentage of planned missions and TA days delivered by each program was generally above 80 percent (Charts 1 and 2), with most programs performing near or even above 100 percent of expectations, particularly Revenue (109 percent of days and 103 percent of missions) and both Statistics programs near 100 percent in both instances for missions and TA days.

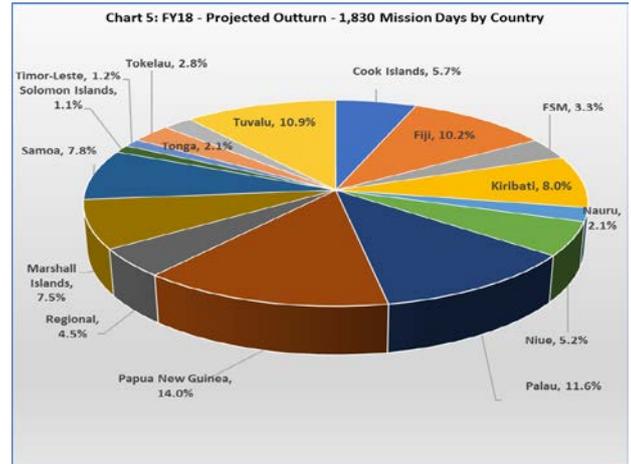


22. About half of PFTAC activity is of a fiscal nature, an historical trend that continued in FY2018. Together the two macroeconomic statistics programs accounted for a further quarter of PFTAC activity or expenses, with the balance shared by the financial sector supervision and macroeconomic analysis programs. Whether measured in activity terms (TA days delivered) or projected budget outturn, the program ratios are relatively consistent.

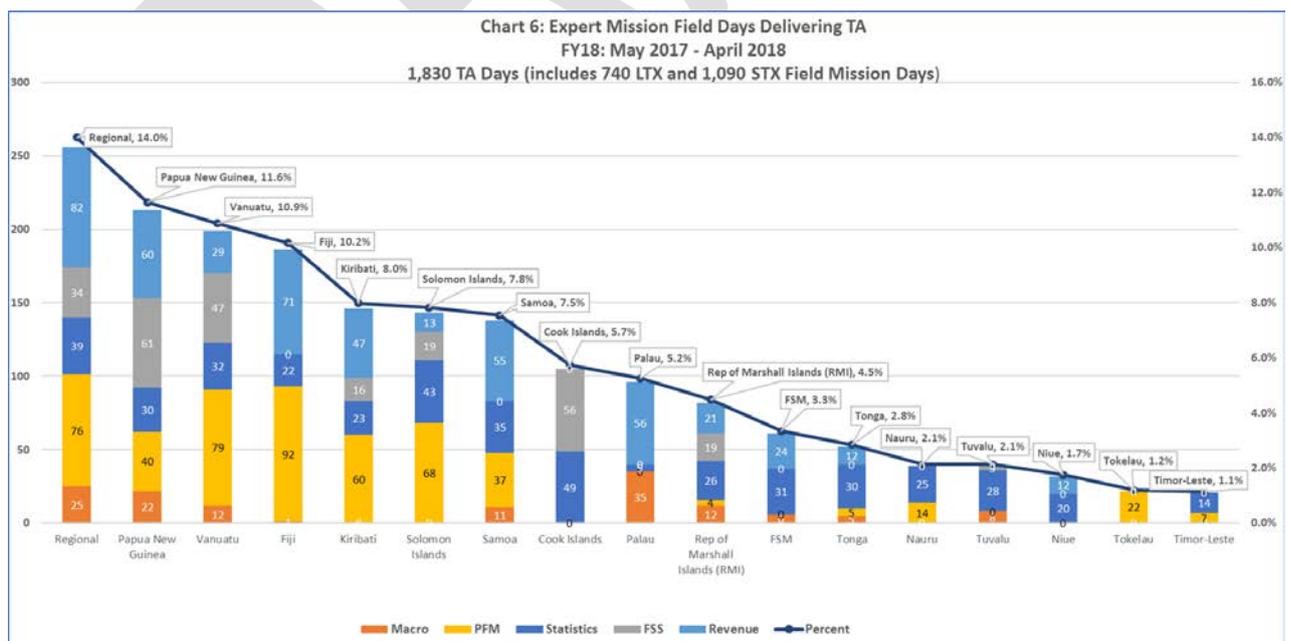


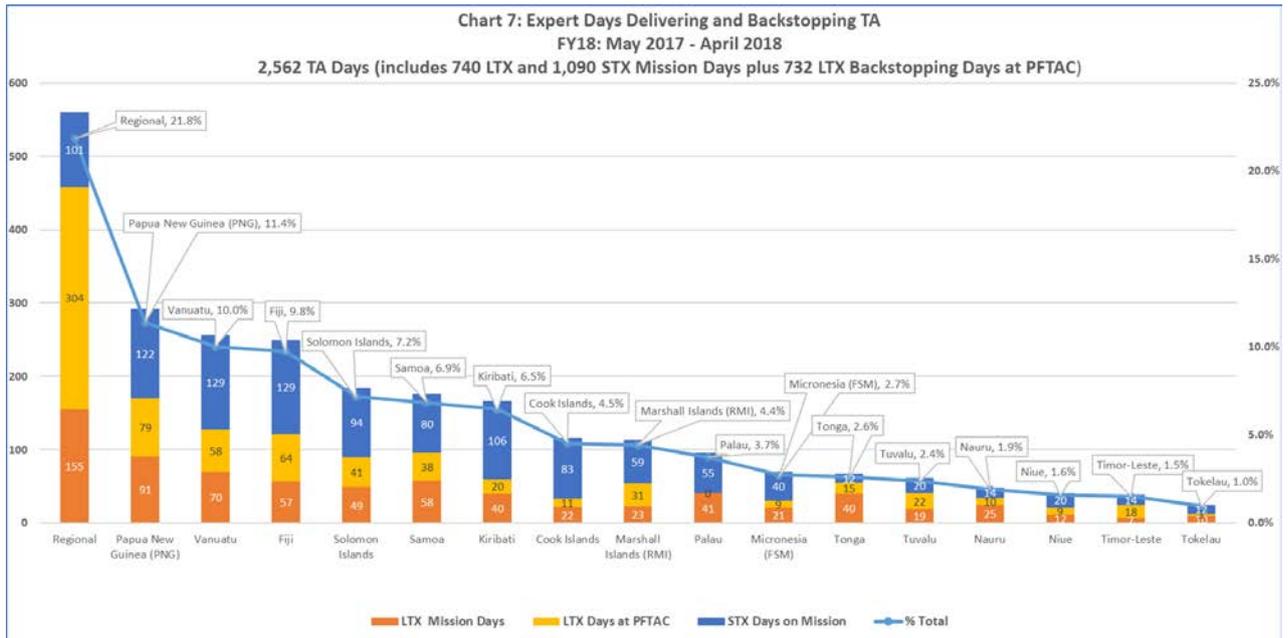
³ The original FY2018 workplan entailed 150 missions/activities with a total of 2,046 days of TA delivery. However, accounting and classification methods were harmonized across programs at the mid-FY2018 work plan review which is considered a more reliable and consistent baseline to measure year-end outturn. The revised workplan entailed 149 missions/activities through delivery of 1,911 TA days, slightly less than the original plan.

23. In FY2018, all member countries benefited from CD delivered by PFTAC, whether via in-country missions, or from participating in regional training events that constitute the biggest share of program effort (14 percent) and budget resources. Chart 6 shows by country and regionally the proportion of 1,830 TA days delivered in FY2018, of which 740 were directly delivered by the resident advisors (LTX) and the balance of 1,090 by STX. The biggest beneficiaries of CD delivered by PFTAC in FY2018 as measured in TA days were Papua New Guinea (11.6 percent), Vanuatu (10.9 percent), Fiji (10.2 percent), Kiribati (8.0 percent), and Solomon Islands (7.8 percent).



24. Past TA delivery has been substantially underreported from the exclusion of LTX work performed at PFTAC. In any year, the resident advisors spend as much time working at PFTAC as when on mission to countries (732 days in FY2018 at PFTAC versus 740 days on mission). A significant portion of this time is directly attributable to specific PFTAC countries in preparation for upcoming missions or post-mission work, whether delivered by the LTX or an STX, as well as remote support to country authorities between missions or even when no missions have been planned in the year. A simple and approximate system was instituted at PFTAC for the LTX to account for these extra efforts during FY2018. While Chart 6 provides a clear break-out of the 1,830 TA days delivered in each program by country from 740 LTX and 1,090 STX mission days, Chart 7 adds in a further 732 TA days of LTX time at PFTAC (giving a grand total of 2,562 actual TA days delivered by PFTAC in FY2018), apportioned by country or regionally related work. This accounting slightly shifts the order of countries receiving the most TA in FY2018, with Papua New Guinea, Vanuatu, and Fiji remaining in first through third place, but Solomon Islands moving from fifth to fourth, Samoa advancing from sixth to fifth and Kiribati slipping from fourth to sixth.





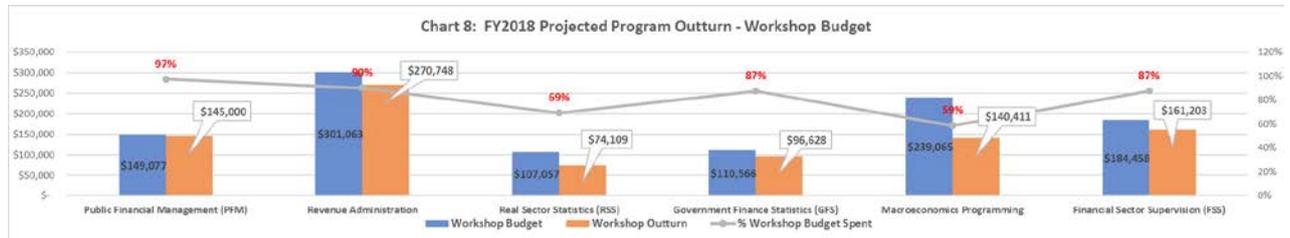
25. **Seminars, workshops, and other (sub) regional events are a particularly effective CD modality.** In bringing together officials from across the region, these events provide an opportunity to increase knowledge and awareness of topics and reform initiatives of regional relevance. This occurs through a mix of training by the event facilitators, but even more importantly, from peer-to-peer experience sharing. These are important venues for PICs to articulate their needs and TA priorities, as well as to discuss PFTAC strategic directions and resource allocations.

26. **Workshop activity was significantly higher in FY2018.** Table 1 lists 14 events across all PFTAC programs, including several joint program activities, involving 383 attendees (46 percent female), amounting to 1,837 days of training. This compares to 8 events in FY17 (an 85 percent increase), with more than double the participants (up from 178) and training days (up from 796).

Table 1. PFTAC FY18 Workshop details

Sector	Partner	Location	Topic	Duration (Days)	Male	Female	Total	Participant Days
Revenue		Fiji	Auditing Financial Statements	5	13	12	25	125
Revenue		Fiji	VAT Fraud	5	21	7	28	140
Revenue	PITAA	Samoa	Senior Managers Workshop	3	13	8	21	63
Revenue		FSM	Developing Effective Taxpayer Services	3	14	4	18	54
Revenue	IMF/FAD	Fiji	International Survey on Revenue Administration (ISORA)	5	18	12	30	150
FSS	AFSPC	Cook Islands	Annual AFSPC Meeting and Workshop	5	13	12	25	125
FSS	IMF/LEG	Guam	Financial Sector Regulatory Reform for the Northern Pacific	5	4	6	10	50
Statistics/GFS		Fiji	Government Finance Statistics	5	13	17	30	150
Macro/ Stats		Fiji	Compiling and Forecasting GDP	5	8	21	29	145
Macro/Statistics		FSM	Compiling GDP and Forecasting Revenue	5	7	8	15	75
PFM		Fiji	Fiscal Oversight of State Owned Enterprises	5	8	7	15	75
PFM		Fiji	Strengthening Budget Execution Controls	5	10	5	15	75
PFM/ Macro	UN/ESCAP	Samoa	Medium-term Expenditure Planning for National Sustainable Development	5	38	36	74	370
PFM/ Macro	ADB	RMI	Fishing Revenue Forecasting Management	5	28	20	48	240
			Totals:	66	208	175	383	1,837

27. **Despite much higher training delivered in FY18, the projected budget outturn was around 73 percent.**⁴ As Chart 8 shows, most programs had quite high projected workshop budget outturns, with larger unspent balances for the Macroeconomics and to a lesser extent the RSS program. A FY2018 budget of \$150,000 for delivery of an IMF training course with ICD/STI was the entire Phase V allocation and as its inclusion in FY2018 was tentative, the allocation is carried-forward for FY2019 or later delivery.



28. **Several small training initiatives were piloted (or reintroduced) at PFTAC in FY2018.** Other IMF regional technical assistance centers (RTAC) have used a system of attachments, or peer-to-peer learning opportunities to supplement and augment the more formal regional seminars and training events.⁵ Where the experience or capacity in one country is of interest or relevance to another, the RTAC can facilitate and finance the travel costs for a few officials to visit and learn from the experiences of the other, perhaps accompanied by the RTAC advisor. Such attachments are typically for 1 – 3 weeks, and a report of the lessons learned and their possible application is required. The Macro program has organized the attachment of several Samoan officials to Fiji in April 2018 as well as Tongan officials to Samoa. Other approaches include officials joining a PFTAC mission to share the experience – several tax officials from Fiji participated in a December 2017 PFTAC mission to Niue. Plans include a few ‘enhanced attachments’ where an official joins a diagnostic mission such as a PEFA to both contribute from their experience and national knowledge plus expanding their understanding of the diagnostic tool and issues elsewhere in the region.

29. **The importance of gender issues and opportunities are integral to the PFTAC objective of promoting inclusive growth.** In terms of training and other events, PFTAC maintains a record of female participation, and in FY2018 as noted above, female workshop participants account for 46 percent of attendance. Invitation letters to all such events now have language urging PIC authorities to nominate an appropriate representation of qualified women to every PFTAC event. Recent IMF research has identified a range of gender issues of macro-criticality, including work place participation, financial inclusion, and gender-based budgeting issues. Using various outreach opportunities, PFTAC will endeavor to expand awareness of this important aspect of IMF research and policy advice. Whenever possible, these issues and perspectives are integrated into PFTAC’s CD delivery. For example, the joint PFM/Macro workshop on *Medium-term expenditure planning for national sustainable development* included a session on inclusive budgeting with an exercise involving participants calculating the impact on national GDP if the labor force participation rate was the same as men.

⁴ Budget provision for workshops and training in FY18 was \$1.223m, with projected outturn of \$0.888m. However, this budget includes \$150,000 for ICD/STI training, and if excluded, the projected budget outturn for PFTAC workshops is around 81 percent.

⁵ Attachment travel costs are covered from the respective program workshop budget.

B. FY2018 Financial Report

Table 2. PFTAC: Phase IV (FY12 to FY17/H1) Final Outturn (\$US millions)

Program Document	2015 Revised Budget	Final Ph IV Expenses	Remaining Funds
Resident Advisors (Long Term Experts - LTX)	\$ 12.1	\$ 9.9	\$ 0.3
Travel	\$ 2.8	\$ 2.4	\$ 0.2
Short-Term Experts (STX)	\$ 3.2	\$ 6.1	\$ 0.1
Diagnostic Missions	\$ 1.6	\$ 0.8	\$ (0.1)
Training/Seminars/Workshops	\$ 2.6	\$ 2.6	\$ 0.1
Backstopping/Project Management	\$ 2.1	\$ 1.1	\$ (0.1)
Other Costs (Evaluation, misc, etc)	\$ 0.9	\$ 0.7	\$ -
Total TA Provision	\$ 25.3	\$ 23.6	\$ 0.5
Trust Fund Management Fee ^{1/}	\$ 1.8	\$ 1.7	\$ 0.1
Total Trust Charges	\$ 27.1	\$ 25.3	\$ 0.5
IMF Contribution	\$ 2.9	\$ 2.9	\$ -
TOTAL:	\$ 30.0	\$ 28.2	\$ 27.6

1/ Trust Fund fee is 7 percent of funds utilized for TA delivery

30. **Closure of the Phase IV accounts resulted in a final unspent balance of \$535,718**, of which, Australia, the European Union (EU), and New Zealand have agreed to roll-over their share totaling \$468,339 to the Phase V budget. Discussions are ongoing whether the ADB and Korea can carry-forward their share of the Phase IV balance.

31. **With FY2017 financing split between Phases IV and V, activity was suppressed given liquidity uncertainties.** Ultimately, the cost of CD delivery (before the trust fund management fee) in FY2017 was \$4.47 million, versus \$4.96 million in FY2016. This compares to a projected outturn (Table 3) in FY2018 of \$5.32 million, which is 19 percent higher than FY2017 and 7 percent higher than FY2016, and which, together with the FY17/H2 outturn, exceeds the EU contribution of \$7.4 million.

Table 3. PFTAC: FY2018 Estimated Expenditure Outturn (\$US millions)

Program Document	Tot Est Ph V Expenses to end-FY18	(Ph IV) FY17/H1 Outturn	FY17/H2 (Ph V Funding)			FY2017 Full Year Outturn	FY2018				
			Budget	Outturn	Under Spend		Budget	Projected Outturn	% Outturn	Projected Underspend	
Resident Advisors (Long Term Experts - LTX)	\$ 12.6	\$ 3.0	\$ 0.8	\$ 1.0	\$ 0.9	\$ 0.0	\$ 1.8	\$ 2.2	\$ 2.1	94%	\$ 0.1
LTX Travel	\$ 2.3	\$ 0.5	\$ 0.1	\$ 0.2	\$ 0.2	\$ -	\$ 0.3	\$ 0.4	\$ 0.3	78%	\$ 0.1
Short-Term Experts (STX)	\$ 11.4	\$ 2.1	\$ 0.8	\$ 0.9	\$ 0.7	\$ 0.2	\$ 1.5	\$ 2.0	\$ 1.5	71%	\$ 0.6
Diagnostic Missions	\$ 1.2	\$ 0.4	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.0	\$ 0.2	\$ 0.3	\$ 0.2	74%	\$ 0.1
Training/Seminars/Workshops	\$ 6.0	\$ 1.0	\$ 0.2	\$ 0.5	\$ 0.1	\$ 0.4	\$ 0.3	\$ 1.2	\$ 0.9	73%	\$ 0.3
Backstopping/Project Management	\$ 1.9	\$ 0.2	\$ 0.1	\$ 0.2	\$ 0.1	\$ 0.1	\$ 0.2	\$ 0.3	\$ 0.2	47%	\$ 0.2
Other Costs (Evaluation, misc, etc)	\$ 1.6	\$ 0.3	\$ 0.1	\$ 0.2	\$ 0.1	\$ 0.1	\$ 0.2	\$ 0.3	\$ 0.1	45%	\$ 0.2
Total TA Provision/Delivery	\$ 36.9	\$ 7.6	\$ 2.2	\$ 3.0	\$ 2.2	\$ 0.8	\$ 4.5	\$ 6.9	\$ 5.3	77%	\$ 1.6
Trust Fund Management Fee ^{1/}	\$ 2.6	\$ 0.5	\$ 0.2	\$ 0.2	\$ 0.2	\$ -	\$ 0.3	\$ 0.5	\$ 0.4	77%	\$ 0.1
Total Trust Charges	\$ 39.5	\$ 8.1	\$ 2.4	\$ 3.2	\$ 2.4	\$ 0.8	\$ 4.8	\$ 7.4	\$ 5.7	77%	\$ 1.7
IMF and Host Country In-Kind Contribution	\$ 2.6							\$ 0.5	\$ 0.6	116%	\$ (0.1)
TOTAL:	\$ 42.1							\$ 7.9	\$ 6.3	80%	\$ 1.6

1/ Trust Fund fee is 7 percent of funds utilized for TA delivery

32. **While the PFTAC programs had strong FY2018 outturns measured by activity (missions and TA delivery days) as previously noted, the projected financial outturn was lower.**⁶ Initial estimates suggest a 77 percent expenditure outturn of \$5.32 million against a budget of \$6.91 million (excluding the 7 percent trust fund management fee and the IMF contribution). The estimated underspent budget allocation for FY2018 is \$1.6 million. The projected outturn for each program varies, with Revenue, FSS, and Statistics (GFS and RSS) programs projected to have utilized 86 – 90 percent of their budget allocations, while the PFM and Macro programs are projected at 64 percent and 67 percent respectively, predominantly attributed to underutilization of their STX budgets.

⁶ Outturn projections through end April 2018 may change after the close of the fiscal year. While some budget categories (LTX travel, STX costs, and workshops) are tracked and projected locally, other budget categories are controlled centrally (LTX salary, diagnostic missions, backstopping and project management charges) and have therefore been estimated.

Table 4. PFTAC: FY2018 Budget by Program

	FY2018 Budget							
	Revenue	PFM	Macro	FSS	RSS	GFS	Other	Total
Resident Advisors (Long Term Experts - LTX)	\$ 320,360	\$ 641,038	\$ 330,645	\$ 305,211	\$ 338,091	\$ 303,091	\$ -	\$ 2,238,436
LTX Travel	\$ 70,817	\$ 113,963	\$ 64,436	\$ 75,862	\$ 56,449	\$ 56,449	\$ -	\$ 437,976
Short-Term Experts (STX)	\$ 609,201	\$ 812,268	\$ 86,250	\$ 228,573	\$ 179,794	\$ 60,952	\$ 67,200	\$ 2,044,238
Diagnostic Missions	\$ 216,419	\$ 88,170	\$ -	\$ -	\$ -	\$ 24,737	\$ -	\$ 329,326
Training/Seminars/Workshops	\$ 301,063	\$ 149,077	\$ 239,035	\$ 164,458	\$ 107,057	\$ 110,566	\$ 152,417	\$ 1,223,673
Backstopping/Project Management	\$ 40,467	\$ 81,318	\$ -	\$ 80,618	\$ 59,868	\$ 69,868	\$ -	\$ 332,139
Other Costs (Evaluation, misc, etc)	\$ 0	\$ 19,496	\$ -	\$ 47,598	\$ 26,048	\$ 3,612	\$ 210,200	\$ 306,954
Total TA Provision/Delivery	\$ 1,558,327	\$ 1,905,330	\$ 720,366	\$ 902,320	\$ 767,307	\$ 629,275	\$ 429,817	\$ 6,912,742
Trust Fund Management Fee ^{1/}	\$ 109,083	\$ 133,373	\$ 50,426	\$ 63,162	\$ 53,711	\$ 44,049	\$ 30,087	\$ 483,892
Total Trust Charges	\$ 1,667,410	\$ 2,038,703	\$ 770,792	\$ 965,482	\$ 821,018	\$ 673,324	\$ 459,904	\$ 7,396,634
IMF and Host Country In-Kind Contribution								
TOTAL:								

1/ Trust Fund fee is 7 percent of funds utilized for TA delivery

Chart 9: FY2018 Projected Program Outturn - Percent of Planned TA Delivered and Budget Expended

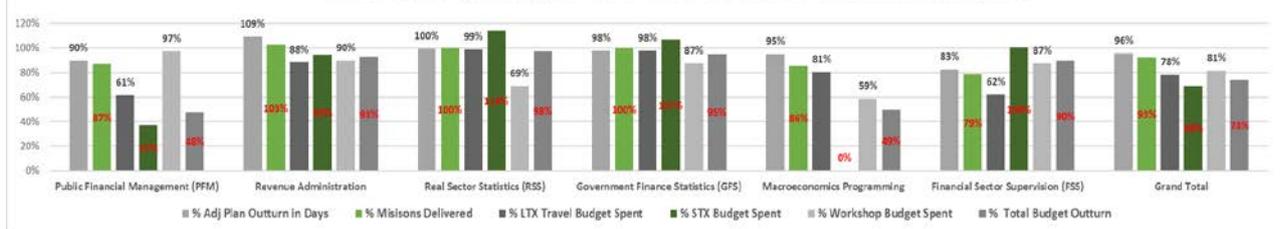


Table 5. PFTAC: FY2018 Outturn by Program

	FY2018 Projected Outturn							
	Revenue	PFM	Macro	FSS	RSS	GFS	Other	Total
Resident Advisors (Long Term Experts - LTX)	\$ 300,547	\$ 601,393	\$ 310,196	\$ 286,335	\$ 317,182	\$ 284,346	\$ -	\$ 2,100,000
LTX Travel	\$ 62,000	\$ 70,000	\$ 52,000	\$ 47,112	\$ 55,981	\$ 55,351	\$ -	\$ 342,444
Short-Term Experts (STX)	\$ 579,201	\$ 300,000	\$ -	\$ 229,656	\$ 204,814	\$ 65,280	\$ 78,201	\$ 1,457,152
Diagnostic Missions	\$ 105,377	\$ 88,170	\$ -	\$ 21,104	\$ -	\$ 29,614	\$ -	\$ 244,265
Training/Seminars/Workshops	\$ 270,748	\$ 145,000	\$ 120,411	\$ 161,203	\$ 54,109	\$ 96,628	\$ -	\$ 848,099
Backstopping/Project Management	\$ 37,573	\$ 22,862	\$ -	\$ 35,041	\$ 25,644	\$ 33,325	\$ -	\$ 154,445
Other Costs (Evaluation, misc, etc)	\$ 0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 167,362	\$ 167,362
Total TA Provision/Delivery	\$ 1,355,447	\$ 1,227,425	\$ 482,607	\$ 780,451	\$ 657,730	\$ 564,544	\$ 245,563	\$ 5,313,767
Trust Fund Management Fee ^{1/}	\$ 94,881	\$ 85,920	\$ 33,783	\$ 54,632	\$ 46,041	\$ 39,518	\$ 17,189	\$ 371,964
Total Trust Charges	\$ 1,450,328	\$ 1,313,345	\$ 516,390	\$ 835,083	\$ 703,771	\$ 604,062	\$ 262,752	\$ 5,685,731
IMF and Host Country In-Kind Contribution								
TOTAL:								

1/ Trust Fund fee is 7 percent of funds utilized for TA delivery

33. **The FY2018 STX budgets for the PFM and Macro programs were underutilized.** Although activity levels of both programs were solid, the demand and delivery of PFTAC PFM TA and the absorptive capacity of beneficiary countries is near equilibrium given mostly small beneficiary administrations facing many responsibilities with the support of an already crowded field of TA providers. Accordingly, the demand for STX resources to deliver the PFM program was only about 40 percent of the available budget, contributing significantly to the outturn shortfall. While the Macro program had a more modest STX budget, that program faces challenges in sourcing and utilizing appropriate experts, with the resident advisor primarily delivering the program with support from other development partners and collaboration with PFTAC colleagues.

34. **Savings and cost sharing also contributed to the projected FY2018 budget outturn.** While the deferred HQ-led training represents 10 percent of the shortfall, efforts to control and share costs have lowered the budget drawdown. For example, the partnering agreements with UN/ESCAP and the ADB for the two joint macro/PFM workshops included partner financing to cover 30+ percent of the event costs. Where choices are available, workshop venues are selected on a competitive basis, with negotiated best rates when commitments are made for multiple events over the year. Travel costs for both LTX and STX are closely controlled to the extent that limited schedules and route options exist for many (particularly remote) PFTAC countries. Lower-cost fares are usually purchased, but at a risk of a fee to change arrangements necessitated by business requirements. The savings from lower-cost more restrictive fares consistently outweigh the occasional change fee compared to the use of unrestrictive, considerably more expensive fares. Finally, the choice of STX is driven by mission and country needs, but wherever possible, experts are sourced from within or near the region, but when the most appropriate STX must travel from afar (e.g. Europe or North America), efforts are made to maximize the higher travel costs through back-to-back missions or activities.

Table 6: Phase V Member and Donor Contributions to PFTAC Funding

	Proposed Contributions for Phase V (US\$)	Contributions Received	LoU Status
Member Countries			
Fiji	\$ 687,500	\$ 250,000	✓
Cook Islands	\$ 110,000	\$ 60,000	✓
Nauru	\$ 82,500	\$ -	✓
Tokelau	\$ 11,000	\$ 11,000	✓
Vanuatu	\$ 165,000	\$ 60,000	✓
Kiribati	\$ 82,500	\$ -	✓
Tonga	\$ 110,000	\$ 30,000	✓
Samoa	\$ 165,000	\$ 165,000	✓
Tuvalu	\$ 27,500	\$ -	Pending
Niue	\$ 27,500	\$ 5,000	✓
Solomon Islands	\$ 165,000	\$ 165,000	✓
PNG	\$ 1,375,000	\$ 375,000	✓
Marshall Islands (RMI)	\$ 110,000	\$ -	Pending
Palau	\$ 110,000	\$ -	Pending
Federated States of Micronesia	\$ 110,000	\$ 40,000	✓
Timor-Leste	\$ 550,000	\$ -	Pending
Sub-Total Member:	\$ 3,888,500	\$ 1,161,000	
Donors			
ADB	\$ 800,000	\$ 800,000	✓
Korea	\$ 2,500,000	\$ 500,000	✓
New Zealand	\$ 8,500,000	\$ 4,229,820	✓
Australia	\$ 7,579,202	\$ 3,031,681	✓
EU	\$ 7,380,000	\$ -	Pending
Sub-Total Donors:	\$ 26,759,202	\$ 8,561,501	
Total	\$ 30,647,702	\$ 9,722,501	
Baseline Funding Gap ^{1/}	\$ 4,652,298	\$ 25,577,499	
Aspirational Funding Gap ^{2/}	\$ 9,052,298	\$ 29,977,499	
1/ Baseline Budget Target	\$ 35,300,000		
2/ Aspirational Budget Target	\$ 39,700,000		

35. **The PFTAC Program Document identified two Phase V funding targets;** namely an ‘aspirational’ target of \$39.7 million and a baseline budget of \$35.3 million. Both scenarios exclude a financial commitment of \$2.6 million from the IMF to cover center overheads including salaries and allowances for the coordinator and local staff and other office expenses. The PFTAC subaccount has two financing sources, around 90 percent is sought from donors and \$3.9 million from the 16 PFTAC member countries based on a mutually agreed formula linked to the size of each country’s economy. Member contributions are voluntary by instalment to match national budget schedules, or for some, paid in a single payment. When Letters of Understanding (LoU) are finalized with the four remaining members, contributions are expected from the entire membership, building on the \$1.2 million already received.

36. **With the imminently anticipated confirmation of a contribution of € 6 million from the EU, donor pledges will total \$26.8 million** (subject to exchange-rate variations). Together with \$3.9 million member-financing (if fully received), the available financing envelope is \$30.7 million.

37. **Phase V PFTAC operations through April 2022 face a financing shortfall based on current funding pledges.** Without additional donor commitments, the gap against the baseline budget is \$4.6 million, or \$9.0 million against the aspirational budget, a description that needs to be discontinued as it is only aspirational in terms of maintaining PFTAC operations and resources at their status quo level rather than a scaling-down required under the baseline scenario.

38. **From FY2017 and projected FY2018 underspending, plus carried forward Phase IV funds, the funding gap shrinks by \$3.0 million,** with a baseline gap of \$1.6 million and an ‘aspirational’ gap of \$6.0 million.⁷

C. Sectoral Achievements in FY2018

Public Financial Management (PFM)

39. **In FY2018, PFTAC completed 33 country missions (totaling 504 person days) and conducted or participated in 4 regional workshops and meetings on PFM topics.** Approximately one third of the missions, in terms of person days, were conducted by the two Suva-based PFM advisors⁸, with the remainder delivered by short-term experts (STX) and with Fiscal Affairs Department (FAD) staff in two cases.

40. **The major users of PFM TA during the year were Fiji, Solomon Islands, Vanuatu, and Kiribati. The major topics of assistance were** PEFA assessments; improving controls and developing internal audit processes; implementing IPSAS cash accounting and accounting frameworks and policies.

41. **In accordance with the six Phase V strategic PFM objectives (see Annex V), the PFM program in FY2018 focused on strengthening members’ capacity in the following areas:**

- PFM laws and institutions (RBM Objective 1);
- Budget preparation (RBM Objective 2);
- Budget execution and control (RBM Objective 3);
- Coverage and quality of fiscal reporting (RBM Objective 4);
- Integration of asset and liability management (RBM Objective 5);
- Identification, monitoring and management of fiscal risks (RBM Objective 6).

42. The PFM workplan for FY2018 at Annex V provides detailed log frame reporting of missions, outputs, outcomes, and milestones, while Annex V summarizes the country-specific TA and training delivered to achieve the objectives. The FY2018 workplan reflects: (1) the originally planned resource

⁷ The Phase V outturn for FY2017 (from November 2016 to April 2017) was \$876,179 under budget, and the projected FY18 underspend is \$1.7 million. The balance of remaining Phase IV funds was \$535,718, of which \$418,339 have been confirmed for carry forward to Phase V.

⁸ Noting PFTAC operated with one PFM adviser for the last quarter of the year with arrival of a replacement anticipated in early FY2019.

allocation and expected activity at the start of the year; (2) an updated plan at mid-year (November 2017) to reflect new and amended activities; and (3) the expected outturn through end-April 2018.

I. PFM Laws and Institutions. Assisting member countries to improve their legal frameworks and institutional capacity (through PEFA assessments and PFM improvement roadmaps) to meet their fiscal responsibilities. The overall status of progress with periodic PEFA assessments and Roadmaps is summarized in Box 2. During FY2018, the main achievements were:

- **New PEFA assessments**
 - **Kiribati and Tokelau:** PFTAC supported PEFA self-assessments in Kiribati (July 2017) and Tokelau (August 2017).
- **Updated PFM Improvement Roadmaps**
 - **Tuvalu:** Tuvalu updated its roadmap outlining PFM improvements to be undertaken over the period 2017 to 2021.
- **Accompanying Article IV Missions**
 - **Solomon Islands and Timor-Leste:** To strengthen the integration of IMF surveillance and capacity development, the PFM advisor joined the missions to ascertain how PFM reforms were progressing and to identify opportunities for further TA.

II. Budget Preparation. To assist member countries to develop more comprehensive, credible, and policy-based budgets. Progress in FY2018 included:

- **RMI:** Several budget development tools were created with assistance from the PFTAC PFM advisor that were adopted by the authorities for their 2017/18 Budget.
- **Sub-Regional Managing Fishing Revenues Workshop:** Working with the Macroeconomic advisor (and in cooperation with and financial support of the ADB), this sub-regional workshop was held in Majuro, FSM in February 2018 with participants from the **Cook Islands, FSM, Kiribati, Nauru, Palau, Papua New Guinea, Solomon Islands, RMI** and **Tokelau**.
- **Regional Budget and Planning Workshop:** A regional workshop was jointly delivered with the Macroeconomics advisor (and in cooperation with and financing from UN/ESCAP). The workshop was held in Apia, Samoa in November 2017, with a resulting guidance note developed by UN/ESCAP on improving the links between national plans and national budgets.

III. Budget execution and control. PFTAC assists countries to improve controls on commitments, payments, virements, and other internal procedures which needs to be supported by an efficient financial management information system (FMIS), and with responsive internal audit. Achievements during FY2018 included:

• **Internal Audit**

- **Fiji:** Developed an Internal Audit charter as well as an internal control risk assessment framework and audit reform strategy/roadmap which were adopted by the Authorities.
- **PNG:** Provided training to Internal Audit Unit staff focusing on risk-based auditing; designed a training module for ministry auditors; and adoption by the authorities of the internal audit reform implementation plan that was developed with PFTAC assistance.
- **Vanuatu:** Provided training on risk-based auditing, focusing on payroll and procurement and drafted an internal audit manual that was adopted by the authorities.
- **Regional Workshop on strengthening budget execution controls:** This event delivered in Nadi, Fiji in August 2017 focused on training government accountants and finance officers on important internal controls of financial assets, liabilities, revenues, and expenditures.

	PEFA Activities in the PFTAC Region					PFM Roadmap Activities		
	Most Recent External	PEFA Support	Number of PEFA's (final)	PFTAC-Guided Self-Assessment	Planned PEFA's	Most Recent Roadmap	Roadmap Development Support	Planned Roadmap Dev't
Cook Islands	2014	PFTAC	2	2013	-	2016	Self	-
FSM	2012	PFTAC	1	2016	-	In process	PFTAC	FY19
Fiji	2012	PFTAC	1	2012	-	2016	PFTAC	-
Kiribati	2009	PFTAC	2	2017	-	2011	EU	FY19
Nauru	2010	ADB	1	2016	-	Revised 2014	ADB/ PFTAC	FY19
Niue	2011	PFTAC	1	-	-	Revised 2014	PFTAC	-
Palau	-	-	0	2013	Full: FY19	-	-	FY19
PNG	2015	PFTAC/IMF-HQ	3	2014-15	-	2015	PFTAC/IMF-HQ	-
RMI	2012	PFTAC	1	2012	-	2013	PFTAC	-
Samoa	2013	PFTAC	3	2013	2018	2014	Self	-
Solomon Islands	2012	EU ^{1/}	2	2012	-	2014	PFTAC	-
Timor-Leste	2014	-	3	-	2018	-	-	-
Tokelau	-	-	0	2018	-	-	-	FY18
Tonga	2010	Australia	2	2014	-	2014	PFTAC	-
Tuvalu	2011	ADB	2	2015	-	2017	PFTAC	-
Vanuatu	2012	EU	3	2015	-	2016	PFTAC	-

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

IV. Fiscal Reporting. PFTAC assisted countries to improve the coverage and quality of fiscal reporting as follows:

- **Chart of Accounts**

- **Fiji:** Following on from work in FY2016 in developing the new Chart of Accounts, PFTAC assisted in the development of new economic classifications of revenues, expenditures, assets, and liabilities.

- **Fiscal Reporting**

- **Fiji:** Training of line ministries on in-year and annual IPSAS cash reporting that included internal management reporting. Draft regulations were developed and adopted by the authorities, and are expected to be implemented in 2018;
- **PNG:** Developed a transition strategy and a preparatory work plan to help the Government in its adoption of accrual accounting in line with IPSAS.
- **Samoa:** Training of Treasury staff on asset and liability accounting and reporting; Financial statements fully complied with IPSAS-Cash starting 2016-17; and the Accounting reform roadmap updated.
- **Solomon Islands:** Training staff on IPSAS-Cash implementation.
- **Tonga:** Provided second round of training in improving financial statements for adoption of IPSAS-Cash. The 2016-17 financial statements partially complied with IPSAS-Cash.
- **Vanuatu:** Formulated a medium-term accounting and reporting reform plan adopted by the authorities; oriented government accountants in the basic principles of financial reporting and features of IPSAS; and drafted accounting policies/regulations on revenues, expenses, financial assets and liabilities, and presenting financial statements.

V. Asset and Liability Management. PFTAC assists countries to strengthen management of financial and non-financial assets, and debt. Advances in FY2018 included:

- **Cash management**

- **Samoa:** In FY2017 PFTAC assisted in developing an improved Cash Management Policy and Manual and forecasting model which was followed up with further training in FY2018 where Cash Management Unit staff were trained and the Cash Management Committee oriented on the proposed policies.
- **Solomon Islands:** In FY2016 PFTAC assisted in updating the Cash Management Policy and manual. This led to training in FY2018 of Cash Management Unit staff on cash forecasting and IPSAS-Cash reporting.

- **Public investment and capital asset management.**

- **Kiribati:** A mission will be led by IMF Headquarters staff in April 2018 to complete a Public Investment Management Assessment (PIMA) to identify gaps in the public

investment framework and advise reforms to strengthen the overall public investment framework

- **Regional:** PFTAC has worked closely with other development partners, namely the ADB, the WB, the Secretariat for the Pacific Community (SPC) and the Pacific Regional Infrastructure Facility (PRIF) to evolve the Pacific Risk Information System (PacRIS) into an application that can assist in the update/development of asset registers and for future capital/infrastructure development requirements.

Box 3: Improving Infrastructure Planning and Implementation

Following the 2017 PFTAC/IMF High-Level Dialogue and workshop on *Building Resilience to Natural Disasters and Climate Change*, PFTAC has worked actively in a multi-disciplinary working group on sustainable infrastructure management established by PRIF.

The group is developing applications of the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI) database that will inform disaster relief management, infrastructure planning and management, and PFM in ways that can easily help countries develop an asset register or update an existing one.

The objective of this initiative is to integrate infrastructure-related reforms into a broader policy dialog between development partners and PIC governments, through budget support programs, structural reforms, and related policy initiatives.

VI. Fiscal Risks Management. PFTAC assists member countries to strengthen: (1) their fiscal oversight of public entities that fall outside the central government; (2) transparency of reporting; and (3) management of contingent liabilities.

- **Fiji:** Developed a framework for the assessment, monitoring, and reporting of fiscal risks arising from SOEs and statutory authorities; and for managing contingent liabilities. This was adopted by the authorities and is expected to be implemented in 2018.
- **Samoa:** Developed a set of risk indicators for Public Beneficial Bodies and Mutual Bodies. This was adopted by the authorities and are expected to be implemented in 2018.
- **Sub Regional Workshop on Fiscal Oversight of SOEs:** Officials from Ministries of Finance and of Public Enterprises in seven countries (Fiji, Kiribati, Marshall Islands, Papua New Guinea, Samoa, Solomon Islands, and Vanuatu) were trained at an event in Nadi, Suva in February 2018 on improving fiscal oversight of SOEs, assessing and reporting of fiscal risks and managing contingent liabilities.

VII. Regional Workshops and Seminars

- PFM advisors participated in various workshops and seminars organized by IMF Headquarters, other PFTAC sectors, regional institutions, and development partners.

Revenue Policy and Administration

43. The PFTAC Revenue Administration and Policy program is delivered by a single resident advisor (LTX) with extensive support of STX, predominantly tax administration and to a limited extent tax legislation, with the former backstopped by the Fiscal Affairs Department (FAD) and the latter by the Legal Department (LEG). The program covers a wide range of revenue administration and supportive legal issues to assist the region and our member countries towards three broad objectives:

- Strengthen revenue administration management and governance arrangements;
- Strengthen core functions evidenced by an accurate taxpayer base, taxpayer services supporting voluntary compliance, and improvements in filing, payment, and audit activities; and
- Improve tax legal frameworks.

44. In FY 2018, PFTAC carried out 32 revenue administration missions and conducted 5 regional workshops involving 482 person days, plus additional TA on related legal issues. Of these missions, 81 percent were delivered by STX (as measured in person days), with the rest conducted by the Suva-based revenue advisor. The major users of revenue administration CD were Fiji, Palau, Papua New Guinea, and Samoa. The main areas of work involved support for strengthening management and governance arrangements and core tax functions.

Box 4: PFTAC – Revenue CD Delivered in Fiscal Year 2018 (May 2017 – April 2018)	
<p>Fiji</p> <ul style="list-style-type: none"> • Strengthening Compliance Risk Management • Developing a taxpayer services strategy • Expanding self-assessment • Improving on-time filing and on-time payment of taxes • Strengthening the audit function and building a strategy to address compliance in the high-net worth individuals segment • Advising on the implementation of a new IT system <p>Federated States of Micronesia (FSM)</p> <ul style="list-style-type: none"> • Strengthening core tax functions • Training to improve the delivery of services to taxpayers <p>Kiribati</p> <ul style="list-style-type: none"> • Facilitating implementation of a new function based structure • Developing a high-level reform implementation plan • Strengthening core tax functions • Strengthening taxpayer registration <p>Niue</p> <ul style="list-style-type: none"> • Design of a new functional structure • Strengthening core tax functions 	<p>Palau</p> <ul style="list-style-type: none"> • Developing a taxpayer services strategy • A project plan to introduce policy and legal reforms <p>Papua New Guinea</p> <ul style="list-style-type: none"> • Design of a Medium-Term Revenue Strategy (MTRS) • Development of an IT strategy • Development of a new corporate strategy • Design of a Large Taxpayer Office • Establishment of a design unit • Design of a new taxpayer services department <p>Republic of the Marshal Islands (RMI)</p> <ul style="list-style-type: none"> • Strengthening core tax functions • Training to improve the delivery of services to taxpayers <p>Samoa</p> <ul style="list-style-type: none"> • Improving core tax functions <p>Solomon Islands</p> <ul style="list-style-type: none"> • Improving on-time filing and payment of taxes <p>Tonga</p> <ul style="list-style-type: none"> • Strengthening the audit function <p>Vanuatu</p> <ul style="list-style-type: none"> • Development of a reform project plan • Facilitating the implementation of a new function based structure • Strengthening core tax functions • Improving compliance risk management

45. PFTAC continues to support PICs in the modernization of their business models with emphasis on improving compliance risk management. This entails moving from an organization structure based on tax type to one arranged around core functions such as taxpayer services, audit, and enforcement rather than replicating those functions for each type of tax that is duplicative and fails to provide a ‘whole-of-taxpayer’ perspective. Despite these being relatively new concepts for the region, progress has been impressive with several countries moving to a functional model while simultaneously rolling out Compliance Improvement Strategies.

46. PICs have continued to modernize their policy and legal frameworks. Box 5 provides a summary of policy and legal reforms undertaken during the last year. Some countries that have not undertaken major tax policy reforms are currently considering doing so.

Box 5: Adoption of Modern Tax Policy and Legal Frameworks

Fiji

- Drafted legislation for the taxation of life insurance;
- Drafted amendments to the tax regime for extractive industries; and
- Reviewed stamp duties legislation.

Nauru

- Prepared consolidation of the Revenue Administration Act, Business Tax Act and Employment and Services Tax Act.

Palau

- Prepared VAT legislation, consequential amendments to the tax code, and technical notes.

Papua New Guinea

- Finalized the Tax Administration Act.

Tonga

- Drafted a modernized Revenue Services Administration Act (RSAA), regulations, and technical notes; and
- Re-write of the Consumption Tax Act.

Vanuatu

- Drafted the Income Tax Act and Tax Administration Act;
- Prepared technical notes in relation to those draft laws.

Niue

- Modernized and simplified the Income Tax Act.

Box 6: Fiji Tax Reforms

The Fiji Revenue and Customs Services (FRCS) new vision of becoming *World Class* has included strengthening our organizational structure, implementing a strong governance and accountability framework, and streamlining our core tax functions. These activities, widely supported by PFTAC, have contributed to improved overall performance, efficiencies and a better range of services to our taxpayers encouraging voluntary compliance. Our Compliance Improvement Strategy, first launched in 2016, also with PFTAC assistance, has supported FRCS’s transition to a risk driven organization now capable of better identification, assessment and mitigation of compliance risks. The creation of a Risk Assessment and Planning Team, to support the design and monitoring of the strategy, has played an integral part in identifying risks, interrogating internal and third-party information to better profile audit and investigation cases and those taxpayers that are not complying with their obligations. During the last year alone FRCS, through improved risk management processes, increased audit results by 84.1% which resulted in additional tax revenues of \$71.4m. By improving the management of tax arrears, we recovered an additional \$17.8m and improved on-time filing of tax returns from an average rate of 36% in 2015 to 45% in 2016. These achievements, overridden by a communication strategy highlighting the importance of paying taxes and a focus on those taxpayers who are not paying their fair share has sent a strong message that non-compliance will not be tolerated and dealt with accordingly.

Visvanath Das
Chief Executive Officer
Fiji Revenue and Customs Service

47. The Pacific Island Tax Administrators Association (PITAA) is playing an increasingly important role in supporting PICs in their modernization efforts. Over recent years PFTAC has worked closely with PITAA which formally became an international organization in March 2017 with the establishment of a permanent secretariat based in Suva, Fiji. PFTAC will continue to build on this close relationship with PITAA by working together towards common regional objectives, training, and capacity development initiatives geared to improve tax administration. Three joint PFTAC/PITAA training initiatives were conducted in FY2018 including a workshop in **Kiribati** where a two-day VAT audit training session was delivered, a regional audit workshop held in **Fiji**, and a taxpayer services workshop held in **FSM** that was also attended by **RMI** and **Palau**. All three workshops included presenters from PICs, leveraging expertise developed from a PFTAC train-the-trainer capacity development program.

Box 7: Pacific Island Tax Administrators Association (PITAA)

Gradually, and particularly over the last few years, PITAA has made considerable progress in providing a platform to improve tax administration across Pacific Island Countries. A major milestone was achieved in March 2017 with the establishment of a permanent secretariat based in Suva, Fiji which is staffed with three full time employees which has allowed PITAA to engage more with PICs and identify what their training and capacity building needs are.

Needless to say, PFTAC has strongly supported the development of PITAA since 2003 including the development of its strategic plan and more importantly provides support for regional workshops which during the last year alone covered important topics including dealing with VAT Fraud, improving tax audit capability, strengthening taxpayer services, a workshop for regional CEO's and Commissioners on managing modern tax administration.

PFTAC support has enabled the PITAA secretariat to firmly establish itself in the region and form strong relationships with our members who confidently communicate their training and technical assistance needs which are supported by PFTAC's technical assistance delivery plan. Without PFTAC and donor support PITAA would find it extremely challenging to respond to an increasing demand from tax administrations that are widespread across the Pacific and at different stages of development.

Koni Ravono
Head of PITAA Secretariat
 Suva
 Fiji

48. Those PICs that have shifted operations to a more compliance risk management approach are starting to reap the benefits. PFTAC, over recent years, has worked closely with several PICs in developing Compliance Improvement Strategies which focus on collecting taxes in a way that sustains confidence in the tax system but also addresses those actions of taxpayers who fail to comply with the law. Implementing these strategies, in most instances, has required PICs to restructure their operations with more emphasis on the identification, assessment, ranking, and treatment of compliance risks. The results of these activities often take time to materialize but ultimately impact on improvements in voluntary compliance levels reflected in increased tax revenues. In one PIC, revenues increased in 2017 by 8.5 percent over economic output despite reductions in tax rates. Another PIC exceeded its revenue target by 17 percent, despite being during a big tax reform initiative.

Box 8: Nauru Revenue Administration and Legal Reforms

Nauru embarked on a program of taxation reforms in 2014 as an initiative under the National Sustainable Development Strategy (2005-2025).

TA provided by PFTAC and DFAT (Australia) has assisted with the introduction of Phase 1 reforms, which included the introduction of a Revenue Administration Act and an Employment & Services Tax Act, both of which became effective in October 2014. Further TA, by PFTAC legal drafting, has seen the introduction of Phase 2 reforms, which introduced a Business Tax Act (BTA), which became effective in July 2016. The new BTA imposes a business profits tax, small business tax, non-residents tax and an international transportation business tax.

To accommodate these reforms, Nauru Revenue Office (NRO) was re-structured with the creation of a new Taxation Division. New positions were created, a recruitment exercise undertaken and staff appointed to the positions. As NRO staff have not previously had exposure to taxation, either internally or externally, they possessed a very limited skill base and have benefitted immensely from attendance at PFTAC funded training workshops on several tax administration topics.

Extensive taxpayer education exercises have been undertaken, and a comprehensive registration project has also been conducted. With the lodgment of the first business tax annual returns in September 2017, risk assessments and pre-assessment reviews have been undertaken, with a more comprehensive Compliance Program currently being developed. Further compliance initiatives will be undertaken in the very near future, commensurate with the development of the staff skill base.

The continued commitment of both government and revenue office staff has seen the successful implementation of these new taxation reforms in Nauru.

Terry Greenwood
Deputy Secretary Revenue
Ministry of Finance
Republic of Nauru

Box 9: Vanuatu Revenue Administration and Legal Reforms

In March 2016, the Vanuatu Government promulgated a decision to review Vanuatu's revenue policy and administration – the review covered Vanuatu's tax policy and legal framework, and how improvements to the Department of Customs and Inland Revenue's (DCIR) structure, organization, and technology could contribute to improving voluntary compliance.

To facilitate the implementation of a Government decision to implement reforms DCIR set up a project management framework consisting of a Governance Group and Reforms Project Team. The Governance Group oversees the broad implementation of reforms whilst the Reforms Project Team delivers implementation across 10 key project objectives. These include strengthening headquarters including the creation of a new design unit, migrating to a function based structure, upgrading the current IT system, upgrading accommodation and, delivering on several training initiatives to strengthen core tax functions.

Numerous PFTAC missions have worked closely with DCIR facilitating the drafting of new laws and regulations, a new corporate strategy, a compliance improvement strategy and improving core tax functions which we believe has contributed to the DCIR substantially exceeding revenue targets in 2017.

Benjamin Malas
Director
Department of Customs and Inland Revenue
Vanuatu

49. PFTAC has funded numerous training programs and conferences and facilitated regional knowledge sharing. Box 10 below provides an overview of PFTAC, PITAA, and Oceania Customs Organization (OCO) regional training activities conducted in FY2018.

Box 10: PFTAC Regional Revenue Administration Training Activities in FY 2018

- **Combatting VAT fraud.** This workshop held in Nadi, Fiji in August 2017 (a combined initiative between PFTAC, the OCO, and PITAA) provided an overview of VAT fraud schemes, ways to combat them and highlighted the benefits of tax and customs administrations working together to identify and treat VAT risks.
- **Senior Managers Workshop – Managing Modern Tax Administration.** This 3-day workshop held in Apia, Samoa in September 2017 provided an opportunity for CEOs and senior managers to break away and participate in discussions around managing modern tax administration and creating a climate for change.
- **Improving taxpayer services.** A three-day workshop held in Pohnpei, FSM in November 2017 provided training to taxpayer services staff from the FSM, RMI and Palau.
- **Audit – interpretation and analysis of corporate financial statements.** This training event held in Nadi, Fiji in July 2017 strengthened audit skills and enhanced audit standards essential to deal with more complex corporate audit cases. The initiative incorporated a train-the-trainer program to support capacity building under the umbrella of PITAA.
- **International Survey on Revenue Administration (ISORA).** The purpose of the seminar planned for April 2018 in Nadi, Suva is to discuss the importance of performance management in enabling tax administrations to be effective and efficient. It will focus on the role of the ISORA in enhancing the effectiveness of performance measurement through providing revenue administration management with relevant information for control and decision making.
- **Study tour to Fiji.** This initiative will assist those PICs that have introduced concepts of risk management to gain a broader understanding of its practical application and how the Fiji Revenue and Customs Service (FRCS) over the last few years has developed its framework for the application of modern compliance risk management principles.
- **2017 PITAA Annual Heads meeting.** This 3-day conference “Institutional Strengthening of Tax Administration” held in Apia, Samoa in September 2017 included subjects ranging from improving tax compliance, effect of Digitalization and artificial intelligence on tax administration, domestic revenue mobilization, and improving tax administration in fragile states. This was the first PITAA meeting represented by a secretariat which presented PITAA’s Strategic Plan for the next five years.
- **Working group to design VAT audit methods.** PFTAC was requested by member countries to help improve VAT audit capability by designing a new range of audit methods. This product once complete has the potential to improve risk analysis and quality of audits performed.

50. An IMF FAD mission reviewed tax policy and administration reforms in Pacific Island countries which included visits to Fiji, Kiribati, Samoa, Solomon Islands, and Tonga during February 2017. The last FAD strategic review of tax policy and administration in the Pacific was carried out in 2008 - this mission provided interesting insights regarding the impact of reform over the past eight years, lessons learned and identified possible areas for future reforms. The study also provides guidance, for donors and TA providers, on focus areas for future technical assistance. Box 6 below provides more insights into the Study.

51. PFTAC supports a fundamentally new approach to strengthen member country revenue raising capacity through the development and implementation of a Medium-Term Revenue Strategy (MTRS). Under an MTRS a carefully sequenced overhaul of the tax system and its three core components – tax policy,

administration and legal framework – will be needed. Box 12 below provides an overview of the MTRS concept and its importance in supporting modernization efforts.

Box 11: Pacific Island Countries: Review of Tax Reforms in Selected Countries – Lessons for Future Revenue Mobilization

The 2017 study showed that tax reforms have had a positive impact when assessed against the key measures of a good tax system: revenue, equity, efficiency, and simplicity. Average tax revenues for PICs, as a share of GDP, have increased, albeit at a slower pace. However, for some countries the reforms have had a significant impact on reversing declining revenue trends. The focus on indirect tax reforms has led to a clear change in the tax mix, with a greater share of revenue from indirect tax, declining revenue from trade taxes, and a small rise in income taxes. Furthermore, the study showed that tax administration efficiency is improving, but that there is scope for significantly further improvement.

Several factors contributed to successful reforms which included strong political will and leadership, strong leadership and management in key government institutions, especially the tax administration and the existence of a tax policy reform unit to guide reforms.

Taxpayer compliance with core obligations (registration, filing and audit) remains low. A key concern identified is that PIC tax administrations do not appear to have enough critical mass to carry out their mandate and even less to invest in future planning with staff to populations comparisons being low compared to for example the Caribbean Islands.

The PFTAC revenue reform strategy 2017-22 is consistent with the findings from this review and will include an additional recommendation to strengthen PIC headquarters functions as part of the assistance on governance and management.

**Box 12: Concept of a Medium-Term Revenue Strategy (MTRS)
What is an MTRS?**

An MTRS is a high-level road map of the tax system reform over the coming 4-6 years—covering policy, administration, and legal components. It embodies a government strategy to mobilize resources through the tax system to finance spending needs and secure macroeconomic sustainability, while reflecting distributional considerations and creating appropriate incentives for economic and social development.

An MTRS should be a public document, since wide consultation with the tax system's stakeholders is desirable in its development, including to promote accountability of all concerned. An MTRS thus becomes a government-led and country-owned effort, supported at the highest political level—critical, given the broad reach of the tax system.

Some countries may wish to have external support with development and implementation of their MTRS. The formation and implementation of the MTRS will then require support from development partners that is aligned and subordinated (notably in sequencing) to the government-led strategy.

52. PFTAC continues to promote PIC participation in the International Survey on Revenue Administration (ISORA). ISORA is a partnership between the IMF and the Inter-American Center of Tax Administration (CIAT), the Intra-European Organization of Tax Administrations (IOTA), and the Organization for Economic Co-operation and Development (OECD). The first survey, launched in 2016, was completed by 135 tax administrations, and the survey data is now accessible for participating jurisdictions on a secured online database. An agreement with the World Customs Organization (WCO) on a joint customs survey, to be known as the International Survey on Customs Administration (ISOCA), is close to being finalized. Participation in ISORA/ISOCA assists member administrations in evaluating their operations by providing key performance indicators, assists in the improvement of member administrations' performance management systems, permitting benchmarking with other countries and group of countries, and provides a set of both quantitative and qualitative revenue administration information to improve advice (technical

assistance) and analysis. A PFTAC seminar planned for April 2018 will focus on the role of ISORA/ISOCA in enhancing the effectiveness of performance measurement through providing revenue administration management with relevant information for control and decision making.

53. PFTAC’s Train-the-Trainer program has resulted in PIC trainers making important contributions in the delivery of regional workshops. PIC staff played a significant role in co-presenting materials with PFTAC experts in two regional training initiatives, *Auditing Through Financial Statements* and a *Taxpayer Services Workshop*. These staff showed excellent insights into subject matter and exceeded expectations having reached a competency level to independently conduct workshops.

Box 13: PITAA/PFTAC REGIONAL WORKSHOP ON TAXPAYER SERVICES
Federated States of Micronesia
November 6 – 8, 2017

The Pohnpei workshop was the second that I had co-facilitated. As opposed to the first two taxpayer service workshops (both held in Fiji that included all Pacific Island countries), the Pohnpei workshop was different in that it was a first for the participant countries to have a local South Pacific co-facilitator, and the participants were limited only to PFTAC’s northern countries (Palau, Federated States of Micronesia and the Republic of the Marshall Islands). These factors in my opinion set an excellent atmosphere for the workshop and contributed highly to its success. Not only did the participants learn about taxpayer services, but I as a co-facilitator had a few things to learn about the workshop itself and what my contribution meant for these tax administrations. In terms of the content of the workshop, I found that the materials developed and used in the first two workshops had to be simplified to include practical and relatable learning experiences of neighbouring countries. I also learnt that what we think are simple processes are not so simple in these countries such as processes for registration and the payment of tax. In terms of my involvement in the workshop, there was a sentimental atmosphere with the participants appreciating having a fellow co-facilitator (in the sense that I am a fellow Pacific Islander) for sharing experiences and saying simply that they can do it as well. Even though there’s much to be done in these countries, it is encouraging to them to know that we Pacific islanders can take ownership of our own tax administrations’ developments and can assist each other in achieving higher levels of performance.

Teisa Cokanasiga
Senior Assistant Deputy CEO
Ministry of Revenue and Customs
Tonga

54. Demand for revenue policy and administration TA has exceeded the ability and resources of PFTAC to deliver. Pressures are building for even more TA given the anticipated impact of the Pacer Plus trade agreement for some PICs to find new revenue sources to offset declining trade tax revenues, as well as the wider revenue mobilization priorities arising from the international Financing for Development agenda. To this end, a possible scaling-up of the PFTAC revenue program is being explored with donors for the remaining four years of Phase V. Notwithstanding good progress and results in recent years noted in the recent FAD/PFTAC review of Pacific revenue reforms, there is a large unfinished agenda in many PICs, particularly across core tax administration topics, as well as select issues in tax policy and legislation that a larger PFTAC revenue program would help address.

Financial Sector Supervision (FSS)

55. In FY2018, 12 FSS missions were completed in 7 member countries and 2 workshops were delivered, one sub-regional and another for the entire PFTAC membership. The resident advisor led 10

of the missions, either alone or with a short-term expert (STX), with the remainder delivered exclusively by STX, with 255 days of TA delivered, of which two thirds (167 days) were undertaken by STX. The FSS program works towards achievement of three targeted outcomes in member countries under two key strategic objectives, namely: (1) developing/strengthening banking regulations and prudential norms; and (2) implementing risk based supervision (RBS) systems and upgrading supervisory processes. The major recipients of TA during FY2018 were the **Cook Islands, Papua New Guinea, and Vanuatu**.

Supervision Framework Enhancement

56. In early 2017 PFTAC initiated a medium term strategic approach to assist PFTAC member countries enhance the structure and operational effectiveness of their FSS frameworks. Initial diagnostic missions and the establishment of enhancement strategies and TA plans have been completed for the **Cook Islands, Vanuatu, Papua New Guinea** and the **Solomon Islands**. To establish medium term supervision framework enhancement strategies and TA plans with member countries, PFTAC and the member countries’ supervisory authorities - Financial Supervisory Commission of Cook Islands, Reserve Bank of Vanuatu, Bank of Papua New Guinea, Central Bank of Solomon Islands – assessed the structure and operation of their supervision frameworks, in relation to the size and complexity of the respective financial sectors, and against international supervision standards and practices.

Box 14: PFTAC – Financial Sector Supervision CD Delivered in Fiscal Year 2018 (May 2017 – April 2018)	
<p>Cook Islands</p> <ul style="list-style-type: none"> Supervision Framework Enhancement – review and drafting of prudential standards Supervision Framework Enhancement – on-site examination capacity building Supervision Framework Enhancement – prudential reporting <p>Papua New Guinea</p> <ul style="list-style-type: none"> Supervision Framework Enhancement – diagnostic and program establishment Supervision Framework Enhancement – risk rating and supervisory action planning Supervision Framework Enhancement – on-site examination capacity building <p>Kiribati</p> <ul style="list-style-type: none"> Credit union supervision 	<p>Vanuatu</p> <ul style="list-style-type: none"> Supervision Framework Enhancement – diagnostic and program establishment Credit union regulatory reform <p>Solomon Islands</p> <ul style="list-style-type: none"> Supervision Framework Enhancement – diagnostic and program establishment <p>Republic of the Marshal Islands (RMI)</p> <ul style="list-style-type: none"> On-site examination capacity building <p>Tuvalu</p> <ul style="list-style-type: none"> Supervision framework development – establishment of proposal for supervision expert and supervision development plan

57. The framework assessment focused on four key components of risk-based supervision frameworks:

- Regulation (legislation, prudential standards, licensing);
- Risk identification and assessment (off-site and on-site supervision processes);
- Risk-rating models; and

- Supervisory action planning.

58. The aim of the framework assessment was to:

- Identify structural weaknesses and gaps in regulatory/supervisory infrastructure, e.g. are there prudential standards covering all key risk areas; an operating risk rating model; a supervisory action planning processes;
- Assess quality (identify deficiencies) of the infrastructure, e.g. prudential standards not providing sufficient guidance to banks on minimum expectations; risk rating model does not produce a net risk rating by key risk area or does not have a sufficiently detailed rating characteristic framework/guidance; supervisory action planning is focused on supervisory activities, rather than risk-based supervisory action;
- Assess ability of supervisory staff to implement framework (skills and experience - training and capacity needs); and
- Assess efficiency and effectiveness of the operation of the framework, i.e. does a changed risk rating lead to a reassessment of supervisory action; is financial analysis incorporated into an overall risk assessment of institution.

59. **Based on the assessment, PFTAC and each authority developed a supervision framework enhancement strategy and established a TA plan to assist in delivery of the strategy.** The strategies and TA plans focused on banking supervision, with the enhancement of supervision frameworks of other sectors (primarily insurance, pension and credit union) to be based on the banking supervision work, and applied across industries where appropriate.

60. **Following the diagnostic and planning work, PFTAC and member countries have been implementing enhancements across four key areas:**

I. Banking prudential standards

A key component of an effective prudential supervision framework is a comprehensive suite of prudential standards. Prudential standards provide guidance to the industry on the supervisor's minimum requirements in governance and risk management. They also provide supervisors with the basis for taking proactive supervisory action. Work has commenced on ensuring appropriate coverage and depth of prudential standards, covering governance, overall risk management, liquidity risk, business continuity planning and outsourcing.

II. Risk rating models

A formal risk rating model provides supervisors with a tool to identify the relative risk levels of its supervised institutions, and the relative risk level of the different risks within each supervised institution. This in turn facilitates effective assignment of supervisory resources and actions, based on the level of risk. Risk rating models are a fundamental component of risk-based supervision (RBS) frameworks. Work has commenced on developing risk rating models under the program.

III. In-depth financial analysis (entity specific and industry wide)

The analysis of a comprehensive suite of financial data, to identify key risks to supervised institutions' financial soundness, is vital to the effective supervision of financial institutions. The comprehensive suite of financial data should be analyzed on an entity specific and industry basis; and should be assessed for the soundness of the institutions' current position and the risk to that position, i.e. a compliance assessment and a risk assessment. The countries generally have standard analysis reports covering capital, asset quality, management, earnings, liquidity and market risk. Follow-up work will focus on undertaking in-depth financial risk analysis to identify emerging risks.

IV. Lack of risk-focused supervisory action planning process

One of the key outcomes of a risk-based approach to supervision is to assign supervisory resources to the riskiest institutions, and to the riskiest areas of institutions operations, based on a supervisor's risk identification and assessment work. As such, having a supervisory action planning process that focuses on the key identified risks, and assigns mitigating supervisory action to the identified risk, facilitates the efficient working of the model.

A risk-based supervisory action plan (RSAP) is a tool that is used to record and prioritize key supervisory actions in response to the identified key risks facing a supervised institution. A RSAP highlights the key risks as a starting point, and then facilitates the planning of, and records, the supervisory actions specifically for these risks. These are specified as risk-based activities, which are in addition to the standard risk identification and assessment activities. The RSAP tool helps focus supervisory attention on the key risks facing supervised institutions as supervisors are required to identify the key risks for the RSAP process, and as such it facilitates focus on identifying key risks when undertaking risk identification and assessment processes. Work has commenced on developing RSAP processes under the program.

Banking Regulatory Reform

61. In late 2016 the **Republic of Marshall Islands** Banking Commission, the **Federated States of Micronesia** Banking Board and the **Financial Institutions Commission of Palau**, requested TA in enhancing their banking legislation and prudential standards frameworks. To commence this enhancement program PFTAC and IMF Legal Department conducted a Regional Workshop for these authorities in Guam, in July 2017. The workshop provided information to participants on international good practice on banking legislation and prudential standards (content and structure); facilitated a self-assessment of current legislation and standards against international standards; and established a proposed regulatory reform strategy and technical assistance plan for each jurisdiction. Representatives from the **Kiribati** Attorney General's Office and the Kiribati Ministry of Finance & Economic Development also attended, to learn about banking regulatory frameworks. The regulatory reform program will continue in in FY2019, with the first follow-up missions to assist in drafting prudential standards and revised legislation, to be held in May and July 2018.

Box 15: Association of Financial Supervisors of Pacific Countries (AFSPC)

The AFSPC Annual Meeting in Rarotonga, Cook Islands in August 2017 and was attended by representatives from the **Cook Islands**, the **Federated States of Micronesia**, **Fiji**, **Marshall Islands**, **Palau**, **Papua New Guinea**, **Samoa**, **Solomon Islands**, **Timor-Leste**, **Tonga**, **Vanuatu**, the World Bank, the Australian Prudential Regulatory Authority, and the Reserve Bank of New Zealand.

AFSPC members and observers exchanged views on financial sector issues across the region and discussed key emerging risks. In addition to facilitating the annual meeting, PFTAC conducted a two-day workshop on Financial Institution Resolution (with resources from the Monetary and Capital Markets Department) and a one-day workshop on Fintech and FSS.

As an outcome of the meeting, PFTAC, acting as the AFSPC Secretariat, undertook to initiate and co-ordinate TA in three key areas of FSS:

1. **Information Technology (IT) Risk Assessment and Examination TA Program.** Several AFSPC member authorities highlighted concerns about increased IT risk and insufficient skills and experience of supervisors to assess those risks. It was accordingly agreed that AFSPC members would benefit from a structured approach of assistance to develop the necessary assessment and examination skills to effectively supervise IT risk.
2. **On-line prudential reporting development program.** The accurate and timely submission of a comprehensive suite of financial data is vital to the effective off-site supervision of financial institutions. Currently most AFSPC members rely on Excel based submissions from supervised institutions with the timeliness and accuracy of such submissions being an ongoing supervisory issue and concern. As such, it was agreed that AFSPC members' supervision effectiveness would benefit from the development of on-line prudential reporting systems for the submission of prudential information. An effective and efficient on-line prudential reporting system would also provide regulatory compliance efficiency benefits for supervised institutions. Therefore, it was agreed to form a Working Group of AFSPC Members to investigate possible Fintech/Regtech solutions.
3. **AML/CFT training and capacity building program.** AFSPC members are concerned about risks associated with Anti Money-Laundering (AML) and Combating the Financing of Terrorism (CFT). While not all AFSPC member institutions have direct AML/CFT supervision responsibility, the risk is relevant to all AFSPC members from a prudential supervision perspective. Several members have undergone recent Mutual Evaluations by the Asia Pacific Group on Money Laundering (APG). The APG and development partners provide some training and assistance to members in building capacity on supervision of AML/CFT risk. However, members agreed, given the significant risk posed by AML/CFT to member countries' financial sectors, additional assistance and a coordinated program of TA would be beneficial.

IT Risk Assessment

62. PFTAC member countries have benefited from CD activities in the areas of on-site examination of credit risk, operational risk and liquidity risk for many years. One area that has not received much attention in the past is the assessment of IT risk. IT risk assessment is an ever growing and changing area, and an increasing risk for financial institutions and financial sector supervisors. In February 2018 PFTAC followed up the IT risk assessment training it undertook in **Papua New Guinea**, with direct assistance in undertaking an IT risk on-site examination, to assist Bank PNG embed the CD on IT risk assessment that they have been championing throughout 2017. This type of TA will be rolled out to other PFTAC members following the proposed IT Risk Assessment workshop in FY2019.

Macroeconomic Statistics

63. In FY2018, PFTAC carried out 29 missions (totaling 452 person days) and conducted or participated in 4 regional workshops in the area of macroeconomic statistics, focusing on the national accounts, government finance statistics (GFS) with limited support on external sector statistics (ESS).

Resident advisors based in Suva carried out 69 percent (20 of 29 missions) of the bilateral missions (51 percent in terms of mission days). The primary areas in which TA was provided included increasing staff capacity (RBM outcome 1.3); data are compiled using latest concepts and definitions (RBM outcome 1.4); data sources are adequate for compilation of macroeconomic statistics (RBM outcome 1.10); and compilation of higher frequency data (RBM outcome 1.12). The major recipients of bilateral TA were the [Cook Islands](#), [FSM](#), [RMI](#), and [Solomon Islands](#).

Real Sector Statistics (RSS)

64. In FY2018, PFTAC carried out 17 national accounts missions and 2 ESS missions, totaling 289 person days. PFTAC's resident RSS advisor conducted 11 national accounts missions, with the remaining 8 national accounts and ESS missions conducted by short-term experts. PFTAC only has very limited funding for ESS work, but regional TA received a welcome boost in mid-2017 when the IMF's TA Office for Laos and Myanmar (TAOLAM) secured additional funding to cover ESS missions to [Nauru](#); [Papua New Guinea](#); [Samoa](#); [Timor-Leste](#); and [Tonga](#). ESS progress in these countries will now be reported by TAOLAM. Two multisector sub-regional workshops were also conducted linking GDP compilation and macroeconomic forecasting, with participants invited from [Cook Islands](#), [Fiji](#), [FSM](#), [Marshall Islands](#), [Nauru](#), [Niue](#), [Palau](#), [Samoa](#), [Timor-Leste](#), [Tokelau](#) and [Tuvalu](#).

65. Technical work continued to be guided respectively by the principles of the 2008 System of National Accounts (2008 SNA) and for ESS work, the Balance of Payments Manual, 6th edition (BPM6). The main themes for real sector statistics in FY2018 were:

- Providing general and targeted training to local staff to build compilation capacities, via in-country missions and two multisector GDP compilation and forecasting workshops covering **all countries**.
- Planning and/or conducting work to rebase constant price GDP, including using censuses and household income and expenditure surveys (HIES) to derive new annual benchmarks, in [Cook Islands](#), [Nauru](#), [Samoa](#), [Solomon Islands](#), [Tonga](#), [Tuvalu](#) and [Vanuatu](#);
- Developing more accurate approaches to GDP deflation through the better use of existing data and updates to methodologies in [Fiji](#), [Nauru](#), [Papua New Guinea](#) and [Samoa](#);
- For ESS, developing compilation frameworks for the balance of payments and international investment positions in [Cook Islands](#), [FSM](#), and [Solomon Islands](#);
- Creating complementary, additional measures of GDP, either on a different conceptual basis or at a higher frequency, in [Fiji](#) and [Kiribati](#);
- Improving the use of tax and other administrative data to supplement or replace business surveys in the compilation of gross domestic product (GDP) in almost all countries;
- Improving the information available to data users and compilers, through the publication of more timely results; metadata; and good quality internal business process documentation, variously covering [Cook Islands](#), [Marshall Islands](#), [Nauru](#), [Niue](#), [Palau](#) and [Tuvalu](#).

66. In-country TA and regional workshops focused on updating compilation methods; making better use of source data; expanding technical and organizational skills; and improving the range, depth, and timeliness of dissemination:

- **Cook Islands:** An ESS mission collected additional information on primary income flows in support of a robust measure of Gross National Income (GNI) and refined methods more closely in line with *BPM6*. A subsequent multisector mission focused on GDP benchmarking and rebasing tasks for the proposed new base year of 2012, plus provided associated training; it also reviewed local progress on outstanding ESS issues and suggested further data/methods refinements.
- **Federated States of Micronesia:** national accounts compilers were guided through GDP compilation procedures, including the use of administrative data on social security, employment, and taxation; and the interpretation of company financial statements.
- **Fiji:** Two national accounts missions advanced work to measures GDP by production on a quarterly basis. Tasks included harmonizing formulae used to generate current and constant price series; reviewing local efforts to resolve source deficiencies; and updating development plans.
- **Kiribati:** A national accounts mission assisted in compiling 2016 estimates of GDP by production (GDPP) and further developed government estimates within a proposed new measure of annual GDP by expenditure (GDPE). Initial internal GDPE estimates were compiled but further work is needed to reduce the annual discrepancies with GDPP.
- **Marshall Islands and Palau:** a joint mission for GDP compilers from both countries was conducted in Palau. Staff were given step-by-step training in their very similar compilation processes and independently produced dummy-run estimates. Several process simplifications were identified.
- **Nauru:** Supplementation was provided on the national accounts to compile annual estimates of GDP by production up to 2016-17. Alongside incremental methods refinements, a review of the residency of a key state-owned enterprise improved the consistency between GDP and ESS.
- **Niue:** supplementation was provided on the national accounts to compile annual estimates of GDP by production up to 2016. Further functional training was provided to local part-time compilation staff and business process documentation was updated.
- **Papua New Guinea:** alongside advisors from the Australian Bureau of Statistics (ABS), two national accounts missions focused on enhancing the use of tax data to estimate private sector production within GDP, as well as refining approaches to deflation. Guidance on organizational approaches was provided, supported by a new medium-term work plan.
- **Samoa:** a national accounts mission further developed rebased estimates of informal sector production based on the 2013-14 HIES and worked with the central bank to improve estimates of financial intermediation services. Rebased GDP estimates are expected for release in early April.

- **Solomon Islands:** revised draft, rebased estimates of GDP by production and expenditure were reviewed and finalized. The mission worked with local compilers on publication tasks and revised work plans.
- **Tuvalu:** a national accounts mission provided supplementation to produce new GDP estimates for 2016, as well as providing further compilation training to local staff. Progress was made in developing plans for a GDP rebase.
- **Vanuatu:** Annual estimates of GDP by production were retrospectively adjusted to account for the impact of Tropical Cyclone Pam in 2015 and models for agriculture and parts of construction activity were significantly updated. A revised work plan was set out, including targets for rebasing GDP and the consumer price index.

67. PFTAC also contributed to bilateral and multilateral coordination of regional statistics. PFTAC's RSS and GFS advisors participated in regional statistical coordination through participation at the Secretariat of the Pacific Community's (SPC) 5th Regional Conference for the Heads of Planning and Statistics in Nouméa (see box 10); PFTAC also continued to promote the new Pacific Economic Statistics TA Coordination group (PESTAC) that it established in FY2017. The group is open to all TA providers operating in the region and rests on members providing updates on the country activities through a shared, online calendar. Further impetus is now needed to foster benefits from regular interactions between experts whose work geographically and technically overlaps.

Government Finance Statistics (GFS)

68. The GFS CD program gained momentum in FY2018 with the appointment of a PFTAC GFS resident adviser in March 2017. In FY2018, 10 GFS TA missions (totaling 163 person days) were delivered: 113 days by the PFTAC GFS resident adviser, and 50 days by IMF short-term experts. The program also delivered two training programs: a regional workshop conducted in August 2017 in Fiji attended by 13 member countries, and a sub-regional multi-sector workshop for the 3 northern Pacific member countries in April 2018 in Micronesia.

69. The main themes in FY 2018 for the GFS capacity development program were:

- Coding and mapping of the national chart of accounts (CoA) to the classifications according to the *Government Finance Statistics Manual 2014 (GFSM 2014)*, synchronizing with the CoA reforms underway in the **Cook Islands, Fiji** and **Tonga**;
- Compilation and dissemination of GFS for the budgetary central government (BCG) for decision making and IMF surveillance as well as for reporting to IMF's *Government Finance Statistics Yearbook (GFSY)*, resulting in an increase in the number of reporters from eight (FY2017) to 11 (FY2018) PFTAC member countries;
- Expanding coverage to the general government (GG), with progress in data preparation in **Fiji, Samoa, Solomon Islands** and **Vanuatu**. Overall progress and improvements were made by **Papua New Guinea** by introducing the *GFSM 2014* framework in its national budget volumes I and II; and
- Compilation of public sector debt statistics (PSDS), with the processes having started in **Fiji, Samoa, Solomon Islands** and **Vanuatu**.

70. In-country TA and regional workshops focused on improving the collection and use of source data to compile and disseminate timely and accurate GFS with wider coverage.

- **Cook Islands:** The Ministry of Finance and Economic Management’s quarterly financial reports were reviewed to ensure suitability for producing high frequency GFS as well as timely annual statistics in the absence of audited financial statements. Recommendations were made on the development of a new CoA incorporating the *GFSM 2014* classifications which would enable and enhance financial and economic reporting.
- **Fiji:** Expanding coverage to the GG and providing support in reconciling data for GG consolidation was the primary focus of assistance. Development of a PSDS time series was initiated. Recommendations were made for improving and automating the Bureau of Statistics business survey for compiling and disseminating timely GFS. Fiji resumed the compilation of GFS for BCG and reported data for FY2014-15 to the IMF’s *GFSY*.
- **Kiribati:** Revisions and reclassification of institutional sectors and GFS data were made. The GFS compilation processes were streamlined to accommodate revisions and reclassifications of institutional coverage.
- **Marshall Islands, Micronesia, and Palau:** Remote assistance enabled the compilers to report GFS for budgetary central and state governments to the *GFSY*. Marshall Islands received continued support in the compilation and dissemination of quarterly GFS for BCG.
- **Nauru:** The first GFS TA mission was delivered since Nauru became an IMF member in April 2016. It assisted in delineating the public sector, developing the bridge table of the national CoA to GFS table, compiling GFS data time series, and preparing a budget summary statement in the GFS format to be introduced in the FY2019 national budget.
- **Papua New Guinea:** Improvements to the GFS budget summary tables for the 2018 national budget volume I were made and GFS classifications were introduced to the national budget volume II, revenue and expenditure for national government departments. Hands on training assisted in the compilation of annual GFS for BCG and allowed the authorities to report BCG data for FY2014-16 to the IMF’s *GFSY* for the first time. Processes to compile and report data on governments’ accounts receivables and payables were initiated.
- **Samoa:** Reviewing and reclassifying data for the BCG supported the progress toward GG consolidation. The classification of intergovernmental grants between the various levels of government were updated to align receipts and payments for consolidation purposes. Samoa compiled GFS for GG, FY2011-16. Development of a PSDS time series commenced.
- **Solomon Islands:** Expanding coverage to the GG and providing support in reconciling data for GG consolidation were the primary focus of TA. Development of a PSDS time series commenced.
- **Timor-Leste:** Reviewing, updating and aligning the mapping of the national CoA to the GFS in the transparency reporting portal and the government financial reporting systems were completed. Revisions of transactions recorded in the financial balance sheet were made with the aim of reducing statistical discrepancies. Recommendations were provided for resuming GFS high frequency compilation and dissemination.

Box 16: Heads of Planning and Statistics (HOPS) – Fifth Regional Conference – November 2017

PFTAC participated in the Secretariat of the Pacific Community (SPC) Fifth Regional Conference of Heads of Planning and Statistics (HOPS) in Noumea, New Caledonia. *The conference focused on the progress of members and development partners under Phase II of the SPC's Ten-Year Pacific Statistics Strategy (TYPSS) and sought to clarify roles and objectives under the final Phase III. A key outcome was that the SPC will continue to lead on socio-demographic statistics and regional dissemination support, while PFTAC will continue to lead on regional economic statistics for its membership, whilst recognizing the limits of its influence on other partners' regional objectives.*

The SPC supports the social, economic, and environmental development of 26 Pacific member countries and territories, covering all PFTAC member countries except Timor-Leste. The HOPS conference is held every 2-3 years and is attended by statistical heads from SPC members and regional development partners.⁹

The meeting centered on a review of progress during Phase II of the TYPSS and plans for Phase III, which will be heavily influenced by work on Sustainable Development Goal (SDG) indicators.

The SPC proposed **three new initiatives** to clarify and enhance statistical developments going forward:

- The SPC's proposal for a **Regional Statistics Governance Framework (RSGF)** was agreed by HOPS members. The RSGF is designed to more clearly coordinate different agencies roles in developing statistics in line with national and regional objectives, from specific technical issues right up to the senior political level. It will comprise five distinct groups (i) a Ministerial meeting; (ii) the Heads of Pacific Statistics meeting (HOPS); (iii) a Pacific Statistics Standing Committee (PSSC); (iv) a Development Partners Group (DPG); and (v) a Pacific Statistics Methods Board (PSMB).
- The SPC's proposal for a **Pacific Statistics Methods Board (PSMB)** was agreed by HOPS members. This will focus on socio-demographic collections rather than all statistics.
- The SPC's proposal for a **Regional Data Dissemination Strategy** was agreed by HOPS members. The strategy is intended to address weak national dissemination by making the SPC a regional data hub. It has four components: (i) dissemination coordination, (ii) regional data dissemination, (iii) a regional data repository, and (iv) data acquisition governance. PFTAC supports any mechanism which aims to make more data available and in a timelier manner. However, it sees as essential the need for NSOs to first publish core economic releases themselves and will continue to push for this to be formalized in the final strategy, which will be developed in further consultation with development partners in time for the 2018 Finance and Economics Ministers' Meeting (FEMM).

PFTAC is broadly supportive of the proposed initiatives and will continue to engage and coordinate with the SPC to meet its objectives on capacity-building and surveillance.

¹ Including PFTAC, the Australian Bureau of Statistics (ABS) and Department of Foreign Affairs and Trade (DFAT); Statistics New Zealand (SNZ) and the New Zealand Ministry of Foreign Affairs and Trade; the World Bank; and various UN agencies.

- **Tonga:** Delineating the public sector and ensuring that all GG agencies, transactions, and stocks were covered for GFS compilation. Bridge tables from national source data to the GFS classifications were constructed to automate the GFS compilation from the financial management system. Tonga, reported GFS for BCG for FY2012-16 to the *GFSY* for the first time.
- **Tuvalu:** Reviewing and updating institutional unit sectorization and updating the mapping of the national CoA to the *GFSM 2014* classifications were the key achievements. Transactions between BCG, public sector entities, trust fund accounts and the development funds were examined to ensure correct classifications and reduce statistical discrepancies. GFS time series for BCG (FY2014-16) were compiled for policy making and IMF surveillance.
- **Vanuatu:** A review and reconciliation of interagency GFS compilation were conducted to compile GFS for policy making and dissemination. TA continued to expand coverage to the rest of the GG sector. Vanuatu resumed reporting of annual GFS for BCG to the *GFSY* and submitted FY2012-16.

Macroeconomic Analysis and Forecasting

71. The principal objective of this program is to improve macroeconomic policy advice to governments and central banks. The work program seeks to achieve four main outcomes: (i) Timely, high quality macroeconomic monitoring, analysis and research available for policymaking; (ii) ready public access to key monetary, fiscal and financial soundness information; (iii) sound medium-term macroeconomic programming framework; and (iv) strong institutional structures for macroeconomic policymaking. To achieve these outcomes PFTAC activities focus on assisting members to develop quantitative tools for use in policy analysis, forecasting, debt sustainability and external vulnerability analysis; strengthening inter-agency coordination; and sharing experience, knowledge and expertise among policy analysts and advisors across the region.

- In **macroeconomic programming and analysis**, CD is enhancing medium-term, evidence-based analysis for policy making to promote macroeconomic resilience and sustainability:
 - Ten of PFTAC's 16 members, **Cook Islands, Fiji, Palau, PNG, RMI, Samoa, Solomon Islands, Tonga, Tuvalu,** and **Vanuatu** now have a macroeconomic programming framework that is used in policy analysis;
 - PFTAC is continuing to assist members to enhance medium-term fiscal planning by improving expenditure and revenue forecasting.

Macroeconomic Programming and Analysis

72. In FY2018, PFTAC carried out 13 missions, involving 137 person days, and facilitated four multi-topic regional workshops and attachments from Samoa to Fiji in the area of macroeconomic analysis and forecasting. All missions were undertaken by the Suva-based Macroeconomics advisor, and workshops were facilitated in collaboration with the PFTAC GFS, PFM, and RSS advisors, the ADB, and UNESCAP. The principal users of bilateral TA in macroeconomic analysis and forecasting were **Palau, PNG, RMI,** and **Samoa**. The main areas of activity involved assisting with macroeconomic monitoring, analysis and research available for policymaking (RBM outcome 1.1); developing medium-term macroeconomic

programming frameworks (RBM outcome 1.2); and building institutional structures for macroeconomic policymaking (RBM outcome 1.3).

73. Sound macroeconomic management requires the empirical analysis of economic developments. Ten of PFTAC's 16 members, **Cook Islands, Fiji, Palau, PNG, RMI, Samoa, Solomon Islands, Tonga, Tuvalu,** and **Vanuatu** now have a macroeconomic programming framework that is used in policy analysis.

- **Cook Islands:** Staff from the Ministry of Finance and Economic Management participated in PFTAC training on compiling and forecasting GDP which led to the GDP forecasts by expenditure and production being developed.
- **Fiji:** Staff at the Ministry of Economy are collaborating with the Fiji Bureau of Statistics to produce government finance statistics. MOE staff are also developing methodology to convert calendar year fiscal forecasts to fiscal year forecasts and vice versa using monthly government transactions historical payment patterns. The fiscal data will be used in the upgraded Fiji macroeconomic programming framework. The RBF will host attachments from the Samoa Macroeconomic Committee to share experiences about producing and publishing economic forecasts.
- **Palau:** Palau is the latest country to develop a macroeconomic and fiscal framework. It is used to assess the impact of grants terminating under the Compact Agreement with the United States, reduced fishing revenue following the passing of the Palau National Marine Sanctuary Act, and population ageing, and to analyze fiscal reform options. Fiscal reform options considered include building up the Palau trust fund to provide a perpetual revenue stream that grows with inflation, introducing a value added tax, a net profit tax for businesses, and lower tax rates and higher tax thresholds for wages tax.
- **PNG:** Staff at the Bank of Papua New Guinea upgraded the PNG Macroeconomic and Fiscal Framework (MFF) to capture the complex sector linkages of the PNG economy and ensure consistency with sector experts' forecasts for the next three years. A unique feature of the MFF is that it forecasts revenue foregone from tax expenditures, which are special provisions or exceptions to the general rules that benefit selected taxpayers or encourage certain activities. The MFF is the first macroeconomic and fiscal framework in the region to have this feature and will serve as a model for other Pacific countries. To review and enhance the MFF, share knowledge on compiling and forecasting key economic and fiscal variables, and gain greater appreciation of institutions' roles, the BPNG hosted a three-day training event bringing together around 30 analysts, managers, and senior managers from the BPNG, DOF, DOT, and IRC.
- **RMI:** Significant progress in capacity building is being achieved in the Marshall Islands where staff at the Ministry of Finance and the Economic Policy, Planning and Statistics Office are continuing to enhance the Marshall Islands Fiscal Model (MI-FM). The MI-FM is used to develop a medium-term fiscal framework, and to enhance medium-term budgeting and budget documentation. A comprehensive budget document will be produced for the first time this year.

- **Samoa:** The Samoa Economic and Revenue Forecasting (SERF) Model has been used by the Economic Policy and Planning Division of the Ministry of Finance since 2009 when it was first developed to produce economic and tax revenue forecasts for the budget. A key priority is to increase the understanding of the SERF Model, outside of the Economic Policy and Planning Division. To strengthen institutional structures for macroeconomic policymaking a Macroeconomic Committee comprising members from the Central Bank of Samoa, the Ministry of Finance, the Ministry for Revenue, and the Samoa Bureau of Statistics (advisory role) has been established. The SERF Model is the first in the region to forecast employment and wages. It is now used for debt sustainability analysis.
- **Solomon Islands:** Preparations are progressing for the Solomon Islands to co-host a macroeconomics course in FY2019 with PFTAC and the IMF Institute for Capacity Development. The course will deliver tailored training to Pacific countries focusing on issues of relevance to the region and using countries' macroeconomic programming frameworks in practical hands on exercises. The Central Bank of Solomon Islands' and the Ministry of Finance and Treasury's financial programming frameworks are being upgraded.
- **Tonga:** Last year's budget statement included macroeconomic forecasts and analysis prepared by Ministry of Finance and National Planning staff using tools developed in joint technical assistance provided in FY2016 by PFTAC and a secondee from the Reserve Bank of New Zealand, who was recruited by PFTAC and funded by the ADB. Following completion of the IMF Article IV Consultation the Mission Chief commented that *"the MFNP team (...) produced high quality gross domestic product (GDP) projections for FY2017/18 and the medium term that were very realistic and well thought through."*
- **Tuvalu:** The Ministry of Finance and Economic Development embarked on developing methodology to forecast GDP. Tuvalu has high quality (timely and accurate) fiscal data and monthly imports data are available that can be used to estimate and forecast GDP. Methodology was set up to derive annual estimates of variables when partial data for the year are available based on data to date and past payment patterns. Government revenue collections are used to estimate past and current GDP, and government expenditures (actual and budget estimates) are used to estimate and forecast GDP.
- **Vanuatu:** Further tax reform options are being evaluated using tools developed by Ministry of Finance and Economic Management staff with PFTAC assistance. Forecasting revenue collection by industries was discussed at two PFTAC revenue forecasting workshops in 2015 and 2016 and Vanuatu is the first country to implement this approach. Industry level revenue forecasting is possible because of the consistent use of industry classification by DCIR and the VNSO.

74. PFTAC continued to facilitate multi-topic workshops partnering with PFTAC members, the ADB, and UNESCO. Four PFTAC training events involving the macroeconomics program were organized.

- In October 2017 national statistics offices' GDP compilers and analysts from the ministries of finance and tax offices from **Cook Islands, Fiji, Kiribati, Nauru, Niue, Samoa, Timor Leste, Tokelau,** and **Tuvalu** came together in Suva for training on *Compiling and Forecasting Gross*

Domestic Product. The event, which attracted 29 participants, was PFTAC's third joint (Macroeconomics and Real Sector Statistics) sub-regional workshop.

- A third joint PFTAC (Macroeconomics and PFM) and UNESCAP workshop on *Medium-term Expenditure Planning for National Sustainable Development* was held in Apia, [Samoa](#) in November 2017. It was co-hosted by the Samoa Ministry of Finance.
- In February 2018 the Government of the Republic of the [Marshall Islands](#) co-hosted a sub-regional workshop in Majuro on *Fishing Revenue Forecasting and Management* for analysts and senior management from the fisheries agencies, ministries of finance, statistics offices, and central banks from the countries of the Parties to the Nauru Agreement (PNA), [FSM](#), [Kiribati](#), [Nauru](#), [Palau](#), [PNG](#), [RMI](#), [Solomon Islands](#), and [Tuvalu](#), plus [Cook Islands](#) and [Tokelau](#).
- The FSM Department of Resources and Development will co-host a training event in April 2018 in Pohnpei on *Compiling Gross Domestic Product (GDP), Government Finance Statistics (GFS), and Fiscal Forecasting*. Participants have been invited from the national and state statistics offices, the ministries of finance and the fisheries agencies from [FSM](#), [Palau](#), and [RMI](#). Among the topics covered at the workshop will be measurement of the fishing sector in GDP and GFS and forecasting fishing revenues.

Box 17: Managing Fishing Revenues

In February 2018 the Government of the Republic of the [Marshall Islands](#) co-hosted a sub-regional workshop in Majuro on *Fishing Revenue Forecasting and Management* for analysts and senior management from the fisheries agencies, ministries of finance, statistics offices, and central banks from the countries of the Parties to the Nauru Agreement (PNA), [FSM](#), [Kiribati](#), [Nauru](#), [Palau](#), [PNG](#), [RMI](#), [Solomon Islands](#), and [Tuvalu](#), plus [Cook Islands](#) and [Tokelau](#). The workshop, which was organized by the Macroeconomics and PFM advisors, was co-funded by the ADB with participation from the IMF Research Department, the Pacific Forum Fisheries Agency (FFA), and the PNA Secretariat.



Participants' commented:

[A major takeaway was the important need for collaboration between the marine resource and finance ministries.](#) Maybelline Bing, Marshall Islands Secretary of Finance.

[This workshop has given us deeper understanding of what is happening in the fisheries sector.](#) John Lakani, Bank Papua New Guinea.

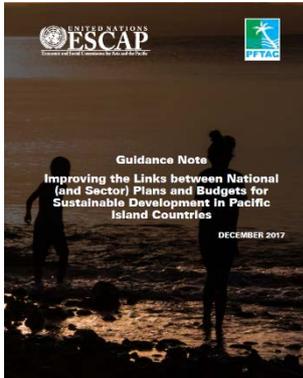
[From this week's workshop, exercises and discussions, one thing that I have learned is the importance of having more collaboration and discussions with other relevant ministries and agencies to do with forecasting and revenue budgeting.](#) Lily Wheatley, Solomon Islands Ministry of Fisheries economist.

[Close communication and collaboration will benefit the ministries of finance and fisheries and the whole of the government.](#) Tanga Morris, Cook Islands Statistics Office.

Overall participants appeared to be pleased with the workshop with one person commenting in the evaluation "(t)his is the best workshop I ever attended." The event also achieved good coverage in social media (IMF PFM Blog, LinkedIn, PFTAC's new Facebook page) and the local newspaper (<http://marshallislandsjournal.com/?p=5440>).

Box 18: Budget Planning for Sustainable Development

Following successful events in November 2015 and February 2016 PFTAC (Macroeconomics and PFM) and UNESCAP organized a third joint workshop on *Medium-term Expenditure Planning for National Sustainable Development*. It was co-hosted by the Samoa Ministry of Finance and held in Apia, Samoa in November 2017.



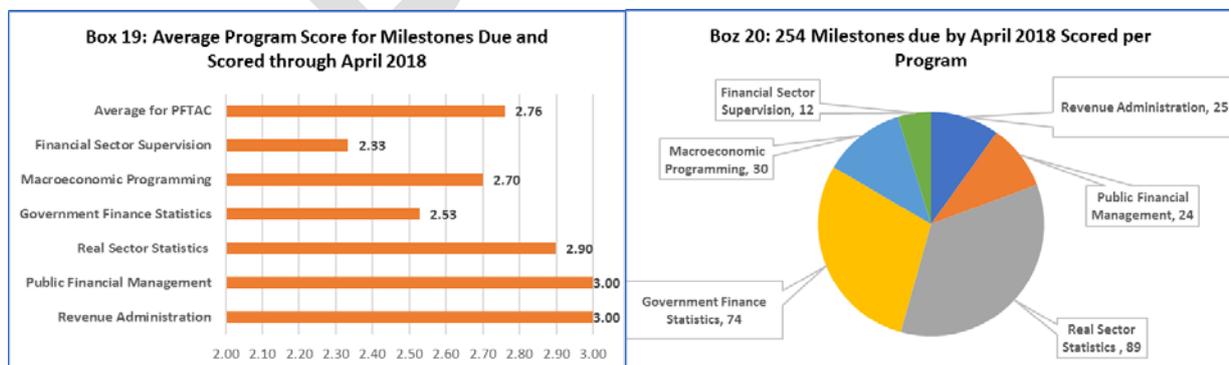
Participants from PFTAC members included representatives from budget and planning departments and central banks. Sector experts from Samoan ministries also attended bringing the number of participants to over 75. The training event focused on health and education spending and countries’ demographics with a mixture of presentations, discussions, and exercises. It included a session on inclusive budgeting and for one of the exercises participants calculated the impact on their country’s GDP if the labor force participation rate of women was the same as for men.

The workshop produced a guidance note on “Improving the Links between National (and Sector) Plans and Budgets for Sustainable Development in PICs”.

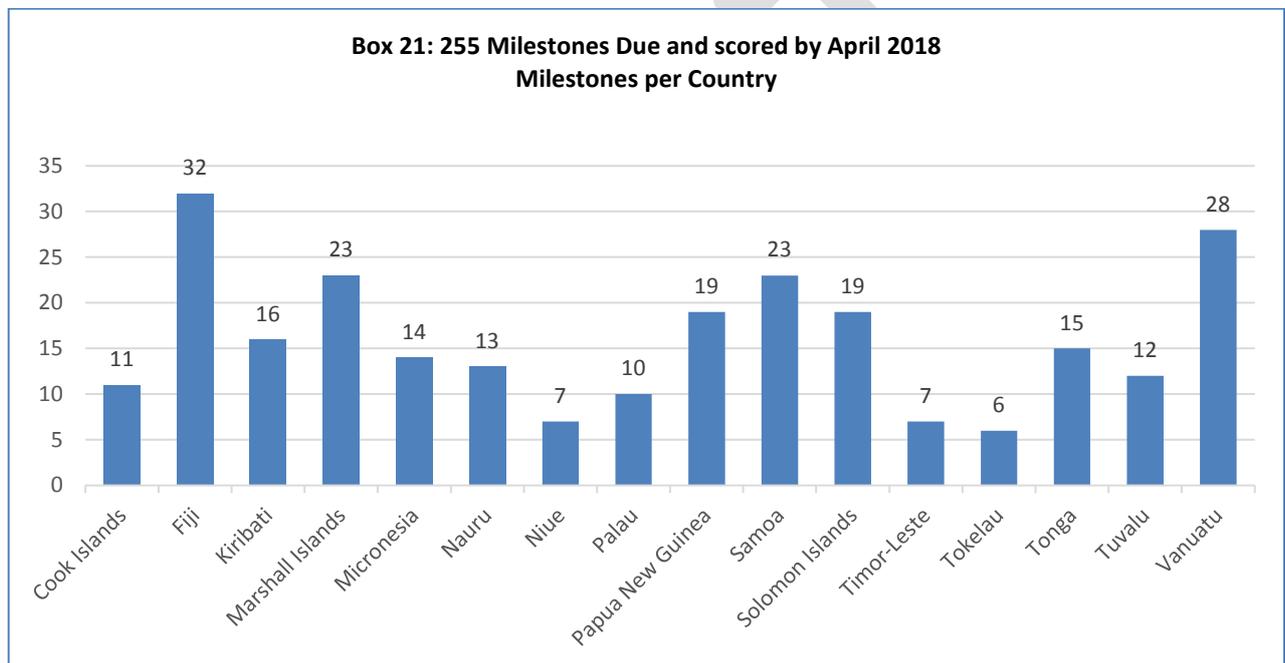
D. Progress Towards Managing for Results

75. PFTAC has stepped-up its RBM efforts during FY2018. This is not a new concept, but one that is being standardized for all IMF CD regardless of funding source and nature, and is being facilitated by CD Portal (CD-PORT), a new Information Technology system. Earlier in FY2018, the advisors initially developed a package of 82 LogFrames to reflect their respective programs.

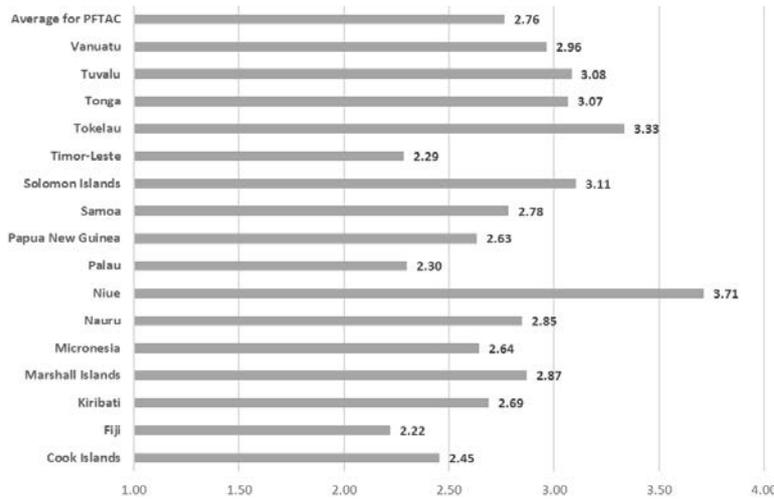
76. Separate LogFrames are created for each country where a PFTAC program is actively working towards a specific objective, for example a Revenue Administration LogFrame was created for **Fiji** with the objective of *Strengthening Core Tax Administration Functions*, under which PFTAC assistance is working towards two Outcomes, namely: (1) *More Taxpayers Meet their Filing Obligations*; and (2) *Taxpayer Service initiatives have strengthened Voluntary Compliance*. Achievement of the outcomes over the longer term are the accomplishment of the authorities that the TA from PFTAC has contributed towards and perhaps other TA or inputs from other sources. In the short to medium-term (up to three years ahead), the advisors identify milestones towards the achievement of each outcome, with at least one per year, but usually not more than a few. In the Fiji revenue example, two medium-term milestones have been identified for the first outcome and three for the second.



77. **RBM Logframe Milestones have been assessed and scored for the PFTAC programs for a full year, namely FY2018.** Of the 82 LogFrames created earlier in 2017 identifying 157 Outcomes, a total of 356 Milestones were defined. Of these, 254 milestones were projected as being achievable by the end of FY2018 (April 30, 2018) and have been assessed and scored on a simple scale where 1=No Progress/Not Started; 2=Partially Achieved; 3=Largely Achieved; and 4=Fully Achieved. Given the Statistics program LogFrames were developed first, they account for the vast majority of the assessed milestones, with fewer defined and assessed milestones for the other programs as noted in the chart below. The number of assessed milestones per country also varies considerably, with significantly more in Fiji, Samoa, and Vanuatu that is roughly correlated with the proportion of PFTAC assistance provided.



Box 22: Average Country Score for Milestones Due and Scored to April 2018



78. Important caveats apply to the average milestone scores calculated for each program, country, and PFTAC overall. While the RBM methodology the IMF has introduced is robust and well proven, its application and the tools for its management are very new to the IMF, and particularly PFTAC, with an uneven adoption so far across programs while familiarity grows. Milestones have been developed on a best estimate basis and will be refined over time, particularly

through greater consultation and engagement with the authorities to ensure understanding and ownership of the agreed outcomes being pursued that are ultimately in the authorities' control to achieve. Other challenges can be anticipated, particularly as work programs expand and new LogFrames are created or existing ones evolve. A weighting methodology is included in CD-PORT given that not all TA engagements are equal in terms of resources deployed or criticality of the reforms pursued. However, outcome and milestone weights have been ignored in this first, and tentative analysis of progress. The new approach introduces considerable rigor and robustness to better managing for results with enormous potential, so all stakeholders are requested to be actively engaged and contribute to getting the most out of these investments and efforts.

OBJECTIVES AND WORK PLAN FOR FY2019

This section describes PFTAC's principal objectives and activities proposed for FY2019 (May 2018 to April 2019). It 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.

E. Overview

79. PFTAC's delivery of CD in FY2019 will continue to build upon the investments and work of FY2018 and earlier years as well as opportunities for new engagements or reengagements with member countries to work towards three overarching objectives as articulated in the Phase V PD:

- **Strengthening macro-financial resilience** to natural disasters and other shocks.
- **Enhancing macro-financial sustainability** so that PICs have sustainable systems, institutions, and resources to tackle the medium and longer-term challenges faced by their societies from social, health, and demographic changes, and particularly the impact of climate change
- **Facilitating sustainable, inclusive growth**, the ultimate objective for the citizens of the region and their leadership that PFTAC contributes towards through individual and institutional capacity development in the core economic and financial competencies of the IMF, with ultimate progress depending on the development and effective implementation of appropriate policies by PIC governments and the reinforcement, commitment, encouragement, and resources from partners and stakeholders.

80. Traditional bilateral TA to member countries will continue to be delivered by the PFTAC resident advisors (LTX) and STX and will constitute most planned efforts and resource utilization. Given travel budget limitations, and as a normal consequence of the pre- and post-mission preparations and follow-up support, a significant amount of bilateral TA is delivered remotely to member countries by the LTX from Fiji. Some of this is explicitly included in the work plan, much of it is difficult to precisely predict, so is reported afterwards. Otherwise, most in-country missions are undertaken by either the LTX or an STX, but occasionally the STX may be accompanied by the LTX if the STX is either new to PFTAC or the country, or a new or different stream of work is being embarked upon. Beyond their own CD delivery, LTX will try to regularly visit the more intensive CD beneficiary PICs to consult with the authorities on the progress being made, particularly achievement towards articulated outcome milestones, and the priorities and CD needs going forward.

81. PFTAC CD is fully integrated with the programs of the IMF functional departments¹⁰ beyond their close backstopping of the PFTAC program work. Some programs (particularly PFM and Revenue) include budget provision for HQ delivery of CD under the PFTAC program, typically one mission per year (e.g. a

¹⁰ The Fiscal Affairs Department (FAD) for the PFM and Revenue programs as well as occasional Tax Policy inputs; the Statistics (STA) Department for the GFS and RSS programs; the Monetary and Capital Markets (MCM) Department for the FSS program; and very limited inputs from the Legal (LEG) Department. The Macroeconomics program is directly backstopped by the Asia Pacific Department (APD).

revenue mission to **Timor Leste** is planned in FY2019), or a HQ staff member or specialized expert joins a PFTAC activity. Conversely, a PFTAC LTX may join a HQ activity such as the revenue advisor’s participation in the FY2018 Medium Term Revenue Strategy mission to **Papua New Guinea** in 2017. A very small PFTAC program provides for the delivery of specialized CD overseen by the IMF Legal Department for drafting tax, banking, or fiscal legislation to complement the efforts of the Revenue, FSS, and possibly PFM programs.

82. Innovative CD options will be added and expanded beyond the usual array of PFTAC CD modalities. More peer-to-peer attachments between PICs are expected to be arranged in FY2019, and opportunities for ‘enhanced attachments’ will be explored to expose and develop more experts from the region for potential inclusion in the IMF roster of experts to ultimately become part of the PFTAC and wider IMF pool of experts to deliver CD in the Pacific and beyond. Finally, an idea will be explored to competitively recruit one (or possibly two) ‘Young Professional’ at a time for a 12 – 18 month assignment at PFTAC under the mentorship of willing resident advisors. The idea was first mooted in a 2009 independent external evaluation of PFTAC and would target young officials early in their career (say 2 – 5 years experience) who show strong development potential that could benefit from exposure and close involvement in PFTAC work.

83. Also at the individual level of capacity development, plans have advanced to pilot a modest internship program with university students from the region studying economics or related topics. The hope is to emulate a highly successful program running at the IMF Caribbean TA centre for a decade where more than a dozen post-graduate students are annually placed in internship roles over the 6 – 8 week academic break in participating central banks and financial or fiscal institutions plus several in the IMF center itself. The plan is to possibly select two interns for a brief (3 – 4 week) placement at PFTAC over the July 2018 academic break, and depending on the experience, target longer periods over the year-end break, plus in the longer term explore the receptivity of Pacific institutions including central banks to join the scheme. Costs are expected to be minimal (a small stipend and living expenses and transportation depending on the interns’ circumstances) and will be charged to the training (workshop) program budget of the mentoring LTX.

Table 7. PFTAC FY19 Proposed Regional Workshop/Training Events

Sector	Partner	Possible Location	Topic	Est Date	Likely Duration
PFTAC	IMF APD/ICD	Nadi, Fiji	PFTAC 25th Anniversary - Pacific Growth	Dec 2018	3
Revenue	CARTAC/FAD	Washington	Joint Caribbean/Pacific Workshop on Revenue Reforms	June 2018	5
Revenue	PITAA	Nadi, Fiji	Managing Change in Modern Tax Administration	Aug 2018	5
Revenue	PITAA	Nadi, Fiji	Annual PITAA Heads Meeting: Overview of Regional Reforms	Sept 2018	3
Revenue	PITAA	Nadi, Fiji	Improving Tax Audit Management Expertise	Oct 2018	5
Revenue	PITAA	Nadi, Fiji	Improving Tax Return and Debt Management Capabilities	Jan 2019	5
FSS		Suva, Fiji	Insurance Regulation	May 2018	5
FSS	AFSPC	Port Vila, Vanuatu	Annual AFSPC Meeting and Joint Workshop	Aug 2018	5
FSS	APRA		Information Technology Risk Assessment & Supervision	July 2018	5
Statistics/GFS		Nadi, Fiji	Government Finance Statistics Training	Aug 2018	5
Statistics/GFS		Northern Pacific	Government Finance Statistics Training	Feb 2019	5
Macro/Statistics		Fiji	GDP, GNI and the Budget	Oct 2018	5
Statistics/RSS		Northern Pacific	Training for Northern Pacific Statistical Compilers	April 2019	5
Macro	IMF/CD	Solomon Islands	Macroeconomics Course	July 2018	5
PFM	ADB/PRIF	Fiji	Infrastructure Planning and Investment	Oct 2018	5
PFM	PIFS	Suva, Fiji	PFM Leadership Conference	Sep 2018	3
PFM/Macro		Fiji	Cash Management	April 2019	5
PFM/ Macro	UN/ESCAP		Follow-up Budget and Planning Workshop	Nov 2018	5

84. There will be 25 percent more training events in FY2019 (18 events planned versus 14 delivered in FY2018). Two events warrant elaboration. As 2018 is the 25th anniversary of the establishment of PFTAC in 1993, preliminary planning is being made for a major event in Fiji during December 3 – 7, 2018, probably comprising a 2-day High Level Dialogue (HLD) session for senior officials from the region (ministers, central bank governors) plus regional organizations,

development partners, and the IMF. A 3-day event with training assistance from ICD and/or STI will accompany the HLD for technical staff. A very successful combined training event and HLD was held in 2017 on resilience to climate change and disasters. Another innovative event planned for FY2019 is a joint

workshop between the revenue programs of PFTAC and CARTAC, the IMF's Caribbean Centre to share the experiences of tax reforms in both regions that account for most Small Island Developing States (SIDS). The workshop is intended to be held in Washington to bring tax administration heads together from the Pacific and Caribbean to leverage FAD tax expertise in drawing on the findings of two recent IMF reviews of tax reforms over the past decade in both regions.

F. FY2019 Work Program and Budget

85. CD delivery is projected to be modestly higher in FY2019 as reflected in the draft workplan. Although the contracts of at least two resident advisors (revenue and macroeconomics) will end later in FY2019, program delivery is not expected to be adversely disrupted with sufficient advanced planning and a reasonable hand-over period for their successors. Almost 20 percent more missions/activities are envisaged (168 in FY2019 vs. 139 FY2018 outturn) inclusive of 18 workshops. Through slightly shorter or lesser resourced missions/activities,¹¹ only 7 percent more TA days (1,960 days in FY2019 vs. 1,830 days outturn in FY201) will be required. Following the streamlined workplan format introduced in FY2018, the draft work plans at Annex VI are presented from two perspectives, namely a separate workplan for each program of 2 or 3 pages length plus a consolidated workplan for each beneficiary country. A mid-year review will be undertaken around October 2018, with adjustments made to reflect new developments with a revised version circulated by late November 2018 to reflect these changes along with details of delivery to that point.

86. Samoa (11.3 percent of 1,960 TA days), Papua New Guinea (10.5 percent), Fiji (10.4 percent), Solomon Islands (7.2 percent), and Vanuatu (6.9 percent) will be the biggest users of PFTAC CD in FY2019 as measured in TA days. With a large PFM program, Samoa's share of PFTAC TA will even exceed planned regional activities with 10.7 percent of the total. As also depicted for projected FY2018 outturn, Chart 10 plots the share of planned TA by program in FY2019 ranked from the biggest user. An important gap in these projections are the LTX days spent at PFTAC providing additional pre- and post-mission TA to member countries and backstopping STX. These will be recorded during FY2019 and when reported at the end of the year should account for at least another 700 TA days, bringing the total to closer to 2,700 days. The workplan includes significant CD delivery to the four PFTAC members that have not yet finalized a Letter of Understanding to financially contribute to PFTAC operations, and are therefore being partly cross-subsidized by members that have paid.

¹¹ Proportionately more missions can be delivered with proportionately fewer TA days using slightly shorter missions, and missions with less overlapping of LTX and STX.

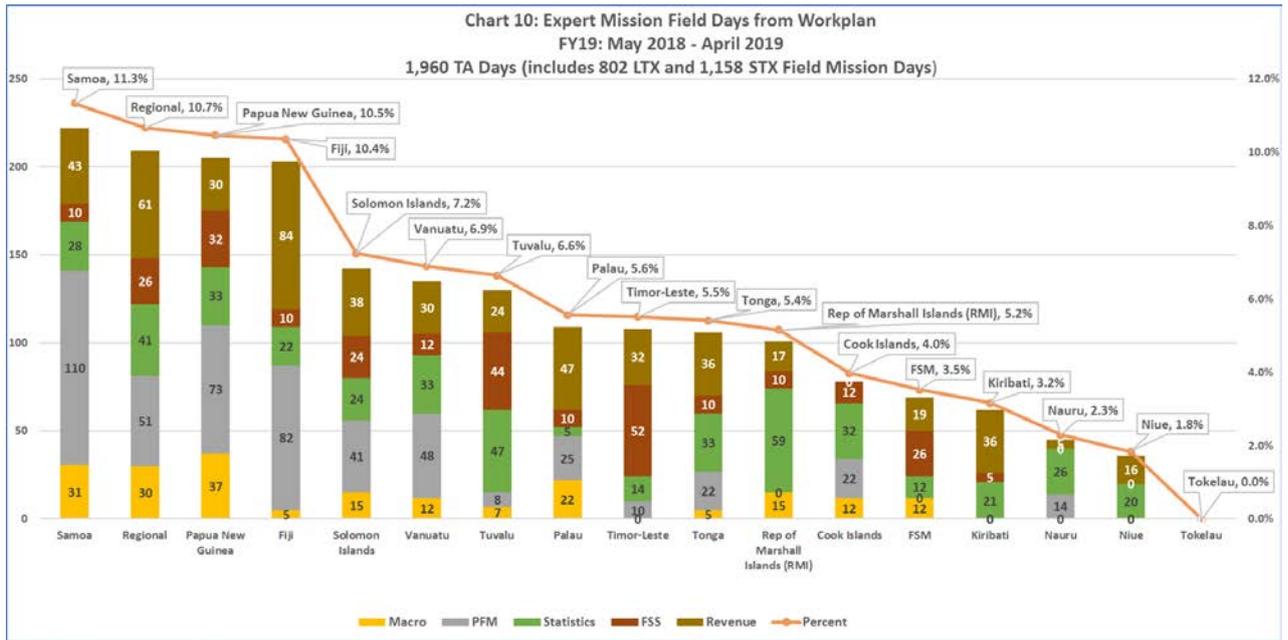


Table 8. PFTAC: Proposed FY19 Budget

	Program Document Budget	Tot Est Ph V Expenses to end-FY19	FY17/H2		FY2018		FY2019		
			Budget	Outturn	Budget	Projected Outturn	Orig Budget	Proposed Budget	Change
Resident Advisors (Long Term Experts - LTX)	\$ 12.6	\$ 5.3	\$ 1.0	\$ 0.9	\$ 2.2	\$ 2.1	\$ 2.3	\$ 2.3	\$ -
LTX Travel	\$ 2.3	\$ 0.9	\$ 0.2	\$ 0.2	\$ 0.4	\$ 0.3	\$ 0.4	\$ 0.4	\$ -
Short-Term Experts (STX)	\$ 11.4	\$ 3.6	\$ 0.9	\$ 0.7	\$ 2.0	\$ 1.5	\$ 2.0	\$ 1.5	\$ (0.5)
Diagnostic Missions	\$ 1.2	\$ 0.5	\$ 0.1	\$ 0.1	\$ 0.3	\$ 0.2	\$ 0.1	\$ 0.1	\$ -
Training/Seminars/Workshops	\$ 6.0	\$ 2.2	\$ 0.5	\$ 0.1	\$ 1.2	\$ 0.9	\$ 1.1	\$ 1.2	\$ 0.2
Backstopping/Project Management	\$ 1.9	\$ 0.6	\$ 0.2	\$ 0.1	\$ 0.3	\$ 0.2	\$ 0.3	\$ 0.3	\$ -
Other Costs (Evaluation, misc, etc)	\$ 1.6	\$ 0.6	\$ 0.2	\$ 0.1	\$ 0.3	\$ 0.2	\$ 0.2	\$ 0.4	\$ 0.2
Total TA Provision/Delivery	\$ 36.9	\$ 13.8	\$ 3.0	\$ 2.2	\$ 6.9	\$ 5.4	\$ 6.4	\$ 6.2	\$ (0.2)
Trust Fund Management Fee ^{1/}	\$ 2.6	\$ 1.0	\$ 0.2	\$ 0.2	\$ 0.5	\$ 0.4	\$ 0.4	\$ 0.4	\$ (0.0)
Total Trust Charges	\$ 39.5	\$ 14.7	\$ 3.2	\$ 2.4	\$ 7.4	\$ 5.7	\$ 6.9	\$ 6.6	\$ (0.2)
IMF and Host Country In-Kind Contribution	\$ 2.6				\$ 0.5	\$ 0.6	\$ 0.5	\$ 0.5	\$ (0.0)
TOTAL:	\$ 42.1				\$ 7.9	\$ 6.3	\$ 7.4	\$ 7.1	\$ (0.2)

^{1/} Trust Fund fee is 7 percent of funds utilized for TA delivery

87. The proposed FY2019 PFTAC budget will be \$6.19 million (subject to SC endorsement and HQ concurrence), excluding the trust fund management fee and IMF contribution. This is 15 percent more (\$0.84 million) than the projected FY2018 outturn of \$5.35 million, achievable given the planned increased CD delivery, plus

several proposed budget adjustments that reduces the overall FY2019 pre-TFF allocation by \$0.22 million from \$6.41 million.

88. Other than the Macroeconomics and PFM programs, other program budgets in FY2019 will be very similar to FY2018. Given the underutilization of their FY2018 STX budgets, reductions are proposed to the PFM STX budget from \$1.88 million to \$1.50 million, and the Macro STX budget from \$0.74 million to \$0.60 million. Their remaining balances are ample to deliver their FY2019 program workplans with a wide contingency for additional unforeseen STX activity. Two other budget adjustments are proposed; a carry-forward to FY2019 of the \$0.15 million for ICD training not used in FY2018, and a \$0.15 million increase to the PFTAC Administrative budget managed by the coordinator and overseen by APD, comprising a one-time provision of \$0.10 million towards the PFTAC 25th anniversary events, and a recurring annual \$0.05 million cost to finance the recruitment of a local research assistant to the PFTAC team. The net impact of these changes in FY2019 is an overall reduction of \$0.22 million from the original FY2019 allocation provided for in the PD.

G. Sectoral Work Plans in FY2019

Public Financial Management

89. In FY2019, TA in PFM will continue to assist members using various modalities to strengthen capacity in three broad areas, consistent with the objectives set out in the Program Document:

- Planning and prioritization of PFM reforms based on the results of PEFA assessments, ongoing development of PFM reform roadmaps; and support for strengthening of legal frameworks;
- Strengthening budget preparation, including better integration of planning and budgeting; improved budget transparency, execution; and stronger debt, asset, and risk management;
- Strengthening budget monitoring, reporting and accountability.

90. PMF Capacity Development will be delivered in a variety of forms including:

- TA provided directly to member countries through missions by the PFTAC resident advisors and/or by STX. A little under half the missions will involve STX, but since their missions tend to be longer than those of the resident advisors, almost two-thirds of mission days (364 of 561 days) are expected to be delivered by STX;
- Four regional or sub-regional workshops are planned involving PFTAC advisors, IMF HQ staff, STX and experts from other development partners including the World Bank and ADB;
- Regional, sub-regional, and country-specific training jointly sponsored by PFTAC and regional partners like PICPA, PASAI, or PIFS;

91. Key objectives and milestones are outlined in Box 23, and plans for FY2019 under the six key PFM program objectives are as follows:

I. Improve PFM institutions and legal frameworks

- **PEFA assessment:** PFTAC will guide **Palau** in using the 2016 PEFA framework in their self-assessment, assist in undertaking a full PEFA in **Timor Leste**, and lead a full PEFA process in **Samoa** (following a self-assessment undertaken by the Government).
- **PFM Reform Roadmaps developed/updated and monitored:** PFTAC will provide suggestions to **Kiribati, Palau, FSM, Nauru, Samoa**, the **Solomon Islands**, and **Tokelau** to improve and periodically monitor their PFM Roadmap. Future TA needs from PFTAC will also be identified.
- **Comprehensive legal frameworks enacted:** TA will assist **Fiji** and **Solomon Islands** with revising their Financial Instructions, so that these will be aligned to international standards and good practices, and would address existing limitations of PFM.
- **Continued Cooperation with Development Partners:** There is a significant amount of PFM assistance being provided by other donors which needs to be coordinated with PFTAC efforts.

Box 23: PFM Objectives and Milestones in FY2019 ¹²	
Objectives	Major Milestones
I. Improve PFM institutions and legal frameworks.	<ul style="list-style-type: none"> ▪ PEFA self-assessment to be conducted in Palau and full assessments in Samoa and Timor-Leste with significant country staff involvement and ownership. ▪ PFM Reform road maps are developed/updated with significant involvement and ownership by country officials for the FSM, Nauru, Kiribati, Palau, Samoa, Solomon Islands and Tokelau. ▪ Financial Regulations/Instructions improved in Fiji and Solomon Islands ▪ TA, workshops and seminars are coordinated and workshops regionally with development partners.
II. Strengthen budget preparation towards more comprehensive, credible and policy-oriented budgets.	<ul style="list-style-type: none"> ▪ Improved budget documentation in Vanuatu. ▪ Improved budget development and documentation in RMI and Tuvalu. ▪ Staff capacity on expenditure forecasting of several finance ministries is enhanced through regional workshops on expenditure forecasting.
III. Improve budget execution and control.	<ul style="list-style-type: none"> ▪ Capacity-development for risk-based auditing in Fiji, PNG, Samoa, Tonga, and Vanuatu. ▪ Improving internal controls on payroll expenditures in PNG
IV. Improve coverage and quality of fiscal reporting.	<ul style="list-style-type: none"> ▪ The new chart of accounts of Cook Islands, Fiji, and Tonga is aligned with international financial reporting standards. ▪ Comprehensiveness and quality of fiscal reports in Fiji, Nauru, PNG, Samoa, Solomon Islands, Tonga, and Vanuatu, are enhanced.
V. Improve integration of asset and liability management framework.	<ul style="list-style-type: none"> ▪ Cash flow forecasting/cash management capacity in PNG, Samoa, and Solomon Islands continues to be enhanced. ▪ Regional workshop on cash forecasting/cash management. ▪ Coordinating with regional partners (ADB, WB, SPC and PRIF) to improve asset registers and capital planning.
VI. Strengthen identification, monitoring and management of fiscal risks.	<ul style="list-style-type: none"> ▪ Training officials on fiscal risk assessment of SOE's in Fiji. ▪ Developing risks indicators to monitor SOEs in Samoa.

II. Strengthen budget preparation towards more comprehensive, credible and policy-oriented budgets

- **A more comprehensive and unified annual budget is published:** In FY2019, planned PFTAC work includes TA to **Vanuatu, Samoa, and Tuvalu** to continue making improvements in the annual budget document.
- **A more credible medium-term macro-fiscal framework is included in budget documentation:** **Regional workshops** on Expenditure Forecasting/Budget Documentation are planned, building on topics introduced during successful workshops conducted in FY2018.

¹² The PFM logical framework for the FY2018 is in accordance with the Phase V program document.

- Working with the macroeconomic advisor to improve the budget development process using the **Marshall Islands** Financial model (MI-FM) as a tool to **improve budget preparation and move further towards the development of a policy-oriented budget.**

III. Improve budget execution and control

- **Risk based internal audit functions are established in central government agencies.** This TA aims to improve countries' rating under PEFA PI-25 by implementing more audit of PFM processes, rather than transactions, and focusing on more significant risks. TA will continue in FY2019 to improve risk-based systems auditing in **Fiji, Tonga, Vanuatu**, and **Papua New Guinea**, and initial TA to **Samoa** on developing a risk-based internal audit strategic plan;
- **Payroll controls are strengthened, as measured under PEFA PI-23.** This TA aims to prevent or minimize fiscal risks in the payroll budget. This TA will be first provided to **Papua New Guinea** where PFTAC will help identify key control areas and assist in developing a reform roadmap to improve payroll internal controls.

IV. Improve coverage and quality of fiscal reporting

- **The chart of accounts (CoA) is aligned to international standards.** TA will be provided to **Fiji** and **Tonga** to complete the work started in FY17 on their CoA focusing on economic classifications. The **Cook Islands** will also receive TA to develop a CoA for the new WOG FMIS.
- **Comprehensiveness and quality of fiscal reports is enhanced.** PFTAC TA will focus on countries that are expected to continue accounting and reporting reforms during FY19. In general, TA aims to improve financial data integrity (PEFA PI-26), and align accounting practices to international standards (PEFA PI-28). For FY19, the specific objectives are to assist countries with TA as follows:
 - **Fiji:** To assist training of ministry accountants to implement the new government accounting and reporting policies and drafting of reporting instructions to small public enterprises and statutory authorities.
 - **Nauru:** Improve financial reporting based on IPSAS-Cash.
 - **PNG:** Provide follow up on IPSAS Cash Accounting and reporting.
 - **Tonga:** Review progress and follow-up TA on the implementation of reporting reforms.
 - **Samoa:** Draft an asset accounting and reporting policy.
 - **Vanuatu:** Review the progress on improving accounting internal controls and develop capacity in adopting the new accounting regulations

V. Improve integration of asset and liability management framework

- **Cash flow forecasts for all of central government are more accurate and timely** which is a requirement under PEFA PI-21 (predictability of in-year resource allocation). Follow-up TA for FY19 is planned for **Samoa** and the **Solomon Islands** to continue building capacity on cash flow forecasting, planning, and monitoring; and **Papua New Guinea** where improvements will be made

to the cash flow forecast model. **A regional workshop will be held on cash forecasting/cash management, with participation of the macroeconomics advisor.**

VI. Strengthen identification, monitoring and management of fiscal risks

- **Disclosure and management of contingent liabilities and other specific fiscal risks:** Follow up assistance will be provided to **Fiji** on monitoring SOE fiscal risks. Assistance will be provided to **Samoa** to develop risks indicators to monitor each of the SOEs.

Revenue Administration

92. PFTAC's CD strategy for revenue administration FY2019 largely represents a continuation of TA activities that commenced or were already underway in FY2018. Although most PICs are continuing to make progress in tax reform, broad scope remains to improve efficiencies, and streamline and simplify tax systems. The complexity and difficulty of tax reform calls for a continued focus and commitment from governments to support what potentially could take many years to achieve.

93. TA and training will continue to employ a variety of delivery methods:

- TA on revenue administration provided to member countries by the resident advisor and STX. As in recent years, a high proportion of such TA will be provided by STX, managed and backstopped by the resident advisor and HQ staff;
- Regional, sub-regional, and country-specific training workshops will be provided by the resident advisor, STX, and HQ staff; often in conjunction with PITAA, OCO, or development partners.

94. Box 24 provides a high-level overview of the focus of TA and training in FY2019.

95. PFTAC will continue to promote the use of the ISORA, TADAT, and the implementation of an MTRS for those countries undertaking substantive reforms. These tools are increasingly playing an important part in strengthening revenue administration and domestic revenue mobilization and will be promoted to facilitate the transition towards more effective and efficient tax systems.

Box 24: Focus of PFTAC Revenue Administration CD Plan in FY2019

RBM Objective	RBM Outcome	Countries
1. Strengthened Revenue Administration and Governance arrangements	1.1 Reform strategy and implementation governance framework adopted and institutionalized.	Fiji, FSM, Kiribati, Nauru, Palau, RMI, Samoa, Timor-Leste, Tonga, Tuvalu, Vanuatu
	1.2 Organizational arrangements enable more effective delivery of strategy and reforms.	Niue, PNG, Palau
	1.3 Support functions enable more effective delivery of reforms.	PNG
	1.5 Corporate priorities and compliance better managed through effective risk management.	Vanuatu
	1.8 Effective implementation of a new tax or modified legislation.	Palau, Timor-Leste
	2.2 Taxpayer services initiatives to support voluntary compliance strengthened.	Fiji, FSM, Niue, Palau, PNG, RMI, Samoa, Tuvalu, Vanuatu
	2.3 Larger proportion of taxpayers meet their filing obligations as required by law.	Fiji, FSM, Kiribati, Niue, Palau, RMI, Samoa, Tuvalu, Tonga, Vanuatu
	2.4 Larger proportion of taxpayers meet their payment obligations as required by law.	Fiji, FSM, Kiribati, Niue, Palau, RMI, Samoa, Tuvalu, Tonga, Vanuatu
2. Strengthened Core Tax Administration Functions	2.5 Audit and other verification programs more effectively ensure completeness and accuracy of reporting.	Fiji, Kiribati, Tonga
	3. Planned regional activities	
	<ul style="list-style-type: none"> - PFTAC/CARTAC workshop on strengthening revenue reforms. - Workshop on managing change in tax administration modernization. - PITAA Annual Heads Meeting. - Workshop for senior managers - improving the management of tax arrears and outstanding tax returns. - Workshop for senior managers – improve the management of the tax audit function - Support PITAA in developing "phase one" e-learning training material - Regional attachments – PIC staff participation in PFTAC missions 	

Financial Sector Supervision

Supervision Framework Enhancement

96. **FY2019 will be a year of implementation for the Supervision Framework Enhancement Program**, with missions planned to **Cook Islands, Vanuatu, Papua New Guinea** and the **Solomon Islands**. Focus of work will be on developing and imbedding effective risk rating processes and supervisory action planning, and developing enhanced financial risk analysis

Banking Regulatory Reform

97. As part of that regulatory reform workshop held in Guam in July 2017, workshop, representatives from the Financial Institutions Commission of **Palau**, the **Republic of Marshall Islands** Banking Commission and the **Federated States of Micronesia** Banking Board carried out a self-assessment (with support being provided by the mission team) of their current banking regulatory frameworks. Based on those self-

assessments, a regulatory reform schedule was developed by the authorities with the assistance of PFTAC and IMF Legal Department. The follow-up work established in the regulatory reform schedule will be undertaken in FY2019 to facilitate the development of a comprehensive regulatory framework for banking supervision, in line with international standards, which comprises effective banking legislation and prudential standards covering key banking risk areas. These missions will take place in May, July and 4Q/2018.

Supervision Framework Development

98. In November 2016 PFTAC recommended the establishment of a prudential supervision program for **Tuvalu** that employs the services of a financial sector supervision expert, to undertake direct supervision of the Tuvalu banking sector. The program has now been formally agreed and will work in conjunction with PFTAC providing direct supervisory infrastructure TA, to develop supervisory capacity in Tuvalu. The program is scheduled to start mid-year with development of off-site reporting and on-site examination processes.

IT Risk Assessment

99. In FY2019 PFTAC will assist member countries develop and enhance their capacity to effectively assess IT risk within regulated entities, by providing information on current international good practice in IT risk regulations and risk management guidance for industry; training on effective on-site assessment of IT risk; undertaking an initial gap assessment of IT risk supervision; and establishing a IT risk supervision enhancement plans. This work will commence with a workshop in Q3/2018.

Insurance Regulatory Framework

100. In May 2017 PFTAC will commence assisting PFTAC member countries develop and enhance their regulatory framework for insurance, by hosting a workshop in Suva, Fiji. The workshop will provide information on current international good practice general and life insurance regulation; undertake an initial assessment of current frameworks against international good practice (suitable for the jurisdictions) for legislation and prudential standards in terms of content and structure; and establish regulatory reform and supervision enhancement plans, which will be part of a wider insurance supervision enhancement program for the member countries that plan to enhance their insurance supervision frameworks.

On-Line Prudential Reporting

101. An outcome of the 2017 AFSPC Meeting was the establishment of the AFSPC Online Prudential Reporting Working Group, which will be responsible for performing a feasibility study of automated prudential reporting solutions for the region. The objective of the feasibility study is to assess the costs, the viability and the potential obstacles of on an automated and centralized prudential reporting system. PFTAC and the World Bank are providing support to the working group.

102. To initiate the work of the group, PFTAC plans to will host a 2-day workshop/seminar in Sydney in July 2018 where commercial providers of possible solutions (with a focus on Regtech) will be invited to present to the group on their services and solutions; regional regulators with recent experience in developing online reporting processes (e.g. APRA and Bank PNG) to present on their experience; and the

group to plan next steps, priorities, and workplans. The aim is then for the group to report to the AFSPC on findings and recommendations at the next AFSPC Annual Meeting.

Supervision Framework Enhancement

103. **FY2019 will be a year of implementation for the Supervision Framework Enhancement Program**, with missions planned to **Cook Islands, Vanuatu, Papua New Guinea** and the **Solomon Islands**. Focus of work will be on developing and imbedding effective risk rating processes and supervisory action planning, and developing enhanced financial risk analysis

Macroeconomic Statistics

National accounts and external sector statistics

104. **PFTAC will provide a very similar national accounts statistics program to its members in FY2019** with a focus on **rebasings** constant price estimates, developing **additional measures of GDP, improving source data and methodologies**, getting **more and better-quality data to users on time** and the provision of **tailored training and workshops**, all guided by international best practice prescribed in the *2008 SNA* and supporting manuals. It is anticipated that bilateral missions will cover 13 member countries and workshops will be intended to cover 10 member countries. PFTAC will also fund two ESS missions to the **Marshall Islands** and **Tuvalu** to assist in **improving source data use, bringing methods closer to BPM6** and **make ESS and GDP compilation more consistent**.

105. Alongside technical capacity development—which will continue to complement data and methods development tasks—PFTAC intends to build on operational training and planning that is often overlooked on the path to improved statistical outcomes. Many of the goals that donor partners set for developing countries rest on implicit assumptions of strong organizational and ICT capabilities, which is a common reason for failure. PFTAC will work explicitly to share **effective, functional guidance on managing people and projects** to increase the likelihood that technical developments come to timely fruition. These objectives and related milestones related to planned missions and activities are detailed in the FY2019 workplan in Annex VI. In more detail:

- **Targeted data and methods updates will continue, but even more countries are now overdue to conduct essential benchmarking and rebasing exercises.** These comprehensive reviews are recommended by PFTAC and the IMF to take place every five years and no later than every ten years. They involve setting new benchmark values for each component of GDP—using recent comprehensive sources such as censuses and HIES and the latest recommended methods—then using these to come up with more contemporary and accurate estimates of GDP levels and growth. In developing countries, economic structures tend to change more rapidly than in developed economies, so it is imperative to conduct rebasing regularly to ensure that GDP estimates remain relevant to economic decision-making. Progress on such exercises in FY2019 is expected in **Cook Islands, Fiji, Nauru, Niue, Samoa, Solomon Islands, Tonga** and **Vanuatu**.
- **Further assistance will be provided to develop new measures of GDP by expenditure in Kiribati and Samoa.** Both countries have received recent TA to collect, analyze, transform and combine appropriate data sources to derive these new measures. Some of the data required for GDP by

expenditure is directly used in GDP by production—namely, estimates of households’ activity derived from HIES’s and government activity derived from the GFS or budget outturns—but estimates of investment and international trade tend to require further methodological development. Crucial to this type of work is the need to ensure the concepts, coverage and assumptions used in the production and expenditure approaches are as closely aligned as possible so that remaining differences are largely due to statistical noise. Efforts to minimize the gap between the two—known as the ‘discrepancy value’—will require detailed technical analysis and more advanced compiler training.

- **Dissemination and documentation improvements will continue to be important areas of work in FY2019** in various countries. The abilities of governments and private sector users to use official statistics to improve their decision-making is still overly hampered by irregular release practices; absent data files; inadequate economic commentary; and missing metadata documentation. Improvements in timeliness and the availability of data files are relatively easy to achieve, though gains are still slow, while work to build analytical skills and create inventories of compilation methods take a lot of time. Internal business process documentation is a necessary precursor of published methodological notes, but this, too, is generally absent. Encouraging NSOs to invest efforts in these tasks when faced with immediate pressures to produce new estimates requires perseverance from PFTAC and the IMF, plus explicit support from senior officials to give staff the time and resources to do the work.
- **Two missions are budgeted to provide ESS TA in FY2019** to the [Marshall Islands](#) and [Tuvalu](#) respectively. ESS mission work is guided in the same way as the national accounts, via the IMF’s RBM framework. There are similar focuses on improvements to concepts and definitions, staff training and source data, but often distinct emphases on making the coverage and scope of estimates more comprehensive and ensuring that international transactions are correctly classified.
- **PFTAC will deliver two statistics workshops in FY2019.** Recent workshops have adopted a multisector format, with staff from NSO, finance ministries, revenue agencies and central banks cross-skilled in GDP compilation and forecasting. The approach has proven to be a cost-effective way for PFTAC to harmonize skills across agencies, and so far, very positive feedback has been received from participants. Likely in Q2 (August-October 2018), PFTAC will run another multisector sub-regional course in Fiji for members without central banks, covering GDP compilation and forecasting, plus training on either GFS or revenue administration. In Q4 (February-April 2019) the current intention is to revert to a bespoke national accounts workshop for [FSM](#), [Marshall Islands](#) and [Palau](#) to add depth to the broader training given in FY2018. As always, however, bilateral TA missions will still contribute the bulk of training to country officials.
- **PFTAC will continue to work to improve coordination of economic statistics TA in the region.** The two statistics advisors will attend regional statistical fora to represent the views of PFTAC and the IMF. In addition, through contact with other development and donor partners, it will continue to promote PESTAC as a simple coordination mechanism. The primary aim for FY2019 is to improve the regularity of members’ updates to the online, shared calendar to enable early identification of overlapping TA visits and potential areas for the harmonization of activities.

Government Finance Statistics

106. **The PFTAC GFS program will increasingly deliver on the same themes in FY2019** with a focus on compilation and dissemination **using appropriate statistical techniques, higher frequency data and concurrently expanding coverage; updating and releasing of metadata; and developing customized solutions** and methods for compilation and dissemination guided by the internationally accepted statistical standard, the *GFSM 2014*. Bilateral missions and workshops should provide TA coverage to 13 member countries. Like the real sector and external sector statistics programs, the GFS program works to share **effective, functional guidance on managing people and projects** to increase the likelihood that technical developments come to timely fruition. These objectives and related milestones related to planned missions and activities are detailed in the FY2019 workplan in Annex V. In more detail:

- **Data are compiled and disseminated using the coverage and scope of the latest.** The majority of PFTAC member countries that receive bilateral assistance has adopted the internationally accepted statistical standard, the *GFSM 2014* for compilation and dissemination of GFS. TA in FY2019 will focus on improving the foundation of the standards and methodology implemented.
- **Data are compiled and disseminated using appropriate statistical techniques, including to deal with data sources, and/or assessment and validation of intermediate data and statistical outputs.** Collaboration between various disciplines will take place to assist in the financial programming framework as part of the macroeconomic and fiscal framework initiatives in the region. The framework adopts the GFS methodology, which produces internationally comparable fiscal data and are particularly useful for debt sustainability analysis. Cross collaboration and technical support between GFS and PFM programs will ensure that the national CoA and its linkages to the bridge tables derive appropriate GFS that can be used as input into the financial programming framework. These efforts in turn will improve and strengthen the compilation of budget documentation and medium term fiscal frameworks aligned to the *GFSM 2014* statistical or an equivalent standard.
- **GFS is compiled and disseminated for the BCG and GG and its subsectors with higher frequency, timeliness, and accuracy.** Several PFTAC member countries have started the compilation of annual GG GFS. Assistance in FY2019 will continue to focus on improving the compilation and dissemination methods and processes to derive reconciled GFS time series for the GG. Member countries that may progress and refine their GG consolidation compilation and dissemination are the [Marshall Islands](#), [Micronesia](#), [Palau](#), [Samoa](#) and the [Solomon Islands](#). [Kiribati](#) already produce GFS for GG and to some extent [Timor-Leste](#). Additional assistance and attention will be given to member countries who have not yet fully implemented the **Classifications of the Functions of Government (CoFoG)** who serves as a very important input and measure for GDP calculation. Assistance in expanding PSDS to include the scope of stocks of all debt liabilities of general government and public corporations and their classification aligned to the *Public Sector Debt Guide 2011 (PSDG 2011)* will be provided.
- **Metadata released have been strengthened consistent with the dataset to enhance interpretation and analysis.** Work with member countries to ensure that comprehensive sources and methods are documented, updated and disseminated regularly, inclusive of IMF guided

dissemination standards, like special data dissemination standards (SDDS), general data dissemination system (GDDS) and enhanced general data dissemination system (e-GDDS).

107. Regional and sub-regional GFS training workshops are planned for FY2019. However, country-specific TA will still represent most of PFTAC's support with advisory in-country missions and remote support.

Macroeconomic Programming and Analysis

108. TA and training in FY2019 will continue to focus on developing and supporting the use of quantitative tools. Ten of PFTAC's 16 members, **Cook Islands, Fiji, Palau, PNG, RMI, Samoa, Solomon Islands, Tonga, Tuvalu,** and **Vanuatu** now have a macroeconomic programming framework which is a useful empirical tool for the analysis of economic developments. Countries' frameworks will be enhanced further to undertake medium-term projections, debt sustainability and external vulnerability assessments. Strengthening the capacity of staff at the central banks and ministries of finance to evaluate macroeconomic performance, identify vulnerabilities, prepare policy scenarios, and evaluate the sustainability of policies will remain the principal objective of the program.

109. Macroeconomic programming frameworks take a longer time frame into account. In all countries, except Solomon Islands, they now produce medium-term projections. **Solomon Islands** previously had the most advanced macroeconomic programming frameworks with both the Central Bank of Solomon Islands and the Ministry of Finance and Treasury using a financial programming framework. Other countries have caught up and the Solomon Islands frameworks will be upgraded in FY2019 to generate medium-term projections.

110. Through CD, tools and methodologies for forecasting GDP will continue to be developed. GDP is a key macroeconomic statistic and having accurate estimates of GDP is crucial. GDP is used by lenders as an indicator of a country's ability to repay its debt and it can determine how much and at what terms countries can borrow to finance essential infrastructure for economic development and improved living standards. GDP estimates and forecasts are also important for sound macroeconomic management and monetary and fiscal policy because GDP underlies the forecasts of inflationary pressures, the balance of payments, and tax revenue collections. Assistance with GDP forecasting will be provided to staff in **Palau** and **Tuvalu**. PFTAC will also support the **Samoa** Macroeconomic Committee to produce and publish official GDP forecasts. In addition, the first of two sub-regional workshops on "Gross Domestic Product, Gross National Income, and the Budget" will be held in FY2019. It will be organized with the PFM and Real Sector Statistics advisors. Representatives from the statistics offices, and ministries of finance from **Kiribati, Nauru, Niue, Timor Leste, Tokelau,** and **Tuvalu** will be invited to partake in the event.

111. TA and training will continue to develop tools and methodologies for forecasting government revenues including from fishing. Tax revenue forecasting will be reviewed in **Cook Islands** and historical fishing data will be compiled in **Tuvalu** to enhance fishing revenue forecasts. PFTAC will also continue to work with staff in the IMF Research Department to develop methodology to produce tuna price forecasts.

112. Medium-term economic and fiscal projections need to be consistent with population projections. Building on methodology developed during last year's PFTAC and UNESCAP workshop on

Medium-term Expenditure Planning for National Sustainable Development countries' frameworks will be modified to produce economic and fiscal forecasts that are in line with population projections produced by SPC and / or the UN.

113. PFTAC will support the use of macroeconomic programming frameworks to develop medium-term fiscal frameworks. Several PFTAC members have experienced substantial increases in fishing revenues (and government expenditure) following the introduction of the Parties to the Nauru Agreement vessel day scheme. Fishing revenues will continue to contribute significantly to government revenues but are expected to be volatile. A medium-term fiscal framework that is integrated with the annual budget process will help manage volatile fishing revenues and set targets for government expenditure.

114. A joint regional workshop on cash forecasting is planned with the PFM program. Adequate cash to pay for purchases of goods and services and a buffer to manage unexpected events, including natural disasters, is essential for government operation. The amount of cash governments receive each month depends on economic activity. Any revisions in economic forecasts need to be included in cash forecasts.

115. PFTAC will partner with ICD and the Singapore Training Institute (STI) to deliver training tailored to Pacific countries. The courses will be designed from ICD and STI training material around topics of relevance to the region and participants will use their own country's data and macroeconomic framework in hands-on, practical exercises. Training material is expected to be made available online by ICD and STI. The first event will be a macroeconomics course with representatives from the central banks and ministries of finance from **Cook Islands, Fiji, PNG, Samoa, Solomon Islands, Tonga, Timor Leste,** and **Vanuatu**. It will be co-hosted by **Solomon Islands** and held in Honiara, Solomon Islands in July 2018.

116. To support south-south learning PFTAC will continue to facilitate the recently re-launched practice of staff attachments. These entail officials from one country going to another country (usually in the region) for one to three weeks so that they can observe and learn first-hand how that country has instituted a reform or development that may have application and benefit to their country. On return home, participants prepare a report from the attachment for both the home and host country of what they observed and what they will do with this knowledge in their advice to their managers and colleagues. PFTAC covers the travel and accommodation costs and per diems of participants while the persons attached continue to receive their regular salary. Attachments between **Fiji, Samoa,** and **Tonga** will be facilitated. The Tonga Ministry of Finance and National Planning has the preeminent and best documented GDP forecasting system in the region and MFNP staff will host the attachment from Fiji and the Samoa Macroeconomic Committee to share knowledge. Representatives from Tonga will be attached to Samoa to learn about fiscal forecasting. The Samoa Bureau of Statistics remains the leader in the compilation of economic and fiscal data including government finance statistics and the Ministry of Finance's SERF Model is the longest used macroeconomic and fiscal framework in the region.

117. A new Macroeconomics advisor will start in FY2019. The work plan assumes a six-month overlap of the incoming and outgoing advisors.

ANNEX I: PFTAC RESULTS BASED MANAGEMENT (RBM) LOGICAL FRAMEWORK (LOGFRAME) HIERARCHY

Program	Strategic Objective	Topic Objective	Targeted Outcome
Public Financial Management (PFM)	Stronger PFM laws and institutions	1 Improved PFM laws and effective institutions	1.1 A more comprehensive legal framework covering all stages of the public financial management cycle is enacted
			1.2 The capacity of ministry of finance to meet its PFM responsibilities is enhanced
	Better budget preparation	2 Comprehensive, credible, and policy based budget preparation	2.1. A more credible medium-term macro-fiscal framework that supports budget preparation
			2.2. A more comprehensive and unified annual budget is published
			2.3. A more credible medium-term budget framework is integrated with the annual budget process
	Better budget execution and control	3 Better budget execution and control	3.1. Budget execution and controls are strengthened
Improved coverage and quality of Fiscal Reporting	4 Improved coverage and quality of Fiscal Reporting	4.1. The chart of accounts is aligned with international standards 4.2. Comprehensiveness, frequency, and quality of fiscal reports is enhanced	
Improved asset and liability management	5 Improved asset and liability management	5.2 Cash flow forecasts for all of central government are more accurate and timely 5.3 Cash and debt management are strengthened and better integrated 5.4 Disclosure and management of state assets is improved	
Strengthened identification, monitoring, and management of fiscal risks	6 Strengthened identification, monitoring, and management of fiscal risks	6.2 Central fiscal oversight and analysis of public corporation risks are strengthened	
Revenue Administration	Better revenue administration, management and governance arrangements	1. Strengthened revenue administration management and governance arrangements	1.1 A reform strategy and a strategic management framework are adopted and institutionalized 1.2 Organizational arrangements enable more effective delivery of strategy and reforms 1.3 Support functions enable more effective delivery of strategy and reforms 1.4 Transparency and accountability are more effectively supported by independent external oversight and internal controls 1.5 Corporate priorities are better managed through effective risk management 1.8 Effective implementation of a new tax or modified legislation

Program	Strategic Objective	Topic Objective	Targeted Outcome
Revenue Administration	Stronger tax administration core functions	2. Strengthened core tax administration functions	2.1 The integrity of the taxpayer base is strengthened 2.2 Taxpayer services initiatives to support voluntary compliance are strengthened 2.3 A larger proportion of taxpayers meet their <i>filing obligations</i> as required by law 2.4 A larger proportion of taxpayers meet their <i>payment obligations</i> as required by law 2.5 Audit and other verification programs more effectively ensure accuracy of reporting
Financial Sector Supervision	Strengthened Financial Sector Surveillance through upgrading of regulatory framework in line with international standards	1. Develop/strengthen banking regulations and prudential norms	1.1. Supervisors and regulations require banks to apply sound policies and processes to identify, measure, monitor and control their financial risks on a timely basis and assess their capital adequacy in relation to their risk profile 1.2. Supervisors and regulations require banks to have robust governance policies and processes covering among others effective board and senior management oversight and sound control environment. 1.5 Legal and regulatory framework equips supervisors with an adequate range of tools to bring about timely corrective actions for banks' problems and weaknesses
	More Efficient use of supervisory resources to better oversee key risks in the banking system	2. To implement a risk-based supervision (RBS) system and upgrade other supervisory processes	2.3 Bank risk assessment frameworks strengthened: a) Quality and timeliness of regulatory data enhanced; and b) Flexibility of reporting system improved 2.4 Strengthened institutional structure and operational and procedures for RBS implementation 2.5 Supervisors timely address unsafe and unsound practices or activities that could pose risks to banks or to the banking system

Program	Strategic Objective	Topic Objective	Targeted Outcome
Macroeconomic Statistics	Strengthen macroeconomic and financial statistics compilation and dissemination for decision making	1. Member/economy strengthens its compilation and dissemination of data on [topic] according to the relevant internationally accepted statistical standard, including developing/ improving statistical infrastructure, source data, serviceability and/or metadata	<ul style="list-style-type: none"> 1.3 Staff capacity increased through training, especially on developing source data and compilation methods (DQAF 0.2) 1.4 Data are compiled using the concepts and definitions of the latest manual/guide (DQAF 2.1) 1.5 Data are compiled using the coverage and scope of the latest manual/guide (DQAF 2.2) 1.9 Data are compiled using appropriate statistical techniques, including to deal with data sources, and/or assessment and validation of intermediate data and statistical outputs (DQAF 3.3 and/or 3.4) 1.10 Source data are adequate for the compilation of these macroeconomic statistics (DQAF 3.1) 1.12 Higher frequency data have been compiled and/or disseminated internally and/or to the public (DQAF 4.1.1) 1.15 data sets used by policy-makers have been made more intersectorally consistent (reduced discrepancies) (DQAF 4.2.3) 1.18 A new data set has been compiled and/or disseminated internally and/or to the public 1.20 Metadata released internally and/or to the public have been strengthened consistent with the dataset to enhance interpretation and analysis (DQAF 5.2) 1.21 Business processes documentation for compilation and/or dissemination of macroeconomic and financial statistics is stored, accessed, and regularly updated.
Macroeconomic Programming and Analysis	Well-functioning macroeconomic policy and institutions and improved macroeconomic policy advice to governments	1. Well-functioning macroeconomic policy and institutions and improved macroeconomic policy advice to governments	<ul style="list-style-type: none"> 1.1 Timely, high quality macroeconomic monitoring, analysis, and research available for policy makers 1.2 Ready public access to key monetary, fiscal and financial soundness information 1.3 Sound medium-term macroeconomic programming framework

ANNEX II: PFTAC STAFF

The Centre 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. Below are short background notes on all the staff who worked at PFTAC during FY2018.

DAVID KLOEDEN, PFTAC COORDINATOR (SINCE FEBRUARY 2017)

David joined PFTAC in February 2017. David is an Australian national, and prior to coming to PFTAC served as Coordinator of CARTAC – the IMF’s Caribbean Regional Technical Assistance Center based in Barbados. With 20+ years as an IMF tax administration specialist, he has extensive Domestic Revenue Mobilization experience. He is a CPA, has an undergraduate degree in information technology and post graduate degrees respectively in financial management, tax law, and economics.



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.



BAREND DE LA BEER, GOVERNMENT FINANCE STATISTICS ADVISOR

Barend joined PFTAC in March 2017. Barend is South African but becoming a New Zealander. Many PFTAC members will already be familiar with Barend, as he has been working with the IMF as an STX in the Japanese-sponsored project on GFS capacity building in the Pacific since 2013. Previously, Barend worked as a senior financial analyst with the Auckland Council, and, from 1997-2011, with the National Treasury of South Africa.



RICHARD NEVES, PUBLIC FINANCIAL MANAGEMENT ADVISOR

Joined PFTAC in October 2016. Richard is an Australian who has worked in the budget areas of the Australian Department of Finance and the ACT Treasury. Richard has also worked in Timor Leste for five years as the lead budget advisor and was the Cook Islands Financial Secretary from 2011 to 2015.



CHITA MARZAN, PUBLIC FINANCIAL MANAGEMENT ADVISOR

Chita joined PFTAC in September 2014, and in February 2018 was reassigned as PFM advisor in South East Asia and the IMF TA center in Thailand. Chita is a Filipina, 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.

**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.

**BEN STEFANOU, FINANCIAL SECTOR SUPERVISION ADVISOR**

Ben joined PFTAC in July 2016, and is an Australian national. Ben has extensive experience both as a bank supervisor with APRA, the Australian bank regulator, and working in the commercial banking sector. More recently, he has worked with the IMF as a TA advisor in the Caribbean.

**RICHARD WILD, NATIONAL ACCOUNTS STATISTICS ADVISOR**

Richard joined PFTAC in January 2016. A British national, Richard began his career as a macroeconomic researcher at Cardiff University, Wales, before working as an economist for the UK Office for National Statistics, specializing in the national accounts. Prior to joining PFTAC, Richard worked for the IMF as a short-term expert.



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 the 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, and supports the administration of travel and payment processing, mission documentation and manages PFTAC security arrangements. Previously he spent nine years with the Government of Fiji, including seven 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: MEETINGS, SEMINARS, AND TRAINING

May 2017-April 2018

TA Sector	Description	Location	Advisor	Days	Participants		Month
					M	F	
Public Financial Management (PFM)	Strengthening Budget Execution Controls	Nadi, Fiji	LTX – Chita Marzan STX – Mark Silins	5	10	5	Aug-17
	Strengthening regional coordination	Sydney, Australia	LTX – Richard Neves	4	n.a.	n.a.	Nov-17
	Fiscal Oversight of State Owned Enterprises	Nadi, Fiji	LTX – Chita Marzan STX – Mark Silins	5	8	7	Feb-18
PFM & Macroeconomic Analysis	Medium-term Expenditure Planning for National Sustainable Development (ESCAP/PFTAC)	Apia, Samoa	LTX – Iris Claus LTX – Richard Neves	5	38	36	Nov-17
	Fishing Revenue Forecasting Management	Majuro, Marshall Is.	LTX – Iris Claus LTX – Richard Neves	5	28	20	Feb-18
Revenue	OCO Annual conference	Guam	LTX – Stanley Shrosbree	5	-	-	May-17
	Auditing Financial Statements	Nadi, Fiji	STX – Richard Teed LTX – Stanley Shrosbree	5	13	12	July-17
	VAT Fraud	Nadi, Fiji	LTX – Stanley Shrosbree STX - Rodney Ettridge	5	21	7	Aug-17
	PITAA Heads Meeting	Apia, Samoa	LTX – Stanley Shrosbree	3	24	11	Sept-17
	Senior Managers Workshop	Apia, Samoa	LTX- Stanley Shrosbree STX – Carson McNeill	3	13	8	
	Developing an effective taxpayer services approach	Pohnpei, FSM	STX – Lawrence Dean PITAA – Teisa Cokanasiga	3	14	4	Nov-17
	Revenue	Risk Management Study Tour	Suva, Fiji	LTX – Stanley Shrosbree	8	9	2
International Survey on Revenue/Customs Administration (ISORA) (PFTAC/IMF-FAD)		Nadi, Fiji	LTX – Stanley Shrosbree IMF – Elizabeth Gavin	5	tbd	tbd	
Financial Sector Supervision	Financial Sector Regulatory Reform for Northern Pacific (FSM, Palau, RMI) and Kiribati	Guam	LTX – Benjamin Stefanou STX – Joel Hefty LEG – Jane Anwari	5	4	6	July-17
	Annual Meeting of the Association of Financial Supervisors of Pacific Countries (AFSPC)	Rarotonga, Cook Islands	LTX – Benjamin Stefanou STX – James Hambric MCM – David Parker	5	13	12	Aug-17
	Governor's Meeting	Tonga	LTX – Benjamin Stefanou	4	n.a.	n.a.	Nov-17

TA Sector	Description	Location	Advisor	Days	Participants		Month
					M	F	
	Pacific Roundtable on Correspondent Banking Relationships and Pressure on Remittances in the Pacific	Sydney, Australia	LTX – Benjamin Stefanou	2	n.a.	n.a.	Feb-18
Statistics	Government Finance Statistics	Nadi, Fiji	LTX- Barend De La Beer STX – Hendrik-Tillmann-Zorn	5	13	17	Aug-17
	Pacific Leadership Forum (Australian Bureau of Statistics)	Nadi, Fiji	LTX – Barend De La Beer LTX – Richard Wild	2	n.a.	n.a.	
	Heads of Planning and Statistics Conference (HOPS)	New Caledonia	LTX – Barend De La Beer LTX – Richard Wild	3	n.a.	n.a.	Nov-17
Statistics & Macroeconomic Analysis	Compiling Gross Domestic Product, Government Finance Statistics and Fiscal Forecasting	Pohnpei, FSM	LTX – Iris Claus LTX – Barend De La Beer LTX – Richard Wild	5	tbd	tbd	Apr-18
	Compiling and Forecasting Gross Domestic Product Workshop	Suva, Fiji	LTX – Iris Claus LTX- Richard Wild	5	8	21	Oct-17
IMF/PFTAC	PFTAC Steering Committee Meeting	Suva, Fiji	PFTAC	3	tbd	tbd	Mar-18

ANNEX IV: TA MISSION REPORTS TRANSMITTED TO COUNTRY AUTHORITIES

May 2017-April 2018

TA Sector	Country	Mission Month	Title of Report	Author	Transmittal Letter Date
Public Financial Management (PFM)	Fiji	May-17	Strengthening Internal Audit	Morrison	07-Jul-17
			Strengthening Fiscal Oversight of Public Enterprises and Statutory Authorities	Marzan	06-Jun-17
			Development of Government Accounting and Non-Financial Assets	Marzan	10-May-17
		Jul-17	Improving Chart of Accounts	Silins	08-Aug-17
		Dec-17	Drafting Instructions to Ministries on Financial Reporting	Marzan	07-Feb-18
		Jan-18	Regulations/Guidelines on Financial Reporting by Line Ministries	Marzan	23-Feb-18
	Marshall Is.	Feb-18	Assisting the authorities with budget documentation	Neves	Not finalized
	PNG	Oct-17	Internal Audit Capacity Development	Morrison	15-Nov-17
		Feb-18	Implementing IPSAS	Mayes	Not finalized
	Samoa	Jul-17	Improving Fiscal Oversight of the financial and non-commercial SOEs	Narube	10-Aug-17
			Improving Accounting and Reporting Frameworks	Marzan	16-Oct-17
	Tonga	Jul-17	Strengthening Accounting and Financial Reporting	Marzan	24-Aug-17
	Vanuatu	Jul-17	Capacity-development on accounting and reporting	Marzan & Uluinaceva	10-Aug-17
		Nov-17	Capacity-development on accounting and reporting	Marzan & Uluinaceva	18-Dec-17
		Nov-17	Strengthening Internal Audit – Phase 2	Prceovich	04-Jan-18

TA Sector	Country	Mission Month	Title of Report	Author	Transmittal Letter Date
Revenue	Fiji	Aug-17	Review of proposed systems functionality and required governance arrangements	Dark	02-Oct-17
		Nov-17	Strengthen audit capacity and programs to ensure completeness/accuracy	Teed	22-Jan-18
		Jan-18	Review of Compliance Improvement Strategy	Aslett	Not finalized
		Feb-18	Expanding Self Assessment – Phase 1	McNeill	Not finalized
		Mar-18	Strengthen Arrears and Returns Management	Dean	Not finalized
	Fiji/Region	Mar-18	VAT Audit Methods for the Region	Haigh	Not finalized
		Apr-18	Regional IT Model	Dark	Not finalized
	FSM	Nov-17	Strengthen taxpayer services	Dean	27-Dec-17
	Kiribati	Aug-17	Reform priorities moving forward	Scott	02-Oct-17
		Mar-18	Strengthen Arrears and Returns Management	Scott	Not finalized
			Strengthen VAT Audit	Leano	Not finalized
	Marshall is.	Aug-17	Strengthening taxpayer service, return filing and payment activities	Dean	02-Oct-17
	Niue	Nov-17	Strengthen organization design	Shrosbree	24-Jan-18
		Mar-18	Modernizing the Income Tax Act	Burns	Not finalized
	Palau	Dec-17	Understanding how a VAT system operates	Piper	22-Jan-18
	PNG	Jul-17	Renewal of the Internal Revenue Commission's corporate and business plan	McNeill	18-Aug-17
		Aug-17	Developing a medium-term revenue strategy	Shrosbree	27-Oct-17
		Dec-17	Developing an Information Technology Strategic Plan	Dark	24-Jan-18
		Dec-17	Corporate Plan 2018-2022: New Initiatives	McNeill	22-Jan-18
	Samoa	Sept-17	Introducing an industry partnership approach to improve tax compliance in cash economy sectors	Shrosbree	03-Nov-17
		Nov-17	Strengthening Arrears and Returns Management	Teed	27-Dec-17
	Solomon Is.	Feb-18	Strengthen Arrears and Returns Management	Dean	Not finalized
	Tonga	Aug-17	Strengthen tax audit and risk management	Teed	26-Sept-17
	Vanuatu	Jul-17	Evaluating the compliance improvement strategy pilot project and conducting a high-level review of reforms	Shrosbree	4-Oct-17
		Aug-17	Review of reforms and development of core functions	McNeill	4-Oct-17

TA Sector	Country	Mission Month	Title of Report	Author	Transmittal Letter Date
Financial Sector Supervision	Cook Is.	July-17	Supervision Framework Enhancement – Update of Prudential Standards	Stefanou & Algier	26-Sept-17
		Jan-18	Supervision Framework Enhancement	Henderson	Not finalized
		Mar-18	Prudential Reporting	Jason	Not finalized
	Kiribati	Nov-17	Capacity Building in On-Site Supervision	Henderson	Not finalized
	PNG	Jun-17	Supervision Framework Enhancement Program	Stefanou & Jackson	09-Aug-17
		Nov-17	Supervision Framework Enhancement – Risk rating and supervisory action planning	Stefanou & Terence	Model and support material developed– Nov-17
		Feb-18	Risk Based Supervision	Stefanou	Not finalized
	Solomon Is.	Sept-17	Supervision Framework Enhancement – Diagnostic	Stefanou & Henderson	19-Jan-18
	Tuvalu	Nov-17	Development of basic prudential reporting and framework	Stefanou	Supervision development strategy and TA plan established – Nov-17
	Vanuatu	May-17	Supervision Framework & Enhancement Program	Stefanou & Jackson	11-Aug-17
		Apr-18	Supervision Framework Enhancement	Jackson	Not finalized

TA Sector	Country	Mission Month	Title of Report	Author	Transmittal Letter Date
Statistics	Cook Is.	Jul-17	Government Finance Statistics	De La Beer	29-Aug-17
		Sep-17	Balance of Payments Statistics	Robertson	Not finalized
		Apr-18	National Accounts	Andrews	Not finalized
	Fiji	Jan-18	Government Finance Statistics	De La Beer	06-Mar-18
	FSM	Apr-18	Balance of Payments	Fitzgibbon	Not finalized
	Kiribati	Aug-17	Government Finance Statistics	Tillman-Zorn	31-Oct-17
			National Accounts	McAllister	1-Nov-17
	Marshall Is.	Oct-17	National Accounts	Freeman	26-Jan-18
	Nauru	Sep-17	Government Finance Statistics	De La Beer	29-Nov-17
			National Accounts	Wild	05-Dec-17
	Niue	Feb-18	National Accounts	Freeman	Not finalized
	Palau	Oct-17	National Accounts	Freeman	04-Feb-18
	PNG	Oct-17	Government Finance Statistics	De La Beer	15-Jan-18
		Nov-17	National Accounts	Wild	23-Feb-18
		Feb-18	National Accounts	Wild	Not finalized
	Samoa	Jun-17	National Accounts Statistics	Wild	14-Aug-17
		Sep-17	Government Finance Statistics	De La Beer	31-Oct-17
		Oct-17	National Accounts	Wild	11-Dec-17
	Solomon Is.	Mar-18	National Accounts	Wild	Not finalized
	Timor-Leste	Apr-18	Government Finance Statistics	Youngberry	Not finalized
	Tonga	Jun-17	Government Finance Statistics	De La Beer	20-Aug-17
		Mar-18	National Accounts	Wild	Not finalized
	Tuvalu	Mar-18	Government Finance Statistics	De La Beer	Not finalized
	Tuvalu	Apr-18	National Accounts	Freeman	Not finalized
	Vanuatu	Aug-17	National Accounts	Wild	26-Sept-17
		Nov-17	Government Finance Statistics	Janse van Rensburg	16-Feb-18
	Macroeconomic Analysis	Samoa	Nov-17	Expand the Use and Functionality of the Samoa Economic and Forecasting (SERF) Model	Claus

ANNEX V: FY2018 PROJECTED WORKPLAN OUTTURNS BY PROGRAM

See Separate Attachment

ANNEX VI: FY2019 DRAFT WORKPLANS BY PROGRAM

See Separate Attachment

ANNEX VII: FY2019 DRAFT WORKPLANS BY COUNTRY

See Separate Attachment

DRAFT

DRAFT