

PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTRE

Supporting Macro-Financial Stability and
Sustainable and Inclusive Growth in the Pacific



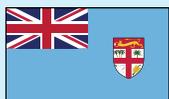
ANNUAL REPORT 2019



PFTAC is an IMF initiative supported by the following member countries and development partners:



Cook Islands



Fiji



Kiribati



Marshall Islands



Federated States of Micronesia



Nauru



Niue



Palau



Papua New Guinea



Samoa



Solomon Islands



Timor-Leste



Tokelau



Tonga



Tuvalu



Vanuatu



A MESSAGE FROM THE PFTAC STEERING COMMITTEE CHAIRMAN



Mr. Loi M. Bakani, CMG

Governor, Bank of Papua New Guinea since 2009

PFTAC Chairman 2019

The reporting period was historic given the 25th anniversary of PFTAC as the first role model of regional Capacity Development (CD) centers that the IMF has now replicated globally more than 15 times. In addition to celebrating this major milestone, the year was the busiest in terms of CD delivery, budget utilization, and most importantly, member country progress towards sustainable outcomes that contribute to inclusive growth.

It is my pleasure to host members and observers at the 2019 PFTAC Steering Committee convened in Port Moresby, Papua New Guinea on March 27 and 28, 2019. I am delighted to proudly host this event at one of the prime venues of the highly successful series of Asia Pacific Economic Cooperation (APEC) meetings in 2018, that culminated in the leaders' meeting in November.

Looking back over the period May 1, 2018 to date, the highlight of the PFTAC calendar was the High-Level Dialogue on Capacity Development and Growth held in Nadi, December 6 and 7, 2018 Fiji and attended by 200 Pacific and regional senior policy makers and an array of development partners, thought leaders, and civil society. The important contribution of PFTAC over the past 25 years was clearly articulated, noting a continuing, but adapting role required going forward to help the Pacific address its new and future economic development and capacity challenges.

The volume of CD delivered by PFTAC was 13 percent up over the previous year that had otherwise been the busiest to date, with budget utilization up 15 percent. This was achieved despite the turnover of four of the team of seven resident experts, with both Statistics advisors departing for Washington positions with gaps before arrival of successors, the arrival in June 2018 of a new PFM advisor after a gap of four months, and the smooth transition of Revenue advisors with a month-long handover. Delivery growth was mostly attributed to scaling-up of the Revenue program given additional resources pledged by Australia to support revenue mobilization generally, and PACER Plus adjustments.

Financing for PFTAC operations benefited from a € 6 million contribution agreement from the European Union and the noted additional Revenue support. Member country contributions have been encouraging, subject to the remaining three members formalizing their commitments to shared regional support. As we approach the halfway point in the current fifth operational and financing phase, a remaining funding gap must be closed with some urgency to safeguard the scope and volume of the future PFTAC program.

To conclude, I thank PFTAC for its recent help to Papua New Guinea, including in capacity building for bank supervision; training and TA to strengthen medium-term macroeconomic models and forecasting capacity of BPNG and the Treasury; foundational work that led to the Medium-Term Revenue Strategy (MTRS) efforts now under way, and a forthcoming PEFA assessment of the national state of Public Financial Management.

FOREWORD FROM THE PFTAC COORDINATOR



David Kloeden

I am very pleased to present this annual report covering the accomplishments of PFTAC in its 25th year of operations, a major milestone for both the Pacific and the regional Capacity Development (CD) model of the International Monetary Fund. It was a pleasure to join with so many past and present contributors to the success of PFTAC at our anniversary event in Nadi in December 2018.

Thirty months have now elapsed since the start of Phase V as we now approach the mid-point of the operational and financing cycle and begin preparing for a mid-term external evaluation. The period May 2018 to April 2019 is our second full fiscal year of this phase, with each year producing a record level of CD delivery. Although an even higher level of execution is planned for FY2020, this is expected to plateau at an optimal level of our delivery ability and more importantly the absorptive capacity of our membership. Much of the recent growth is attributed to a heavier fiscal effort, predominantly through the Revenue program that is benefiting from additional Australian financing to expand in support of revenue mobilization generally, and more specifically, to help those PACER Plus signatory countries to institute reforms to offset expected declining trade tax collections

We bid farewell to three of the team, namely Richard Wild and Barend de la Beer respectively the real sector and government finance statistics advisors, both recruited to the IMF Statistics Department, and Stan Shrosbree after four years as revenue advisor. The gratitude that Stan earned from tax practitioners across the Pacific was warmly displayed at the 2018 PITAA meeting. He remains heavily engaged in delivering the expanded revenue program from his Auckland base.

Five new staff joined PFTAC in the period, first Celeste Kubasta as PFM advisor in June 2018; Shane Prasad in August 2018 in the new role as economic analyst; Georg Eysselein and Marcus Scheiblecker as revenue and RSS advisors in October 2018; and Luis Temes as new GFS advisor from April 2019. Three locally selected interns spent time at PFTAC, two during the July 2018 break and another in February 2019.

The PTAC team and our colleagues from the IMF Suva Resident Representative office spent most of the year in temporary office facilities while our home for most of the past 25 years on the seventh floor of the Reserve Bank of Fiji building was renovated. We returned to an updated and refreshed work environment in late April 2019.

You will notice significant changes in this report from the past as we adopt a style recently piloted by the IMF Central Africa CD center that is now being rolled out across all centers including PFTAC. This is a final version of the report incorporating changes and adjustments to an earlier draft version issued in advance of the March 2019 Steering Committee reflecting actual results and resource utilization through the end of April 2019.

Many thanks to the staff at PFTAC and our Washington colleagues plus everyone who contributes to our mandate for a very busy but productive and rewarding year. This has only been possible with both the financial and substantive support of our donors and member countries who have made such good use of PFTAC's capacity development efforts over the years that are encapsulated in the Fijian example shown in the short video presented at the anniversary event:

<https://www.pftac.org/content/dam/PFTAC/Videos/PFTAC25years.mp4>

LIST OF ACRONYMS AND ABBREVIATIONS

| | |
|--------|---|
| ABS | Australian Bureau of Statistics |
| ADB | Asian Development Bank |
| AFSPC | Association of Financial Supervisors of Pacific Islands Countries |
| APD | IMF Asia and Pacific Department |
| APEC | Asia Pacific Economic Cooperation |
| BCG | Budgeting Central Government |
| BOP | Balance of Payment |
| BPNG | Bank of Papua New Guinea |
| CARTAC | Caribbean Regional Technical Assistance Centre |
| CBSI | Central Bank of the Solomon Islands |
| CD | Capacity Development |
| CIS | Compliance Improvement Strategy |
| COA | Chart of Accounts |
| DFAT | Australian Department of Foreign Affairs and Trade |
| DRM | Domestic Resource Mobilization |
| ESS | External Sector Statistics |
| EU | European Union |
| FAD | IMF Fiscal Affairs Department |
| FEMM | Forum Economic Ministers Meeting |
| FMIS | Financial Management Information System |
| FSM | Federated States of Micronesia |
| FP | Financial Programming |
| FSS | Financial Sector Supervision |
| FTE | Full Time Equivalent |
| FY | Financial year |
| GDP | Gross Domestic Product |
| GG | General Government |
| GFS | Government Financial Statistics |
| GFSM | Government Finance Statistics Manual |
| HIES | Household Income and Expenditure Survey |
| HLD | High Level Dialogue |
| HQ | (IMF) Headquarters |
| ICD | IMF Institute for Capacity Development |
| IFRS | International Financial Reporting Standards |
| IMF | International Monetary Fund |
| IPSAS | International Public-Sector Accounting Standards |
| ISORA | International Survey on Revenue Administrations |
| IT | Information Technology |
| ITA | Income Tax Act |
| 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 |
| MFED | Ministry of Finance and Economic Development |
| MFEM | Ministry of Finance and Economic Management |
| MOVE | Model of the Vanuatu Economy |
| MPCC | Macroeconomic Policy Coordination Committee |
| MTRS | Medium Term Revenue Strategy |
| MTSES | Medium Term Supervision Enhancement Strategy |
| NA | National Accounts |
| NSO | National Statistical Office |
| OCO | Oceania Customs Organization |
| PACER | Pacific Agreement on Closer Economic Relations |
| PASAI | Pacific Association of Supreme Audit Institutions |
| PAYE | Pay as You Earn |
| 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 |
| PNG | Papua New Guinea |
| PRIF | Pacific Regional Infrastructure Facility |
| PSDS | Public Sector Debt Statistics |
| PSSC | Pacific Statistics Steering Committee |
| RAP | Resource Allocation Plan |
| RBM | Results-Based Management |
| RBS | Risk Based Supervision |
| RMI | Republic of the Marshall Islands |
| RCDC | Regional Capacity Development Centre |
| RSS | Real Sector Statistics |
| 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 |
| TAA | Tax Administration Act |
| TADAT | Tax Administration Diagnostic Assessment Tool |
| TEI | Tuvalu Economic Indicators |
| TYPSS | Ten Year Pacific Statistics Strategy |
| UNDP | United Nations Development Program |
| UNESCAP | United Nations Economic and Social Commission for Asia and the Pacific |
| USP | University of the South Pacific |
| VAT | Value Added Tax |

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SECTION I

OVERVIEW



PFTAC 25th Anniversary, Nadi, December 2018

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OVERVIEW OF THE PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTRE (PFTAC)

INSITUTIONAL FRAMEWORK

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).

PFTAC assists 16 PICs that 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.

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.



Delegates at the 2019 PFTAC Steering Committee, PNG, March 2019

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 which falls due in the coming year.

CAPACITY DEVELOPMENT STRATEGY

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.



Opening ceremony, Steering Committee, PNG, March 2019



PFTAC Resident Advisors, Steering Committee, Fiji, March 2018



Partners of PFTAC, Steering Committee, Fiji, March 2018

PFTAC PROGRAMS

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 two core programs covering 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.

RESULTS BASED MANAGEMENT

Our Results Based Management (RBM) 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 FY2019, the PFTAC programs were working towards 12 high-level objectives cited throughout this report, drilling down to 42 outcomes. (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). We actively tracked and reported on the progress of 528 milestones of which 365 were expected to be achieved during the period or earlier.

PFTAC is managed by a Coordinator, and CD is provided by the team of resident advisors with substantial expertise in their respective sectors and supported by four administrative employees and a recently recruited economic analyst in our Suva office. 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 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 and a recently recruited economic analyst.

PARTNER COLLABORATION

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).

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.

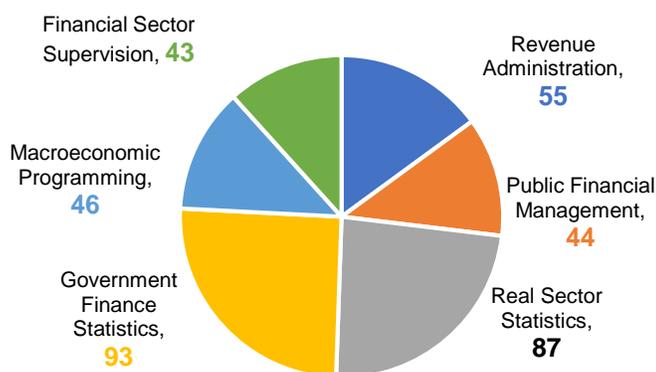
GENDER AND INCLUSIVENESS

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 proactively encourages beneficiary agencies to nominate suitably qualified female candidates, and similarly encourages and facilitates participants with disabilities. This has included making appropriate arrangements for mobility impaired participants at training events and seminars, ensuring accessibility of accommodation and venue facilities. PFTAC has participated in the Pacific Disability Forum in 2018 and 2017, an important annual multi-stakeholder dialogue event. The most recent engagement built on a 2017 PFTAC presentation on budget processes in which the forum discussed recent findings on trends in public spending on disability inclusivity across six PICs.

The proportion of female training participants was 40.5 percent in FY2019, across several workshops and courses delivered by April 2019. PFTAC outreach through social media and other

traditional channels highlights IMF research on a range of gender issues of macro-criticality, including work place participation, financial inclusion, and gender-based budgeting issues that is increasingly being reflected in the policy discussions under the IMF's surveillance role, and where member country interest and demand exists, through Capacity Development events provided regionally or customized to country needs. Past examples include a 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.

CHART 1: 368 MILESTONES DUE BY APRIL 2019 BY PROGRAM



PFTAC PROGRAMS AND AREAS OF OPERATION

REVENUE ADMINISTRATION

In the area of revenue policy and administration, PFTAC supports member countries to strengthen the capacities of tax administrations, mobilizing tax revenue, improving taxpayer compliance, and promoting citizens' ownership of their role as taxpayers.

OBJECTIVES

- (1) Strengthened revenue administration management and governance arrangements
- (2) Strengthened core tax administration functions, including an accurate taxpayer base, quality taxpayer services supporting voluntary compliance, and improvements in filing, payment and audit services.
- (3) Improved legal frameworks

PUBLIC FINANCIAL MANAGEMENT

In this area, the Center supports the planning and prioritization of PFM reforms based on the PEFA framework and assessments; strengthening legal frameworks; strengthening budget preparation, budget transparency, execution; and strengthening budget monitoring, reporting and accountability.

OBJECTIVES

- (1) Improved PFM laws and effective institutions
- (2) Comprehensive, credible, and policy based budget preparation
- (3) Improved budget execution and control supported by an efficient financial management system (FMIS) and with responsive internal audit
- (4) Improved coverage and quality of fiscal reporting
- (5) Improved asset and liability management
- (6) Strengthened management of fiscal risks

MACROECONOMIC PROGRAMMING

This program aims to improve macroeconomic policy advice to governments and central banks through more effective medium-term economic frameworks and forecasting capacity.

OBJECTIVES

- (1) Well-functioning macroeconomic policy and institutions and improved macroeconomic policy advice to government through sound medium-term macroeconomic frameworks; strong institutions for policy making; improved public access to key macroeconomic and fiscal information; and sound macroeconomic surveillance and policy/ research available for policy making.

GOVERNMENT FINANCE STATISTICS

In this area, the Center supports the member states in compiling and harmonizing government finance statistics to ensure they are both reliable and consistent with international standards.

OBJECTIVES

- (1) Strengthened compilation and dissemination of data on financial statistics for decision making
- (2) Enhance transparency of financial statistics for decision making through strengthened dissemination via the Fund's Data Standard Initiative

REAL SECTOR STATISTICS

In this area, the Center supports the member states in compiling national accounts that are robust and compliant with international standards and in implementing effective economic policy tools.

OBJECTIVES

- (1) Strengthened compilation and dissemination of data on financial statistics for decision making

BANKING REGULATION AND SUPERVISION

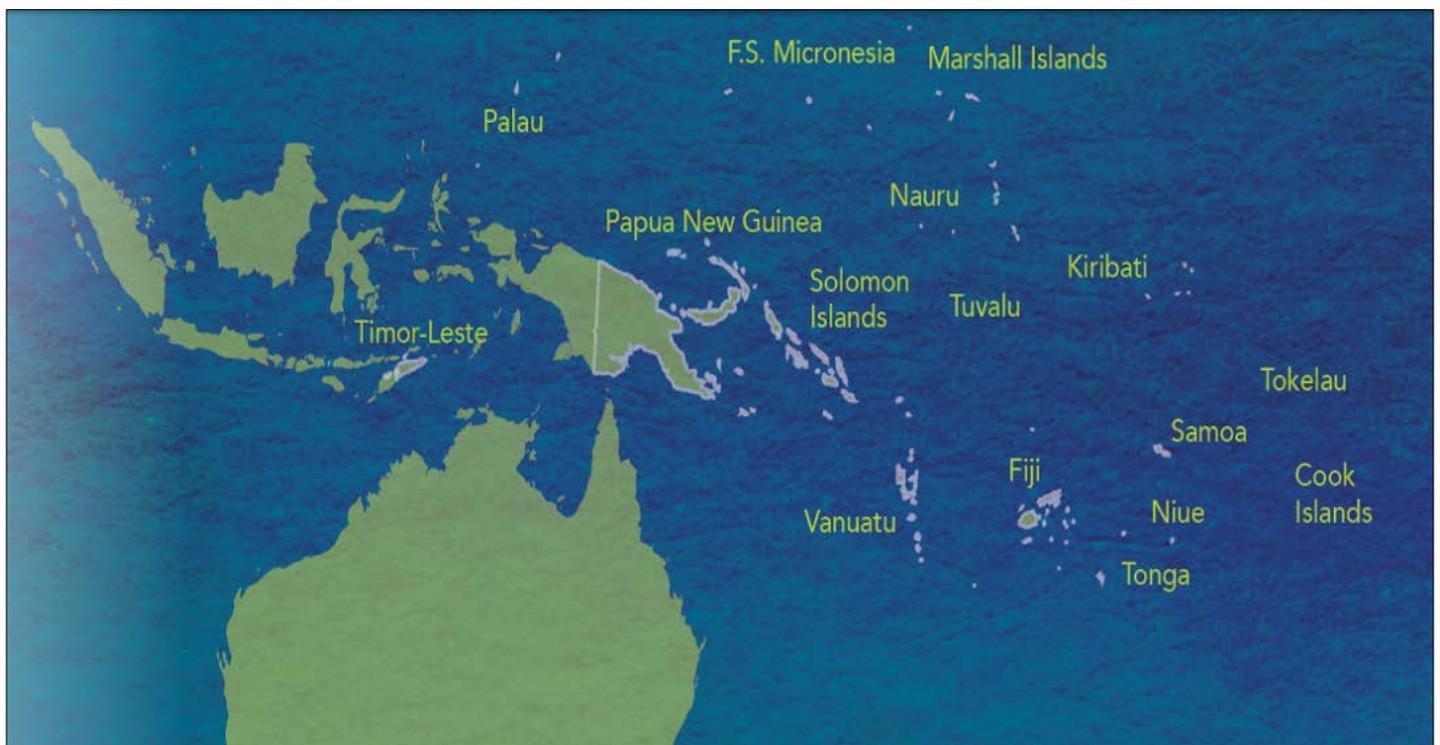
In this area, the Center helps the countries create resilience in their banking systems through sound regulation that helps promote financial stability and better access to finance.

OBJECTIVES

- (1) Strengthened financial sector surveillance through upgrading of regulatory framework in line with international standards
- (2) Make more efficient use of supervisory resources to better oversee key risks in the banking system
- (3) Ensure that banks have strong capital and liquidity positions that adequately cover their risks and contribute to financial system stability
- (4) Improved supervisory effectiveness through enhanced capacity in IFRS knowledge related to provisioning.

PFTAC MEMBER COUNTRIES AND PARTNERS

PFTAC MEMBER COUNTRIES



PFTAC PARTNERS

Asian Development Bank



Korea



European Union



New Zealand



Australia



SECTION II

RESULTS

(MAY 2018 – APRIL 2019)



Government Finance Statistics Regional Workshop, Fiji, August 2018

A

SUMMARY AND OVERVIEW

FY2019 was a record year for PFTAC on several fronts. It was the 25th year of operations since establishment in 1993 as the first Regional Technical Assistance Center (RTAC) of the IMF, now called Regional Capacity Development Centers (RCDC) in recognition of the integration of training and technical assistance into Capacity Development (CD). A major event was convened in Fiji in early December 2018 to celebrate the anniversary milestone.

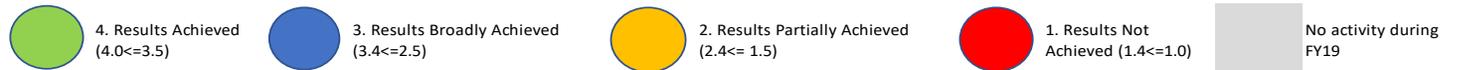
MAIN ACHIEVEMENTS

Multiple metrics can be used to measure CD, including inputs such as financial resources and personnel; activities like missions and training events; and outputs like mission reports, strategy documents and medium-term economic frameworks. Outcomes however are what ultimately matter to advance each member country and the region towards their overarching objective of inclusive and sustainable growth and macroeconomic and financial stability.

During Phase V, the five PFTAC programs cumulatively work towards 13 high level outcome objectives, six for PFM, two each for Revenue and FSS, and one each for the Macro and two statistics programs.

The progress towards completion of 368 predefined milestones that were expected to be achieved by the end of April 2019 have been tracked and summarized at Chart 1. Each milestone is scored from 1 (not achieved) to 4 (fully achieved) and are averaged when grouped. This provides a snapshot of where the PFTAC programs are working within each country towards broadly targeted objectives, reflecting the progress towards completion of milestones that ultimately contribute to reaching the targeted outcomes. Box 1 then provides a summary of the main results achieved or underway during the year.

CHART 2. IMPLEMENTATION PROGRESS OF PFTAC'S LOGICAL FRAMEWORK AT APRIL 30, 2019



| | PFTAC Region | Cook Islands | Fiji | FSM | Kiribati | Nauru | Niue | Palau | PNG | RMI | Samoa | Solomon Islands | Timor Leste | Tokelau | Tuvalu | Tonga | Vanuatu |
|---|--------------|--------------|---------|---------|----------|---------|---------|---------|---------|---------|---------|-----------------|-------------|---------|---------|---------|---------|
| Public Financial Management | | | | | | | | | | | | | | | | | |
| 1. Stronger PFM Laws and Institutions | Avg 2.8 | | Avg 2.0 | | Avg 3.5 | Avg 1.5 | | Avg 1.0 | Avg 2.5 | | Avg 3.5 | Avg 4.0 | Avg 3.0 | Avg 2.5 | | Avg 3.5 | |
| 2. Comprehensive, credible, and policy-based budget Preparation | Avg 1.7 | | | | | | | | | Avg 1.7 | | | | | | | |
| 3. Improved Budget Execution and Control | Avg 3.0 | | Avg 3.0 | | | | | | | | | | | | | | |
| 4. Improved Coverage and Quality of Fiscal Reporting | Avg 2.6 | | Avg 2.5 | | | Avg 3.0 | | | Avg 3.0 | | Avg 3.0 | Avg 1.0 | | | | Avg 2.5 | Avg 3.0 |
| 5. Improved Integration of Asset and Liability Management | Avg 3.0 | | | | | | | | | | Avg 3.0 | Avg 3.0 | | | | | |
| 6. Strengthened identification, Monitoring, and Management of Fiscal Risks | Avg 2.3 | | Avg 3.0 | | | | Avg 1.0 | | | | Avg 2.5 | | | | | | |
| Revenue Policy and Administration | | | | | | | | | | | | | | | | | |
| 1. Better revenue administration, management and governance arrangements | Avg 3.0 | Avg 4.0 | Avg 4.0 | Avg 1.0 | | | Avg 4.0 | Avg 3.5 | Avg 3.0 | Avg 2.0 | Avg 2.0 | | | | | Avg 4.0 | Avg 2.0 |
| 2. Stronger tax administration core functions | Avg 2.6 | | Avg 2.6 | Avg 2.7 | Avg 2.6 | | Avg 2.0 | Avg 4.0 | | Avg 2.4 | Avg 2.6 | | | | | | Avg 3.0 |
| Financial Sector Supervision | | | | | | | | | | | | | | | | | |
| 1. Develop/strengthen banking regulations and prudential norms | Avg 2.3 | Avg 2.5 | Avg 2.0 | Avg 2.0 | | | | Avg 2.0 | Avg 2.0 | | Avg 2.7 | Avg 2.0 | | | | | Avg 2.7 |
| 2. Implement a risk-based supervision (RBS) system and upgrade other supervisory processes | Avg 2.6 | Avg 2.8 | | | | | | | Avg 2.8 | Avg 2.0 | | Avg 2.5 | | | Avg 2.0 | | Avg 2.5 |
| Macroeconomic Programming | | | | | | | | | | | | | | | | | |
| 1. Well functioning macroeconomic policy and institutions: improved macroeconomic policy advice to government | Avg 2.7 | Avg 3.5 | Avg 1.3 | | | | | Avg 3.0 | Avg 2.5 | Avg 1.8 | Avg 3.3 | Avg 3.5 | | | Avg 2.1 | Avg 3.0 | Avg 2.2 |
| Government Finance Statistics | | | | | | | | | | | | | | | | | |
| 1. Strengthen compilation and dissemination of data on macroeconomic and financial statistics. | Avg 2.1 | Avg 1.2 | Avg 2.0 | Avg 2.0 | Avg 2.0 | Avg 2.8 | | Avg 1.3 | Avg 2.1 | Avg 2.2 | Avg 2.6 | Avg 2.3 | Avg 2.0 | | Avg 2.1 | Avg 2.8 | Avg 2.0 |
| Real Sector Statistics | | | | | | | | | | | | | | | | | |
| 1. Strengthen compilation and dissemination of data on macroeconomic and financial statistics. | Avg 1.8 | Avg 2.2 | Avg 1.1 | Avg 1.4 | Avg 1.5 | Avg 2.1 | Avg 1.5 | Avg 3.0 | Avg 1.8 | Avg 1.8 | Avg 1.5 | Avg 1.6 | | Avg 3.0 | Avg 1.3 | Avg 2.1 | Avg 2.5 |

BOX 1. MAIN RESULTS OF PFTAC TECHNICAL ASSISTANCE CENTER (MAY 2018 TO APRIL 2019)

COOK ISLANDS

- Re-engagement and scaling-up of revenue CD program.
- Solid progress in FSS Supervisory Framework.
- GDP rebased.
- Release of a Medium-Term Fiscal Strategy.
- Chart of Accounts revised for Financial Management IT system and better GFS.

FIJI

- Insurance reform started.
- Multi-faceted revenue program delivering results with respect to self-assessment, a tax rulings program, IT strategic review, updated legislation, and strengthening of core tax administration functions.
- Mapping and refinement of the GFS Chart of Accounts.
- Redrafting of the PFM legislation, development of financial reporting instructions for SOEs, and capacity built in risk-based internal audit.

FEDERATED STATES OF MICRONESIA (FSM)

- Initiative launched to overhaul banking legislation.
- Strengthening of filing and debt compliance, and taxpayer audit capacity building.

KIRIBATI

- Public Investment Management Assessment (PIMA) completed.
- GFS coverage being expanded to the entire public sector.
- Small Business Tax regime being developed, and legislation drafted for sea bed mining.

- VAT tool kit developed, and core tax administration functions strengthened.

NAURU

- Procedures revised to comply with IPSAS Cash accounting.
- Tax administration organizational enhancements proposed.
- Efforts ongoing to estimate GDP by production drawing on tax data.

NIUE

- National Accounts and External Sector Statistics tables updated to 2017/18
- Tax administration organization restructured, and efforts launched to strengthen core tax functions.
- Drafting assistance to modernize the Income Tax Act and Tax Administration Act.

PALAU

- A joint tax policy and revenue forecasting mission provided advice on the design and projected impact of introducing VAT.
- Adoption of compliance improvements and restructured tax administration.
- Training for VAT implementation.
- Assistance to update banking legislation.

PAPUA NEW GUINEA

- GFS financial balance sheet coverage extended to budgetary central government.
- National Accounts improvements to deflation updates, tax data acquisition and mechanized processing.
- Extensive customized training provided in macroeconomic

analysis and forecasting, including on GDP measurement.

- Progress in development of a FSS risk rating model and capacity built in on-site examination of market and liquidity risk.
- Tax administration organization review as input to MTRS reforms.

REPUBLIC OF MARSHALL ISLANDS (RMI)

- Capacity being established for National Accounts to be prepared by statistics office independently of external providers.
- Efforts ongoing to improve medium-term budgeting processes and documentation.
- Assistance provided to update banking legislation and on-site examination.
- Improvements made to taxpayer services and management of arrears and return filing.

SAMOA

- Full in-country PEFA completed.
- Strong progress on PFM reforms including redevelopment of budget documentation, internal audit strategic plan, review of IPSAS Cash compliance, development of a warrant system, and development of SOE risk indicator monitoring.
- National Accounts finalization covering 2016 census, 2013 HIES, and 2013 business survey.
- Completion and publication for the first time of a general government consolidated time series (FY2013-2017).
- Update of insurance legislation and regulation launched.
- Full review of tax administration audit program, structure, staffing

arrangements, management practices, risk analysis and case selection systems to underpin a new audit plan.

SOLOMON ISLANDS

- Medium-term revenue projections produced for the current tax system, and effects quantified for a VAT to replace import duty and the goods tax.
- Steps to expand GFS coverage to General Government and the start of expanded coverage of public sector debt statistics.
- Improved adjustments to National Accounts to address under coverage, misreporting, and definitional or conceptual differences.
- Major expansion in revenue efforts including: review and updating of recent reforms; new corporate strategy and business plan; measures to improve management of tax arrears and outstanding returns; move to a function-based structure; plans to introduce a Large Taxpayer Office; measures to strengthen audit and taxpayer services.
- Progress in development of a risk rating bank supervision model and capacity built for on-site examination of market and liquidity risk.
- Follow-up cash management training.
- PFTAC participation in Article IV mission to better integrate and reinforce CD priorities.

TIMOR-LESTE

- Quarterly and annual GFS compilation improved with reduced statistical discrepancies.

- Central Bank (BCTL) enhancing credit risk regulation and implementing IFRS9 with PFTAC help.
- Presentation by PFTAC advisor at the Fiscal Reform Commission's Public and Financial Management Seminar for Sustainable Growth and Development.
- CD and surveillance integration strengthened through PFTAC participation in Article IV mission.

TOKELAU

- Developing a PFM roadmap arising out of the findings in the 2016 PEFA self-assessment.

TONGA

- Finance Ministry Chief Economist provided peer-to-peer learning with Tuvalu to help develop GDP forecasting with Macro Advisor.
- Training for Internal Audit; improvements to Chart of Accounts; progress with financial reporting under IPSAS Cash provisions; and PFTAC led Tonga PFM Symposium assessing progress against PFM Roadmap.
- Major scaling-up of the Revenue program relating to PACER Plus: reviewing reform progress and determining future TA needs; upgrading the tax audit function and design of an audit plan; plans to further expand the Large Taxpayer Office; developed an Industry Partnership program to tackle high risk industry segments; reviewed and proposed enhancements to the organizational structure; made improvements to filing and payment compliance and audit capacity; and assisted in the rewrite of the Revenue Services Administration Act and Consumption Tax Act.

- Launched work to draft insurance legislation and regulations.
- Expansion of GFS and PSDS coverage to nonfinancial public corporations.
- Publication of new GDP estimates

TUVALU

- Tuvalu Economic Indicators (TEI) database created and being used to estimate real GDP with industry from world prices and components of the consumer price index.
- Assistance to develop a banking supervision framework.
- Updated GDP estimates with the incorporation of the new HIES 2016 data.
- Tax administration efforts focused on a review of core tax functions; strengthening on-time filing and payment and taxpayer services; development of a modernization plan; design of a compliance improvement strategy; and a review of the current IT system.

VANUATU

- Improvement in the quality of national accounts statistics particularly for livestock.
- Development of a risk rating model for bank supervision.
- Risk-based internal audit being adopted and Finance Ministry capacity improving in financial reporting with new accounting regulations.
- Revenue reforms include an updated Compliance Improvement Strategy; design of a Taxpayer Survey; plans to improve on-time filing and payment; drafting a Tax Administration Bill and regulations; and functional reorganization.

Key indicators in execution of the FY2019 work program and with respect to PFTAC operations and governance were:

2,060

field person days of CD delivered

550

professional government staff (of which 40 percent were women) were trained from the 16 PFTAC member countries in 18 regional workshops totaling 2,019-person days of training

63%

of CD was fiscal, either PFM or Revenue (1,287 of 2,060 field days), with 40% just Revenue (818 days)

153

activities executed by PFTAC advisors and experts, comprising 18 seminars and 135 missions to member countries of 1 – 2 weeks duration

30%

of CD is delivered by the team of seven resident PFTAC advisors (619 of 2,060 TA field days), and 70 percent by members of the IMF's roster of short-term experts

\$ 20.5 million

contributions received of approx. US\$ 30.2 million pledged by five donors and 13 of 16 PFTAC countries so far

92%

execution rate of the work plan (2,060 TA days versus 2,238 planned), and 88% of missions (153 of 173 planned)

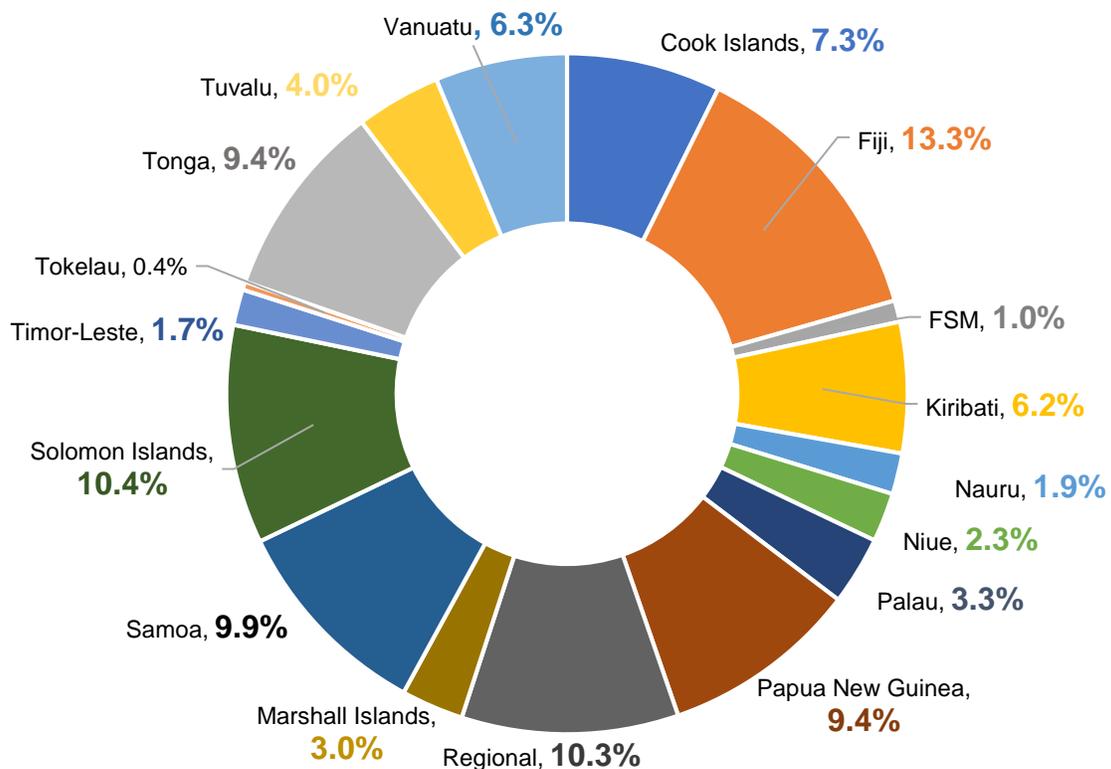
\$ 6.38 million

of projected expenses from a budget of US\$ 7.43 million (approx. 86%), excluding the 7% trust fund fee

36%

of resources (735 days) provided to seven PFTAC **countries designated as fragile** (Kiribati, FSM, RMI, Papua New Guinea, Solomon Islands, Timor Leste, and Tuvalu)

CHART 3. FY2019 TOTAL TECHNICAL ASSISTANCE DAYS BY COUNTRY (2,060 DAYS)



A HIGH LEVEL OF EXECUTION

Program execution in FY2019 reached its highest level in the history of PFTAC in terms of budget utilization and CD delivery, around 13 percent higher than FY2018 that had previously been the most active year. The higher execution rate was largely due to an injection of additional donor financing to expand the Revenue program that began in mid-FY2019 (November 2018), and gradually scaled-up towards a FY2020 program approximately 45 percent larger than the baseline Revenue program before expansion.

Program execution rates of around 90 percent were achieved, slightly higher as measured in TA field days (92 percent) versus delivery of planned missions/activities (88 percent). Most programs had high execution rates despite the change-over of four resident experts and gaps between the departing and incoming advisors. This included the arrival of Ms. Celeste Kubasta, the second PFM advisor in June following a gap since February, and the early departures of both Statistics advisors (Messrs. Richard Wild and Barend de la Beer) for Washington-based positions, first the RSS advisor departed in August and was replaced by Mr. Marcus

Scheiblecker in late October, and the GFS advisor departed in October 2018 with a successor due in April 2019. Timely recruitment allowed for a month-long hand-over between the Revenue advisors from Mr. Stan Shrosbree (outgoing) and Mr. Georg Eysselein (incoming) in October.

RESOURCE UTILIZATION was the highest yet in FY2019, the total of 2,060 days of TA field delivery is up from 1,830 days in FY2018, with the ratio of STX to LTX days (1,441:619) unsurprisingly increasing over FY2018 (at 1,090:740) given fewer available LTX days and the scaling-up of the revenue program mostly using STX resources.

Given at least half of each advisors' time is spent in Suva at PFTAC in managing their respective programs including backstopping the missions and activities of STX, these days are also tracked and apportioned as accurately as possible to the beneficiary country receiving the advisors' attention. This added 733 TA days of LTX time spent at PFTAC in addition to 619 TA field days while on mission, a total of 2,793 TA days, the approximate equivalent of 12 full-time equivalent (FTE) person-years.

Two charts illustrate the share of TA by country, the pie chart above reflects only 2,060 field mission days, while the bar chart below also includes the apportioned time at PFTAC that totals 2,793 TA days.

Beyond regionally related efforts (including (sub) regional workshops) that consumes 17.2 percent of TA days, five countries (**Fiji, Tonga, PNG, Solomon Islands, and Samoa**) benefitted from 45 percent of total TA days in FY2019.

A further five countries (**Cook Islands, Kiribati, Tuvalu, Palau, and Vanuatu**) accounted for the next 24 percent of PFTAC resources.

The balance of 14 percent of TA delivery is shared by the remaining six PFTAC member countries (**FSM, Nauru, Niue, RMI, Timor Leste, and Tokelau**).

CD efforts for the seven PFTAC members designated as fragile states (Kiribati, FSM, RMI, PNG, Solomon Islands, Timor Leste, and Tuvalu) accounted for 36 percent of field TA delivery with further growth expected in FY2020.

TABLE 1. PFTAC TA DELIVERY BY STX/LTX DAYS AND MISSIONS: FY17, FY18, FY19 (Act.), FY20 (Plan)

| Program | STX Days | | | | LTX Days | | | | Total TA Days | | | | Missions | | | |
|------------------------------|------------|-------------|-------------|-------------|------------|------------|------------|------------|---------------|-------------|-------------|-------------|------------|------------|------------|------------|
| | FY17 | FY18 | FY19 | FY20 | FY17 | FY18 | FY19 | FY20 | FY17 | FY18 | FY19 | FY20 | FY17 | FY18 | FY19 | FY20 |
| Macroeconomic Programming | 0 | 0 | 11 | 33 | 164 | 137 | 121 | 165 | 164 | 137 | 132 | 198 | 14 | 16 | 15 | 19 |
| Financial Sector Supervision | 154 | 167 | 198 | 171 | 88 | 88 | 55 | 65 | 242 | 255 | 253 | 236 | 20 | 15 | 16 | 23 |
| Govt Finance Statistics | 0 | 50 | 69 | 38 | 0 | 113 | 78 | 83 | 0 | 163 | 147 | 121 | 0 | 11 | 10 | 10 |
| Real Sector Statistics | 249 | 170 | 152 | 89 | 131 | 119 | 89 | 125 | 380 | 289 | 241 | 214 | 25 | 21 | 16 | 18 |
| Public Financial Management | 187 | 308 | 285 | 418 | 173 | 196 | 184 | 250 | 360 | 504 | 469 | 668 | 31 | 37 | 33 | 41 |
| Revenue (incl Legal) | 301 | 395 | 726 | 974 | 111 | 87 | 92 | 84 | 412 | 482 | 818 | 1058 | 44 | 37 | 63 | 77 |
| GRAND TOTAL | 891 | 1090 | 1441 | 1723 | 667 | 740 | 619 | 772 | 1558 | 1830 | 2060 | 2495 | 134 | 136 | 153 | 188 |

BOX 2. CELEBRATING 25 YEARS OF PFTAC

To celebrate the 25th anniversary of PFTAC, the IMF's first Regional Capacity Development Center, two events were convened in Nadi, Fiji—a technical-level workshop on *Policy Making to Influence Sustainable Growth and Productivity*, December 3 – 5 and a *High-Level Dialogue (HLD) on Capacity Development and Growth*, December 6 – 7. The event was generously co-financed by New Zealand contributing US\$100,000.

The training event and prelude to the two-day HLD was jointly delivered by PFTAC and the IMF's Institute of Capacity Development (ICD) and trained 36 mid-level and senior officials from 14 of the 16 PFTAC countries. Visiting economists from the IMF's Asia Pacific Department (APD) contributed to the event through policy discussions with country participants. The event generated positive participant



ratings, with the topics providing a natural segue to the HLD. DMD Grasso, course participants and facilitators were photographed (pictured left) following the award of completion certificates by DMD Grasso.

During her first visit to Fiji, IMF Deputy Managing Director Carla Grasso welcomed participants and dignitaries to the HLD opening event, officiating in various HLD sessions plus engagements with development partners, several Fijian charities, and prominent Fijian women. DMD Grasso also acknowledged the long and dedicated service of **Ms. Nina Samuela** (pictured above) who has been a local Fund employee for the past 25 years and from the very first day of PFTAC's existence.



The HLD and Anniversary event drew many senior officials and prominent Pacific dignitaries, including ministers, central bank governors and other financial sector regulators, heads of finance ministries, revenue agencies, and statistical offices, plus the preceding workshop trainees. Development partners were well represented including all five PFTAC donors and other close partners like the World Bank. Pictured right with DMD Grasso are senior European Union developments officials – Christophe Wagner, Suva based head of cooperation and Ms. Erica Gerretsen, Brussels based unit head for budget support, PFM and Domestic Resource Mobilization. Other participants included representatives of regional bodies, civil society organizations, academia, the private sector, youth, and the media. A wide cross section of IMF departments contributed including officials from APD, ICD, Communications and TA Departments (Fiscal Affairs, Legal, Statistics, and Monetary & Capital Markets) and regional offices (Bangkok, Tokyo, New Delhi and Singapore).



Following DMD Grasso's opening remarks, and on behalf of PFTAC's host, the Acting Prime Minister of Fiji and Minister for Economy, Hon. Aiyaz Sayed-Khaiyum noted the important contribution of PFTAC to the region's economic development over the past 25 years. In addition to the effectiveness of the IMF's capacity development for its member countries, the Minister noted the strong engagement and complementary support and financing of development partners in the progress achieved in the Pacific.

The first panel session of the HLD chaired by Minister Sayed-Khaiyum explored the ***Growth Opportunities for the Pacific and Achievement of the Sustainable Development Goals (SDGs)*** with Deputy Prime Minister Toafa of Tuvalu, Finance Minister Tuioti of Samoa, Robert Utz from the World Bank, and Mr. Kolone Vaai, a former senior Samoan official and one of the original instigators in the establishment of PFTAC in 1993. This distinguished panel along with DMD Grasso and Ms. Alison Stuart and Mr. Odd Per Brekk from APD are pictured right.





In a highlight of the two day event, and in a thought provoking hour-long session, **the Financial Times Tokyo bureau chief, Mr. Robin Harding interviewed Ms. Helen Clark the former New Zealand Prime Minister and former UNDP head across a wide range of topics**—from multilateralism; to the SDGs; how the Pacific should address their development issues and the challenges of climate change; strategies to raise growth; debt sustainability; gender equality and challenges facing aspiring women leaders.

Ms. Clark and Mr. Harding are pictured left during this highly applauded interview that can be viewed at: www.pftac.org.

DMD Grasso also presented awards to the winners of two youth engagement competitions held prior to the anniversary event. A youth photography competition was held across the Pacific through social media for youth aged 16 – 24 years, plus an essay contest for Fijian high school students. The aim of both competitions was to engage regional youth to showcase success stories on development and growth in their home countries that they see as benefiting their fellow citizens. Entries were received from youth in Fiji, Kiribati, Papua New Guinea, Solomon Islands, Timor Leste, and Vanuatu, with recognition and prizes awarded for entries from Fiji, Solomon Islands, and Mr. Binsar de Jesus from Timor Leste who is pictured right receiving his award jointly from DMD Grasso and Governor de Vasconcelos of Banco Central de Timor Leste.



During her time in Fiji, DMD Grasso made two charity donations on behalf of the IMF Giving Campaign. These well received donations were made to a pre-school program called “Champs on Wheels” (pictured right), and a local environmental project, “Nature Fiji” (pictured below). The representative recipients for the two groups were deeply appreciative of the recognition of the IMF to the importance and impact of their causes to the community and environment respectively.



Meeting with prominent Fijian women, DMD Grasso heard key messages that women need to be in highly visible political leadership positions, and the need to promote change to traditional attitudes towards women’s roles; as well as the need for greater public funding for early childhood education, and to support female workforce participation.



The weeklong event and the culminating HLD demonstrated that there was broad recognition and strong appreciation of the work of PFTAC. Representatives of PFTAC donors and development partners spoke of their appreciation of PFTAC’s contribution to national and regional development including across a range of successful examples with respect to macroeconomic stability, statistics, financial sector supervision, public financial management, and revenue mobilization. Donor partners expressed their ongoing support and commitment to the future of PFTAC. Overall, it was noted that the IMF’s Regional Capacity Development Center model and the PFTAC experience has been highly effective in the Pacific and beyond. It has evolved and adapted to changing needs and developments, with an expectation of continuation into the foreseeable future from both beneficiary and donor perspectives.

Key takeaway messages from the event were elicited through a fast-paced and innovative online voting process. These included the critical issues of climate change and natural disasters that drive priorities to build strong institutional capacity to support sustainable and inclusive growth; and tackling core budget, revenue mobilization, financial supervision, and statistical priorities, while PFTAC has been responding to more recently emerging demands in Fintech and Public Investment Management.

TABLE 2. EXECUTION OF WORK PROGRAM DURING FISCAL YEAR 2019 (IN PERSON-DAYS)

| Country/Region/Seminar | May 2018 through April 2019 | | | | | |
|---------------------------|-----------------------------|------------|--------------------|--------------|------------------------------|-----------------------------|
| | TA Days Executed | | | | Planned LTX & STX Field Days | Execution rate (In percent) |
| | Resident advisors | | Short-term experts | Total | | |
| | At PFTAC | In-Field | | | | |
| COOK ISLANDS | 14 | 60 | 91 | 165 | 124 | 122 |
| FIJI | 20 | 41 | 232 | 293 | 281 | 97 |
| KIRIBATI | 12 | 10 | 118 | 140 | 130 | 98 |
| MARSHALL ISLANDS (RMI) | 5 | 14 | 47 | 66 | 49 | 124 |
| MICRONESIA (FSM) | 66 | 5 | 16 | 87 | 47 | 45 |
| NAURU | 51 | 18 | 22 | 91 | 68 | 59 |
| NIUE | 33 | 0 | 48 | 81 | 58 | 83 |
| PALAU | 28 | 11 | 56 | 95 | 85 | 79 |
| PAPUA NEW GUINEA (PNG) | 33 | 98 | 95 | 226 | 220 | 88 |
| SAMOA | 20 | 79 | 125 | 224 | 228 | 89 |
| SOLOMON ISLANDS | 4 | 67 | 147 | 218 | 236 | 91 |
| TOKELAU | 3 | 8 | 0 | 11 | 5 | 160 |
| TIMOR-LESTE | 15 | 3 | 32 | 50 | 32 | 109 |
| TONGA | 101 | 36 | 157 | 294 | 193 | 100 |
| TUVALU | 13 | 19 | 64 | 96 | 118 | 70 |
| VANUATU | 47 | 30 | 99 | 176 | 131 | 98 |
| Regional work & workshops | 270 | 120 | 92 | 482 | 234 | 91 |
| GRAND TOTAL | 733 | 619 | 1,441 | 2,793 | 2,239 | 92 |
| Fragile states | 148 | 216 | 519 | 883 | 832 | 88 |

CHART 4. FY2019 TOTAL 2,060 MISSION DAYS BY PROGRAM

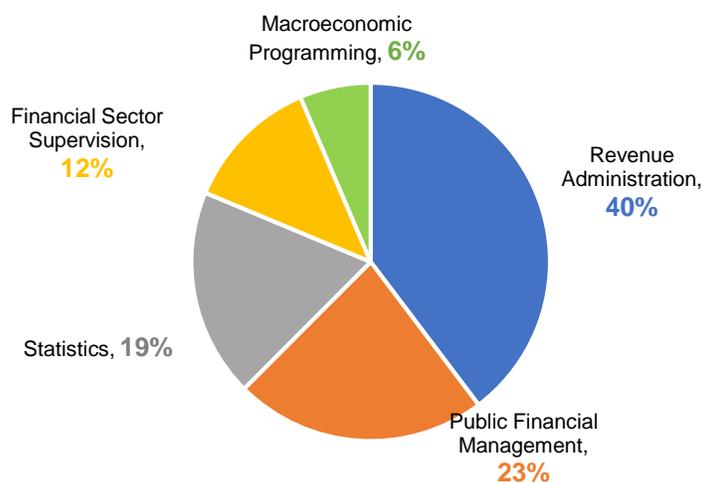
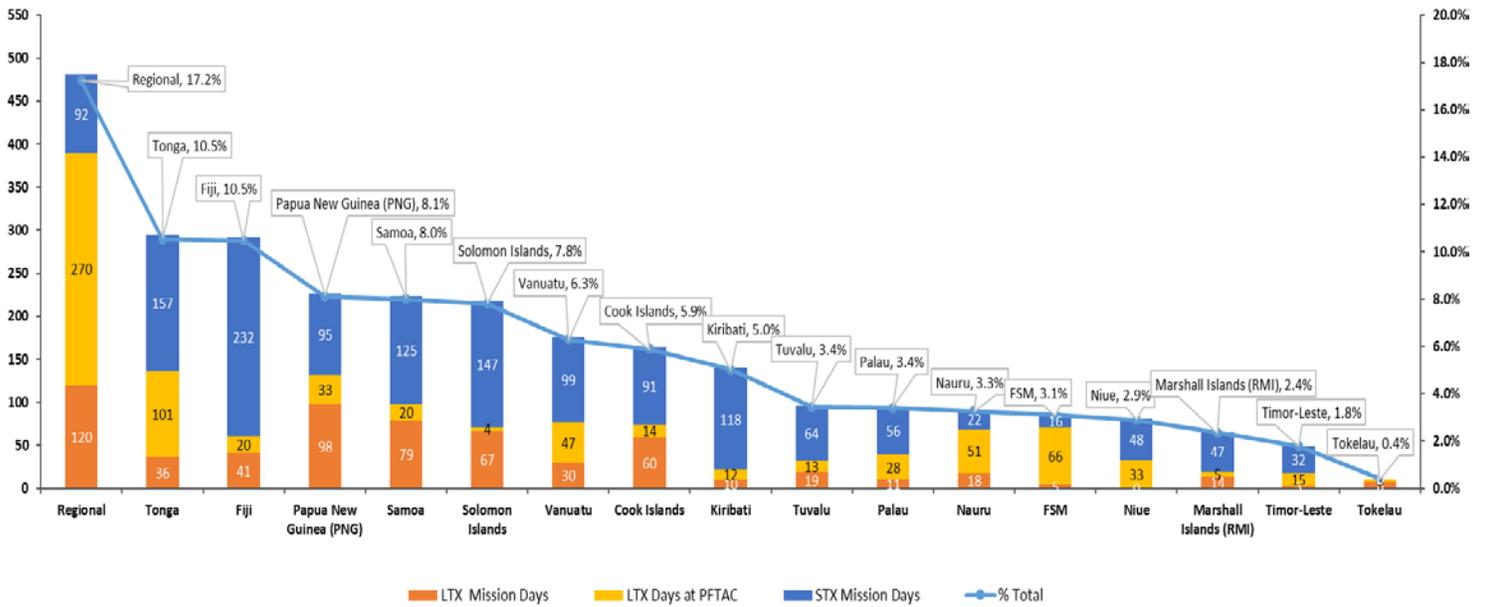


CHART 5. FY2019 EXPERT DAYS DELIVERING AND BACKSTOPPING TA



Note: 2,793 TA Days (includes 619 LTX and 1,441 STX Mission Days plus 733 LTX Backstopping Days at PFTAC)



Supervision Framework Enhancement Program, Papua New Guinea, 2018

TABLE 3. IMPLEMENTATION OF THE FISCAL YEAR 2019 WORK PROGRAM (IN NUMBER OF ACTIVITIES)

| Country/Region/Seminar | Activities planned | Activities executed | Execution rate |
|-------------------------------|--------------------|---------------------|----------------|
| COOK ISLANDS | 8 | 10 | 125 |
| FIJI | 19 | 19 | 100 |
| KIRIBATI | 12 | 9 | 75 |
| MARSHALL ISLANDS (RMI) | 5 | 4 | 80 |
| MICRONESIA (FSM) | 5 | 1 | 20 |
| NAURU | 7 | 4 | 57 |
| NIUE | 5 | 4 | 80 |
| PALAU | 6 | 5 | 83 |
| PAPUA NEW GUINEA (PNG) | 15 | 16 | 107 |
| SAMOA | 15 | 12 | 80 |
| SOLOMON ISLANDS | 18 | 15 | 83 |
| TOKELAU | 0 | 1 | n/a |
| TIMOR-LESTE | 2 | 3 | 150 |
| TONGA | 16 | 16 | 100 |
| TUVALU | 7 | 6 | 86 |
| VANUATU | 11 | 8 | 73 |
| Regional seminars and courses | 22 | 20 | 91 |
| GRAND TOTAL | 173 | 153 | 88 |
| Fragile States | 64 | 54 | 84 |



Commencing the PEFA in Samoa, August 2018

TRAINING EVENTS further expanded in FY2019, with 18 events training 550 government officials (a 43.6 percent increase) during 2,019 training days, up from 14 events in FY2018 that trained 383 officials over 1,837 training days. However, a modest increase in the number of training days of just 10 percent is because each event averaged 3¼ days in FY2019 versus 4¼ days in FY2018.

The most common training venue was Fiji with nine events held in Nadi and one in Suva; six elsewhere in the Pacific (two in Vanuatu and one each in FSM, PNG, Samoa, and the Solomon Islands); and two outside the region in Sydney and Washington DC respectively.

All programs convened at least one event other than RSS program given

the change in LTX and scheduling challenges. The Revenue program hosted the most with seven events, reflecting the scaling-up including specifically targeted topics relating to the scaling-up such as VAT and TADAT workshops. A highly successful joint Caribbean and Pacific revenue mobilization conference was held in July 2018 between PFTAC and CARTAC that also included the other small island states of Cape Verde, Maldives, Mauritius, and Seychelles. Given the success of this event that drew on IMF expertise and resources, another joint event in Washington is planned on PFM issues in FY2020. Training effectiveness is enhanced through collaboration, both across PFTAC programs such as the joint PFM/Macro Cash Management workshop, and with regional groupings such as the Association of Financial

Supervisors of Pacific Island Countries (AFSPC) and the Pacific Islands Tax Administrators Association (PITAA). PFTAC is also increasingly integrating its CD efforts through joint events with the IMF's more traditional training delivered in Washington at ICD and at the Singapore Training Institute (STI).

In response to member country requests for customized training, PFTAC organized three joint training events under the Macro program with ICD and STI in FY2019. This example of integrating TA and training adapted IMF training course material to Pacific circumstances with regional events held in the Solomon Islands in July and November 2018, and a PNG in-country training event in April 2019. This entails customization to local issues and data availability.

TABLE 4. FY2019 WORKSHOPS/ SEMINARS

| Sector | Partner | Location | Topic | Duration (Days) | Male | Female | Total | Training Days |
|---------------|-----------------|-------------------|--|-----------------|------------|------------|------------|---------------|
| Macro | Macro/ ICD | Nadi, Fiji | PFTAC 25th Anniversary - Sustainable Growth & Productivity | 3 | 20 | 16 | 36 | 108 |
| Macro | Macro/ ICD/ STI | Port Moresby, PNG | Macroeconomic Policy for Stabilization and Growth | 5 | 22 | 12 | 34 | 170 |
| Revenue | CARTAC/ FAD | Washington | Joint Caribbean/Pacific Workshop on Revenue Mobilization | 5 | 9 | 5 | 14 | 70 |
| Revenue | PITAA | Nadi, Fiji | Revenue Administration TA Planning | 1 | 21 | 11 | 32 | 32 |
| Revenue | PITAA | Nadi, Fiji | Annual PITAA Heads Meeting: Overview of Regional Reforms | 3 | 32 | 16 | 48 | 144 |
| Revenue | | Nadi, Fiji | Tax Leadership | 1 | 21 | 11 | 32 | 32 |
| Revenue | | Nadi, Fiji | Value Added Tax (VAT) | 3 | 23 | 8 | 31 | 93 |
| Revenue | TADAT Sec | Nadi, Fiji | Tax Administration Diagnostic Assessment Tool (TADAT) | 4 | 14 | 16 | 30 | 120 |
| Revenue | PITAA | Nadi, Fiji | Taxpayer Surveys | 4 | 10 | 15 | 25 | 100 |
| FSS | | Suva, Fiji | Insurance Regulation | 5 | 10 | 9 | 19 | 95 |
| FSS | AFSPC | Santo, Vanuatu | Annual AFSPC Meeting and Joint Workshop | 2 | 16 | 13 | 29 | 58 |
| FSS | APRA/ AFSPC | Santo, Vanuatu | Information Technology Risk Assessment & Supervision | 3 | 16 | 13 | 29 | 87 |
| FSS | APRA | Sydney | Prudential Regulation | 2 | 8 | 7 | 15 | 30 |
| GFS | | Nadi, Fiji | Government Finance Statistics Training | 5 | 28 | 21 | 49 | 245 |
| GFS | | FSM | Government Finance Statistics Training | 5 | 3 | 2 | 5 | 25 |
| Macro | IMF/ICD | Solomon Islands | Macroeconomic Policy for Stabilization and Growth in the Pacific | 5 | 32 | 16 | 48 | 240 |
| PFM | WB | Nadi, Fiji | Financial Reporting | 5 | 16 | 13 | 29 | 145 |
| PFM/Macro | | Apia, Samoa | Cash Management and Forecasting | 5 | 26 | 19 | 45 | 225 |
| TOTALS | | | | 66 | 327 | 223 | 550 | 2019 |

CHART 6. FY2019 FINAL PROGRAM OUTTURN-PERCENT OF BUDGET EXPENDED

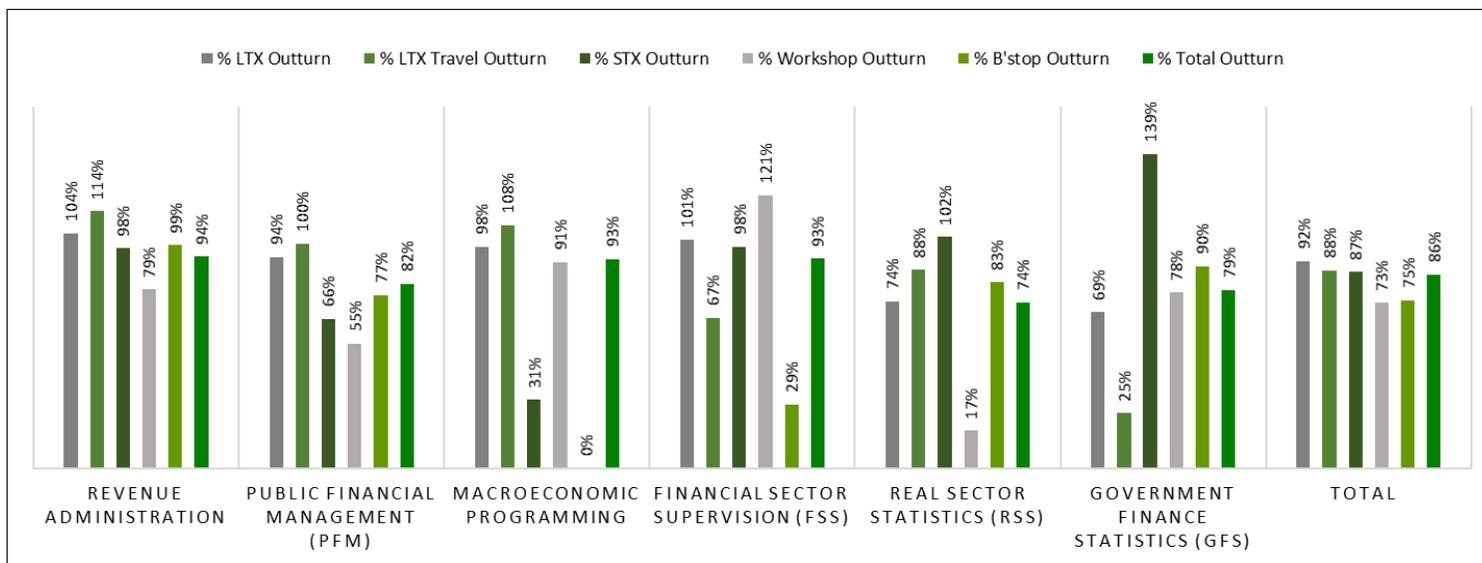


TABLE 5. PFTAC FY2019 BUDGET (US DOLLARS) BY PROGRAM

| | Revenue | PFM | Macro | FSS | RSS | GFS | Other | Total |
|---|------------------|------------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Resident Advisors (Long Term Experts - LTX) | 328,371 | 647,454 | 357,913 | 311,920 | 309,754 | 209,754 | - | 2,165,166 |
| LTX Travel | 71,062 | 124,502 | 70,075 | 57,019 | 57,679 | 56,080 | - | 436,417 |
| Short-Term Experts (STX) | 1,122,973 | 479,523 | 44,315 | 303,492 | 193,952 | 73,488 | 136,882 | 2,354,625 |
| Diagnostic Missions | 145,659 | 113,034 | - | 22,992 | 25,280 | 75,000 | 39,500 | 421,465 |
| Training/Seminars/Workshops | 293,997 | 152,298 | 163,893 | 158,244 | 119,628 | 112,994 | 169,336 | 1,170,390 |
| Backstopping/Project Management | 54,056 | 53,189 | - | 79,306 | 76,514 | 71,348 | 39,102 | 373,515 |
| Other Costs (Evaluation, misc., etc.) | 19,477 | - | - | - | 26,619 | 3,691 | 455,240 | 505,027 |
| Total TA Provision/Delivery* | 2,035,595 | 1,570,000 | 636,196 | 932,973 | 809,426 | 602,355 | 840,060 | 7,426,605 |
| Trust Fund Management Fee | 142,492 | 109,900 | 44,534 | 65,308 | 56,660 | 42,165 | 58,804 | 519,862 |
| Total Trust Charges | 2,178,087 | 1,679,900 | 680,730 | 998,281 | 866,086 | 644,520 | 898,864 | 7,946,467 |

* Trust Fund Fee is 7 percent of funds utilized for TA delivery

TABLE 6. PFTAC FY2019 FINAL OUTTURN (US DOLLARS) BY PROGRAM

| | Revenue | PFM | Macro | FSS | RSS | GFS | Other | Total |
|---|------------------|------------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Resident Advisors (Long Term Experts - LTX) | 342,079 | 606,509 | 351,899 | 316,091 | 229,614 | 145,627 | - | 1,991,819 |
| LTX Travel | 80,962 | 124,126 | 75,537 | 38,112 | 50,793 | 13,802 | - | 383,332 |
| Short-Term Experts (STX) | 1,096,391 | 318,669 | 13,576 | 298,035 | 198,787 | 102,355 | 21,500 | 2,049,313 |
| Diagnostic Missions | 107,608 | 110,107 | - | 1,810 | 29,510 | 62,697 | 34,176 | 345,908 |
| Training/Seminars/Workshops | 233,104 | 84,823 | 149,936 | 191,586 | 20,350 | 88,034 | 92,232 | 859,565 |
| Backstopping/Project Management | 53,539 | 40,828 | - | 22,730 | 63,159 | 63,945 | 34,319 | 278,520 |
| Other Costs (Evaluation, misc., etc.) | - | - | - | - | 3,262 | - | 465,201 | 468,463 |
| Total TA Provision/Delivery* | 1,913,683 | 1,284,562 | 590,948 | 868,364 | 595,475 | 476,460 | 647,428 | 6,376,920 |
| Trust Fund Management Fee | 133,958 | 89,919 | 41,366 | 60,785 | 41,683 | 33,352 | 45,320 | 446,384 |
| Total Trust Charges | 2,047,641 | 1,374,481 | 632,314 | 929,149 | 637,158 | 509,812 | 692,748 | 6,823,204 |

* Trust Fund Fee is 7 percent of funds utilized for TA delivery

TABLE 7. PFTAC FY2019 FINAL OUTTURN (PERCENT) BY PROGRAM

| | Revenue | PFM | Macro | FSS | RSS | GFS | Other | Total |
|---|------------|------------|------------|------------|------------|------------|------------|------------|
| Resident Advisors (Long Term Experts - LTX) | 104% | 94% | 98% | 101% | 74% | 69% | 0% | 92% |
| LTX Travel | 114% | 100% | 108% | 67% | 88% | 25% | 0% | 88% |
| Short-Term Experts (STX) | 98% | 66% | 31% | 98% | 102% | 139% | 16% | 87% |
| Diagnostic Missions | 74% | 97% | 0% | 0% | 0% | 84% | 87% | 82% |
| Training/Seminars/Workshops | 79% | 55% | 91% | 121% | 17% | 78% | 54% | 73% |
| Backstopping/Project Management | 99% | 77% | 0% | 29% | 83% | 90% | 88% | 75% |
| Other Costs (Evaluation, misc., etc.) | 0% | 0% | 0% | 0% | 12% | 0% | 102% | 93% |
| Total TA Provision/Delivery | 94% | 82% | 93% | 93% | 74% | 79% | 77% | 86% |

CAPACITY DEVELOPMENT AND THE IMF'S SURVEILLANCE ROLE

CD is one of the Fund's three core activities and has grown in importance in recent years. It supports member countries' efforts to build the institutions and capacity necessary to formulate and implement sound economic policies, thereby complementing the Fund's surveillance and lending mandates. Member countries, partners, and external commentators give the Fund high marks for the quality of its CD. At the same time, efforts need to continue to strengthen Fund CD to serve members' current and evolving needs. This led to the 2018 CD Strategy Review that examines progress since the last review and strategy developed in 2013 and proposes a CD strategy for the next five years.

The review builds upon the existing CD strategy, focusing on two mutually reinforcing objectives. First, the impact of Fund CD needs to be increased by further strengthening integration with the Fund's policy advice and lending operations, while continuing to make progress in framing CD through comprehensive strategies tailored to each member's needs, capacity, and conditions, focusing on implementation and outcomes. Stronger coordination between CD and the Fund's other core functions will better connect CD with countries' risks and vulnerabilities and ensure surveillance and lending integrate lessons from CD more effectively. Second, the efficiency of CD needs to be increased by improving CD processes and systems. This will

enhance transparency and strengthen the basis for strategic decision making

Categorizing CD as TA or training is increasingly difficult as CD continues to move toward a medium-term project focus with more flexible engagement modalities. This means continuing to shift toward multi-year project engagements and knowledge sharing, including through peer-to-peer interactions and attachments. This also requires continuing to strengthen flexibility in delivery modalities, reducing emphasis on producing detailed TA reports and focusing more on assisting with implementation, including through related training for officials.

From the training side, it means less emphasis on classroom-based training of diverse groups of officials and more emphasis on online training and tailoring classroom training by targeting similar groups of officials or customizing delivery to a specific organization to carry out policy functions. Peer learning workshops have become increasingly common in project engagements with countries and help sustain the impact of both TA and training.

Finally, CD departments are increasingly adjusting the mix of technical support, combining field-based experts and HQ-based missions. RCDCs, including PFTAC which by design have traditionally played a more hand-on role given proximity to

members, remain well-positioned to support a more flexible, needs-based model in collaboration with headquarters.

Thirteen of the 16 PFTAC countries are subject to regular macroeconomic policy consultations with IMF staff through the Article IV surveillance process. This however does not apply to the Cook Islands, Niue, and Tokelau that are PFTAC members but as New Zealand realm jurisdictions are not members of the IMF individually.

To further strengthen the integration of CD and surveillance, members of the PFTAC team overlapped with the Article IV missions in FY2019 to PNG, Solomon Islands, and Timor Leste to follow up on key CD areas that are also macro-critical areas for surveillance which helps build better synergies between the authorities, the APD country teams, and PFTAC to ensure consistency in advice. This will continue with one or more advisors or the coordinator participating in future surveillance engagements depending on the country specific circumstances.

WORKPLAN MANAGEMENT for CD delivery falls under a Resource Allocation Plan (RAP) for each region that covers detailed planning for the forthcoming or current fiscal year running from May 1 to April 30 that also has a longer horizon to cover programmatic plans in the second and subsequent years.

The PFTAC workplan is just one component of the RAP for the Asia Pacific Department (APD), along with workplans from other regional IMF centers in China, India, Thailand, and Singapore, as well as for CD delivered directly from Washington based functional departments (e.g. FAD, LEG, MCM, and STA). Development of the RAP is launched in December under the leadership of the respective APD mission chiefs based on their consultations with country authorities about their CD needs to assist in the implementation of the Fund's policy advice and the authorities' own reform and capacity building priorities.

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. 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.

ADAPTIVE WORKPLANS ensure flexibility and responsiveness to changing circumstances. While the FY2019 workplan endorsed by the March 2018 Steering Committee meeting was a comprehensive and realistic program, it was constantly monitored and adjusted throughout the year with regular reporting in the PFTAC Quarterly reports.

In late October 2018 at the mid-point of FY2019, a detailed review was completed of the workplan and budget execution against the changing landscape. On a demand driven basis, new activities and missions were added following consultation with APD and the backstopping department. Other activities were rescheduled as necessary, and in some instances dropped if no longer required. Two key developments during the mid-FY review led to a net change in planned missions from 167 to 173, and a net increase in planned TA delivery from 1,980 to 2,238 TA days. The most significant change arose from the Revenue program scaling-up with total TA days for the entire year growing from 518 to 781 and an increase in missions from 43 to 65, just over 50 percent increase on an annualized basis. This was slightly offset by a slight reduction in the RSS program due to the advisor gap, and an approximate 25 percent reduction in the Macro program given the postponement until FY2020 of recruitment of an overlapping second resident advisor for a six-month period.

Delivery of all programs was projected through April 30, 2019 based on expectations at March 1, 2019, which now has been updated to reflect actual program delivery as at end of April 2019. Reported execution and outturn results are based on the version of the FY2019 workplan that was amended at the mid-point of the FY on November 1, 2018 and that was made available publicly through the PFTAC website. Budget outturn is similarly based on the uplifted budget to reflect the additional funds injected to expand the revenue program as well as an earmarked New Zealand contribution of \$US 100,000 towards the 25th Anniversary event.

COLLABORATION LEVERAGES the effectiveness and impact of PFTAC's efforts. This occurs through multiple mechanisms and forums, and in several joint events each year. Most donors and development partners have a very close interest in PFM issues and often also directly support their own CD activities or link PFM reform milestones

to budget support. Given a 2009 mandate from the Forum Economic Ministers Meeting (FEMM), PFTAC contributes an annual report through PIFS on the state of PFM reforms, particularly progress against PFM Roadmaps associated with PEFA assessments that PFTAC often either leads or coordinates. The PFM advisors from PFTAC convene regular meetings to share information amongst donors and other CD providers who are active in the PFM space that is often quite crowded. The time and effort devoted to this coordination led by PFTAC is not insignificant but is essential.

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.

PFTAC continues working productively by jointly delivering training and even some TA with regional groups. This includes the Pacific Association of Supreme Audit Institutions (PASAI) where PFTAC jointly delivered a PFM Symposium in Tonga and attended the annual PASAI congress in Australia. Most of the training component of the PFTAC Revenue program is now delivered jointly with the Pacific Islands Tax Administrators Association (PITAA), with topics covered in FY2019 including Tax Leadership, VAT, TADAT, and Surveying Taxpayers. PFTAC aims to hold at least one revenue event annually with the Oceania Customs Organization (OCO). Such joint efforts are likely to grow in response to the PACER Plus initiatives that require both domestic tax and

customs responses to replace declining trade tax revenues.

In the financial sector, PFTAC continues to provide secretariat services to the Association of Financial Supervisors of Pacific Island Countries (AFSPC), delivering a topical training event in conjunction with the annual AFSPC meeting. The FY2019 workshop on IT and cyber Risk Assessment was delivered by a team of cutting-edge experts and was highly appreciated by regional financial regulators.

WORKING WITH ACADEMIA has extended the reach of PFTAC to benefit from local and regional expert views and to share the experience and knowledge of the Fund with the next generation of analysts and policy makers and their teachers. In April each year, the PFTAC advisors and coordinator deliver guest lectures to a post graduate PFM class at the University of the South Pacific (USP) at the Suva campus. University faculty are regularly engaged in various economic and statistical forums with PFTAC staff and participated in the PFTAC 25th Anniversary.

PILOT INTERNSHIP placements have now been successfully trialed at PFTAC for three USP students. USP faculty assisted in the advertising and selection

of two students over the month-long semester break in July 2018 and PFTAC additionally advertised and selected a single intern for the January/February 2019 period to work on the following projects:

- a postgraduate economics student worked with the PFTAC Macro Advisor and local economist in the Resident Representative office to contribute to an ongoing project on Estimating Potential Output.
- an undergraduate commerce student assisted the FSS advisor in Developing a Pacific Financial Sector Supervision Map.
- another undergraduate commerce student worked as an intern over the year-end break in January 2019 with the Revenue advisor and PFTAC Economic Analyst on developing a framework Taxpayer Survey as input to an April 2019 regional workshop.

These three modest internship experiences confirm the value of the model that will continue with several interns competitively recruited from a wider pool of academic institutions for both the month-long mid-year semester break in July and the longer year-end break in December and January. Space constraints and mentoring needs will likely limit this to one or two interns

concurrently at PFTAC, but in the longer term, the possibility of facilitating the placement of interns in central banks or other economic agencies will be explored.

PEER LEARNING continues to be a very effective CD modality to facilitate the sharing of skills and experiences of staff from one country with counterparts in other countries.

The Macro program has had some excellent results in FY2019 such as the experience with the Tonga Finance Ministry sharing their knowledge with Tuvalu officials and in facilitating the Samoa Macroeconomic Policy Coordination Committee to experience the operations the Fiji Macroeconomic Committee. The model is flexible to different circumstances, such as facilitating the participation of bank supervisors from RMI in on-site FIDC supervision of a Guam based bank.

The fiscal programs have also organized attachments, including Fijian tax officials joining missions to Niue and plans for inclusion of regional PFM officials in PEFA assessments. Peer learning was also advanced through the joint CARTAC/PFTAC revenue mobilization conference that facilitated an expansion of networking between small state tax administrators.



FINANCIAL REPORT

The cost of PFTAC operations in FY2019 was US\$ 6.8 million including the 7% Trust Fund Management Fee. 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).

Amounts cited exclude the IMF's in-kind contribution that covers the salaries and expenses of the coordinator and four of the support staff and other annual overheads of approximately US\$ 0.5 million.

The FY2019 expenditure outturn is slightly less than the original US\$7.0 million budget (including management fee) that was endorsed by the 2018 Steering Committee meeting. However, it represents an outturn of around 86 percent of the budget that was subsequently adjusted upwards to US\$ 7.95 million during the year from:

- an initial pledge of US\$ 1.0 million from Australia to expand the Revenue program of which the revenue administration and legal budgets were expanded by US\$700,000, with the balance of the extra funds and underspending carrying forward to FY2020; and

- several other smaller increases to the FY2019 baseline program budgets including PFM (+US\$70,000) and FSS (+US\$130,000).

The following analysis of expenditure outturn is with respect to the uplifted budget. The Revenue, Macro, and FSS programs have very high outturns at 94 percent, 93 percent, and 93 percent of budget respectively. The slightly lower PFM outturn of 82 percent is an improvement over FY2018 but is held down by an STX budget underspend at 66 percent. Over Phase V, PFM utilization of the STX budget has lagged but a pick up late in FY2019 is expected to continue.

Unsurprisingly, both statistics budgets were underspent, with the RSS program at 74 percent and GFS at 79 percent, primarily from reduced LTX costs given the gaps between outgoing and incoming advisors. The modest STX budgets for both statistics programs were fully used, whereas the workshop budgets, particularly for RSS was mostly untouched given the challenges for a newly appointed advisor to deliver a regional training event that was hampered by scheduling conflicts. The outgoing GFS advisor delivered a planned single regional event before leaving.

From a budget category perspective, LTX costs (salary and allowances) had a high outturn of 92 percent and LTX regional travel was 88 percent. The overall STX budget outturn was 87 percent, suppressed by PFM and Macro underspending despite full utilization by the FSS, GFS, and RSS programs, and 98 percent by Revenue. A 73 percent workshop/seminar outturn was achieved, with good utilization of all programs except RSS and PFM. The training course that preceded the 25th anniversary event was financed by a specific ICD training budget that was sufficient for one major event during Phase V and is now exhausted.

The PFTAC administrative budget (separate from the IMF contribution) included a one-time supplement as endorsed by the 2018 SC meeting of \$US100,000 towards the cost of the anniversary, and a recurring annual budget of \$US 50,000 was also approved to finance the recruitment of a locally employed Economic Analyst who joined the PFTAC team in August 2018. This administrative budget also covers the office rental costs at the Reserve Bank of Fiji, and the cost of the annual Steering Committee that have been projected for the March 2019 Port Moresby meeting.

TABLE 8. PROPOSED FY2020 BUDGET (US DOLLARS MILLIONS)

| | Program Document Budget | Tot Ph V Expenses to end-FY19 | % of Prog Doc Budget thru end-FY19 | FY2019 | | FY2020 | | |
|---|-------------------------|-------------------------------|------------------------------------|---------------|---------------|---------------|-----------------|--------------|
| | | | | Budget | Outturn | Orig. Budget | Proposed Budget | Change |
| Resident Advisors (Long Term Experts - LTX) | \$12.6 | \$5.0 | 40% | \$2.17 | \$1.99 | \$2.28 | \$2.46 | \$0.2 |
| LTX Travel | \$2.3 | \$1.0 | 42% | \$0.44 | \$0.38 | \$0.39 | \$0.46 | \$0.1 |
| Short-Term Experts (STX) | \$11.4 | \$4.4 | 39% | \$2.35 | \$2.05 | \$2.10 | \$2.35 | \$0.2 |
| Diagnostic Missions | \$1.2 | \$0.7 | 58% | \$0.42 | \$0.35 | \$0.20 | \$0.32 | \$0.1 |
| Training/Seminars/Workshops | \$6.0 | \$1.7 | 28% | \$1.17 | \$0.86 | \$1.07 | \$1.22 | \$0.1 |
| Backstopping/Project Management | \$1.9 | \$0.6 | 31% | \$0.37 | \$0.28 | \$0.37 | \$0.40 | \$0.0 |
| Other Costs (Evaluation, misc., etc.) | \$1.6 | \$0.7 | 47% | \$0.51 | \$0.47 | \$0.50 | \$0.74 | \$0.2 |
| Total TA Provision/Delivery | \$36.9 | \$14.1 | 38% | \$7.43 | \$6.38 | \$6.91 | \$7.94 | \$1.0 |
| Trust Fund Management Fee* | \$2.6 | \$1.0 | 38% | \$0.52 | \$0.45 | \$0.48 | \$0.56 | \$0.1 |
| Total Trust Charges | \$39.5 | \$15.1 | 38% | \$7.95 | \$6.82 | \$7.40 | \$8.50 | \$1.1 |
| IMF and Host Country In-Kind Contribution | \$2.6 | | | \$0.50 | \$0.59 | \$0.50 | \$0.50 | \$(0.0) |
| TOTAL | \$42.1 | | | \$8.45 | \$7.41 | \$7.90 | \$9.00 | \$1.1 |

* Trust Fund Fee is 7 percent of funds utilized for TA delivery

FUND RAISING faces challenges ahead from a funding gap that needs to be closed in FY2020. Of US\$ 30.15 million pledged, US\$ 20.51 million in contributions have been received (see Annex). The contribution agreement with the European Union finalized in FY2019 for € 6.0 million included a large initial contribution that improved short-term liquidity and outlook. Further donor partner contributions of US\$ 7.49 million should continue to safeguard liquidity during FY2020.

Member country contributions are encouraging with 45 percent of expected inflows received (US\$ 1.74 of US\$3.89 million), although US\$770,000 is at risk given the still outstanding commitments RMI, Palau, and Timor Leste to sign Letters of Understanding that are a prerequisite to financially contributing.

By April 30, 2019, Phase V is 45 percent complete at 30 of 66 months over, yet around 38 percent of the program budget of US\$ 39.5 million has been utilized. The proposed FY2020 budget of US\$ 8.5 million including trust fund fee (see Section III) - is inclusive of US\$ 1.0 million of Australian funding to expand the Revenue program.

However, the first pledge and tranche of US\$ 1.0 million will be exhausted before the mid-point of FY2020, so for the expanded program to continue uninterrupted in delivery of the proposed FY2020 workplan requires further commitment and contribution of funds in FY2020 to avoid an abrupt scaling-back of the Revenue program returning to the baseline scenario. A second tranche of AUD\$1 million in May 2019 from Australia has guaranteed the program expansion through FY2020.

According to the Phase V Program Document, the resident GFS advisor position is due to end in April 2020, with the GFS program contracting to a few STX missions in FY2021 and FY2022. A new GFS advisor arrives at PFTAC in April 2019 and under current plans will have an assignment of just over one year. However, a groundswell is emerging from the region to retain the GFS program with an extension of the resident advisor beyond April 2020. Either an offsetting adjustment between programs is needed to remain within the \$US 39.5 million budget envelope for Phase V, or an increase to the budget envelope adding to the existing funding gap.

THE FUNDING GAP is nominally US\$9.5 million, which is the difference between the Program Document fund-raising target of US\$ 39.5 million and current pledges of almost US\$ 30 million. The baseline budget for the remaining three years including the trust management fund fee is US\$ 22.2 m (FY2020 - US\$ 7.5 m; FY2021 - US\$7.2 m; FY2022 - US\$7.5 m). Added to the US\$ 15.1 million actual expenses through end-FY2019 suggests a slightly lower financing requirement of US\$ 37.3 million over the baseline Phase V budget, reducing the funding gap to US\$ 7.3 million. However, several factors impact this analysis:

- Revenue program scaling-up adds US\$ 1.0 million for each of the final three years and must be funded additionally beyond closing the baseline gap.
- Even at the best outturn yet, budget execution in FY2019 was 86 percent, that realistically may be difficult to better. The same ratio applied to the remaining three years would see actual expenses closer to US\$20.1 million versus the baseline budget of US\$ 22.2 million, which would reduce the

funding gap by \$US4.3 million down to US\$ 5.2 million.

- If the GFS program was to be extended, the annual cost of

retaining an LTX would be approximately US\$400,000. The first-year extension could be financed from the funds carried-forward from Phase IV, and the

second year would expand the funding gap to US\$ 5.6 million that would need to be closed or financed by savings found.

TABLE 9. STATUS OF FINANCIAL CONTRIBUTIONS FOR PHASE V (AS OF APRIL 30, 2019)

| | Currency* | Commitments | | Contributions received (U.S. dollars) | Payments pending (U.S. dollars) |
|-----------------------------------|--------------|--------------------|-------------------|--|---------------------------------|
| | | (partner currency) | (U.S. dollars) | | |
| PARTNERS | | | | | |
| ADB | U.S. dollar | | 800,000 | 800,000 | 0 |
| Australia | Aust. dollar | | 11,300,000 | 7,807,000 | 2,362,573 |
| European Union | Euro | | 6,000,000 | 7,013,442 | 3,630,976 |
| Korea | U.S. dollar | | 2,500,000 | 2,500,000 | 1,500,000 |
| New Zealand | NZ dollar | | 12,000,000 | 8,147,855 | 0 |
| SUBTOTAL, PARTNERS | | | 26,268,297 | 18,774,748 | 7,493,549 |
| MEMBER COUNTRIES | | | | | |
| COOK ISLANDS | U.S. dollar | | 110,000 | 80,000 | 30,000 |
| FIJI | U.S. dollar | | 687,500 | 375,000 | 312,500 |
| KIRIBATI | U.S. dollar | | 82,500 | 32,925 | 49,575 |
| MARSHALL ISLANDS (RMI) | U.S. dollar | LoU Pending | 110,000 | 0 | 110,000 |
| MICRONESIA (FSM) | U.S. dollar | | 110,000 | 40,000 | 70,000 |
| NAURU | U.S. dollar | | 82,500 | 82,026 | 474 |
| NIUE | U.S. dollar | | 27,500 | 9,950 | 17,550 |
| PALAU | U.S. dollar | LoU Pending | 110,000 | 0 | 110,000 |
| PAPUA NEW GUINEA (PNG) | U.S. dollar | | 1,375,000 | 625,000 | 750,000 |
| SAMOA | U.S. dollar | | 165,000 | 165,000 | 0 |
| SOLOMON ISLANDS | U.S. dollar | | 165,000 | 165,000 | 0 |
| TOKELAU | U.S. dollar | | 11,000 | 11,000 | 0 |
| TIMOR-LESTE | U.S. dollar | LoU Pending | 550,000 | 0 | 550,000 |
| TONGA | U.S. dollar | | 110,000 | 49,921 | 60,079 |
| TUVALU | U.S. dollar | | 27,500 | 17,500 | 10,000 |
| VANUATU | U.S. dollar | | 165,000 | 90,000 | 75,000 |
| SUBTOTAL, MEMBER COUNTRIES | | | 3,888,500 | 1,743,322 | 2,145,178 |
| GRAND TOTAL | | | 30,156,797 | 20,518,070 | 9,638,727 |

Source: IMF, Institute for Capacity Development



PIF and PFTAC Member Flags – except French Polynesia. Timor-Leste is not a PIF member.

REVENUE ADMINISTRATION

MAIN ACHIEVEMENTS

- (1) Facilitating the function based approaches to revenue administration;
- (2) Developing and implementing risk-based compliance improvement strategies;
- (3) Improving the emphasis and effectiveness of taxpayer services;
- (4) Strengthening the management and compliance of the large taxpayer segment;
- (5) Facilitating the introduction of VAT or modernizing existing VATs; and
- (6) Modernizing tax legislation including Income Tax Acts, VAT Acts, and Tax Administration Acts.



Regional Taxpayer Survey Workshop, Fiji, April 2019

WORK PROGRAM EXECUTION

The PFTAC revenue administration program continues to focus on two key objectives: (1) strengthening revenue administration and governance arrangements, and (2) strengthening core tax administration functions. The program is delivered by a resident tax administration advisor and draws on an extensive pool of international tax administration experts. These efforts are expected to help mobilize domestic revenue with lower administrative costs but better filing and payment compliance rates. Additional modest resources are provided from the IMF's Legal Department for drafting new or revised tax legislation to support the revenue program objectives, as well as tax policy expertise from the Fiscal Affairs Department.

Through the generous support of the Australian government, additional funding to expand PFTAC's revenue program by approximately 45 percent was pledged with an initial tranche received in FY19. This scaling-up of the revenue program will provide tax policy advice, tax legislation drafting, and extensive tax administration CD. Beyond a broad revenue mobilization objective, these additional resources will support countries facing declining trade tax revenues expected through trade liberalization under the PACER Plus Agreement. PFTAC capacity building and training focuses largely on strengthening core tax functions and facilitating the design of compliance improvement strategies.

Revenue Program Expansion

There has been long-standing unmet demand for additional assistance under the PFTAC revenue program.

With a single resident advisor, the program has operated at full capacity in recent years, necessitating difficult

prioritization in responding to member country needs. Those demands have grown more given the wider revenue mobilization agendas of most Pacific countries. The 2017 signing of the regional PACER Plus trade agreement by some Pacific nations has added pressure given projected trade tax losses that will need to be offset by new revenue sources, with the impact varying by country. Given the expanding demand for PFTAC Revenue assistance that has been highly effective over the years, negotiations with Australia culminated in June 2018 with an injection of financing to PFTAC to scale-up the Revenue program.

Potentially, this means that the revenue program will expand by approximately 45 percent from the baseline Phase V plan with program delivery expanded through the delivery of additional short STX and Headquarters delivered TA. Most of the scaling-up is directed to PACER Plus signatories, with early expansion in the Cook Islands, Kiribati, Solomon Islands, and Tonga, as well as Fiji that is not a signatory to the trade agreement.

At the regional level, PFTAC works closely with the **Pacific Island Tax Administrators Association (PITAA)** in presenting CD

workshops. In 2018-19 these included a VAT Implementation workshop for those countries contemplating the introduction of VAT; 'Leading Change' and a 'Regional Technical Assistance Needs' workshop which provided an opportunity to discuss PIC tax reform progress and CD needs. A regional Tax Administration Diagnostic Assessment Tool (TADAT) workshop provided senior tax administration officials with an overview and training on the TADAT methodology. A workshop to facilitate the design of a Taxpayer Survey framework adaptable by all member countries will be repeated annually and is expected to provide a valuable resource to better monitor taxpayer satisfaction levels and address identified weaknesses.

A joint CARTAC/PFTAC event on Revenue Mobilization in the Caribbean, Pacific, and other Small Island States was convened at IMF Headquarters in Washington in July 2018. Tax administration heads or senior officials participated from 18 Caribbean and 12 Pacific nations as well as Cape Verde, Maldives, Mauritius, and the Seychelles. Presentations on tax administration, tax policy, and tax legislation were delivered by a wide range of very experienced and knowledgeable experts in tax administration, tax policy, and tax legislation made presentations from the IMF, Small Island Developing States (SIDS) and other development partners. The workshop addressed issues and challenges relevant to the Caribbean, the Pacific and other SIDS.



Delegates at the Joint CARTAC/ PFTAC event on Revenue Mobilization, Wash DC, July 2018

For the second consecutive year, PFTAC hosted an annual awards dinner and recognized the achievements of three countries for their progress in advancing their revenue reforms. Fijian Minister for Economy, Hon Aiyaz Sayed-Khaiyum, presented the awards to Kiribati for strengthening core tax functions, Fiji for supporting regional tax administration development, and Tonga for strengthening revenue administration and governance arrangements.



Fiji's minister for Economy, Hon Aiyaz Sayed-Khaiyum presents awards to Kiribati

In the **Cook Islands** PFTAC assistance led to:

- (1) a review of reforms and opportunities to further strengthen revenue administration and core functions;
- (2) the development of a renewed strategic and business plan; and
- (3) new processes to strengthen arrears and returns management.

Extensive support to **Fiji** led to the following achievement:

- (1) development of a platform for the full implementation of self-assessment that is aligned to administration's new Information Technology (IT) system;
- (2) development of a tax rulings program;

- (3) completion of an IT quality assurance review;
- (4) improved risk management synchronized to new IT system developments;
- (5) implementation of VAT audit tools; and
- (6) an objective report on the effectiveness of reforms and effects of adopting a risk-based Compliance Improvement Strategy, with respect to:

- improvements in on-time filing, on-time payment and the management of tax arrears and outstanding returns;
- a strategy to improve compliance in the High Net-Worth Individual segment;
- legislative review of the VAT and Stamp Duty Acts.

FSM received PFTAC support to:

- (1) strengthen on-time filing, on-time payment and the management of tax arrears and outstanding returns; and
- (2) improve audit capability

In **Kiribati**, PFTAC provided technical assistance to:

- (1) develop a modernization project plan;
- (2) develop a VAT audit tool kit to strengthen audit processes; audit capability and planning;
- (3) strengthen the collection of tax arrears and outstanding returns;
- (4) strengthen the collection of tax arrears and outstanding returns;

- (5) designed the framework to introduce a small business tax; and
- (6) assisted with drafting amended legislation for the implementation of Sea Bed Mining.

Strengthening of revenue administration in **RMI** led to:

- (1) improving taxpayer registration processes; and
- (2) an action plan to improve the management of outstanding returns and tax arrears.

PFTAC's support to **Nauru** facilitated:

- (1) a review of current organizational arrangements and recommendations for further enhancements; and
- (2) an action plan to improve core tax functions.

Niue benefitted from assistance that led to:

- (1) improvements to the current organizational structure;
- (2) a plan to improve core tax functions;
- (3) recommendations to modernize the Niue Income Tax Act; and
- (4) legal assistance to renew the Niue Tax Administration Act with harmonized procedural and administrative rules.

PFTAC assistance to **Palau** helped with:

- (1) a joint tax policy and revenue forecasting mission provided advice on the design and projected impact of introducing VAT;
- (2) a VAT training manual to support the implementation of VAT legislation;
- (3) a training program for staff to prepare for VAT implementation; and
- (4) development of a function-based organization to manage compliance.

BOX 3. REGIONAL VAT WORKSHOP- FIJI

Seven PICs and representatives from Bhutan attended a workshop on 'Implementing a Successful Value Added Tax (VAT)'. Participating countries without a VAT included Solomon Islands, Palau, RMI, Nauru, and FSM who received advice on the critical issues relating to the successful implementation of VAT with experience shared from

established VAT regime countries such as Fiji and Kiribati. The workshop also included discussions relating to potential revenue reforms arising from the Pacific Agreement on Closer Economic Relations (PACER Plus) trade agreements with Australia and New Zealand.



Regional VAT Workshop, Fiji, September 2018

In **Papua New Guinea**, the PFTAC Revenue program contributed to:

- (1) an evaluation of organization wide reforms and recommendations to advance their implementation; and
- (2) the implementation of a Medium-Term Revenue Strategy (MTRS) funded through the Revenue Mobilization Trust Fund and backstopped by FAD.

In **Samoa** technical assistance led to:

- (1) a full review of the audit program, structure, staffing arrangements, management practices, risk analysis and case selection systems and assistance in designing a new audit plan.

Expanded engagement with the **Solomon Islands** contributed to:

- (1) a review of overall reforms undertaken in recent years and recommendations for further modernization;

(2) the development of a new Corporate Strategy and Business Plan;

(3) an action plan to strengthen the management of tax arrears and outstanding returns;

(4) implementation of a function-based structure;

(5) an action plan to introduce a Large Taxpayer Office;

(6) a plan to strengthen the audit function;

(7) the design of a modernization strategy; and

(8) strengthening the taxpayer services function.

In **Tonga**, PFTAC is contributing to a major scaling-up in revenue reforms including:

- (1) a review of overall reform progress and the identification of future technical assistance needs;

(2) the development of the tax audit function and design of an audit plan;

(3) developed a plan for the further expansion of the Large Taxpayer Office;

(4) developed an Industry Partnership approach to deal with high risk industry segments;

(5) reviewed the organizational structure and provided recommendations for further enhancements;

(6) assisted in the development of a plan to improve on-time filing, on-time payment and the management of tax arrears and outstanding returns;

(7) facilitated the design of a plan to improve the audit function;

(8) reviewed the impacts of the PACER Plus Trade Agreement; and

(9) assisted in the rewrite of the Revenue Services Administration Act and Consumption Tax Act.



Participants during Taxpayer Survey Workshop, April 2019

BOX 4. REVENUE REFORMS IN TONGA

Modernizing our tax administration is a top priority which over the last few years has resulted in several initiatives contributing to increased tax revenues. This has included improvements to our legal framework such as a redrafted Revenue Services Administration Act and a Consumption Tax Act. Modernizing our organization along functional lines has sharpened our efficiency and increased performance across core functions. Our new corporate plan supports the Government's Strategic Development

Framework that is designed to improve the quality of life for all Tongans by 2025. An increase in taxpayer services and education activities over the last two years has seen an increase in the number of registrations for Income Tax, Small Business Tax, Employers (PAYE), and Consumption Tax. The creation of our Risk Management Unit has taken the lead in risk identification and embarked upon numerous compliance activities that have produced good results. The creation of our Large Taxpayer Office has proved to be a good strategic decision with

compliance trends already improving. The taxpayer services function, included in the new organizational structure, arranged a tax week "Revenue from the Community for the Community" which raised wide awareness of tax obligations and was supported by an intensive media campaign. These initiatives have played a significant role in improving compliance with tax revenues far exceeding projections for both 2016 and 2017.

Kelemete Vaha, Chief Executive Officer, Ministry of Revenue and Customs, Tonga

Technical assistance to **Tuvalu** included:

- (1) a review of core tax functions;
- (2) strengthening on-time filing, on-time payment and taxpayer services;
- (3) development of an overarching modernization plan;
- (4) the design of a compliance improvement strategy to improve compliance; and

- (5) a review of the current IT system.

In Vanuatu, PFTAC's support contributed to:

- (1) implementation of a new function-based structure;
- (2) the design of a project plan to facilitate implementation of organizational reforms;

- (3) drafting a Tax Administration Bill, technical notes and regulations;

- (4) facilitating the design of a renewed Compliance Improvement Strategy for 2019 – 2010;

- (5) the design of a Taxpayer Services Strategy; and

- (6) a plan to improve on-time filing, on-time payment and management of tax arrears and outstanding returns.

BOX 5. MODERNIZATION OF VANUATU'S DEPARTMENT OF CUSTOMS AND INLAND REVENUE

Vanuatu's administrative reforms have gained momentum over the last few years resulting in: (a) the development of a new strategic and business plan; (b) a risk-based Compliance Improvement Strategy (CIS); (c) implementation of a function-based structure; (d) implementation of basic performance standards; (e) a computer system which has facilitated taxpayer compliance; and (f) setting up a project management framework and governance structure to oversee reform implementation.

Under our CIS, we have seen an increase in VAT revenues and an improvement in targeted areas. VAT revenues increased by over 17 percent in 2017 compared to 2016.

Using Vanuatu's Model of The Vanuatu Economy (MOVE) we were able to demonstrate that a large proportion of this increase was attributed to increased voluntary compliance. In 2018 VAT increased by 20 percent over 2017, although part of this increase is attributed to a 2.5 percent increase in the VAT rate, indications are that part of this growth, as in 2017, can be linked to increased voluntary compliance.

The CIS has seen inroads into reducing the number of outstanding VAT returns by 24 percent & reducing the number of debtors by over 25 percent. Debt levels in the Very Large segment was reduced by 40 percent, the Large segment by 81 percent, and the Micro

segment by 53 percent with modest increases across the small and medium segments. A renewed CIS is currently under development and includes elements related to the TADAT framework.

A prosecution strategy has resulted in the prosecution of 5 high risk taxpayers sending a strong message to taxpayers that strong enforcement action will be taken against those that do not comply. PFTAC has played an important role supporting us in our reform agenda for which we are most appreciative.

Collins Gesa, Acting Director, Division of Customs and Inland Revenue, Vanuatu

BOX 6. RECENT TAX LAW WORK IN THE PACIFIC

A considerable volume of legislative drafting assistance has been provided under the PFTAC Revenue program in the Pacific. The reforms have primarily involved updating and modernizing tax legislation, particularly for the income tax and VAT.

Two countries with old Income Tax Acts (ITA), **Papua New Guinea** (1959) and **Niue** (1960), have commenced the process of rewriting their ITA as a modernized and simplified income tax law suitable for the current business and economic environment in the respective countries. Interestingly, in their origin, the ITAs in both countries were largely transplanted from other countries (Australia in the case of PNG and New Zealand in the case of Niue) and, therefore, the ITA rewrite in both countries is an opportunity to implement income tax legislation that is more relevant to the needs of the two countries.

The PNG ITA has been amended many times since its original enactment and is a long and complex piece of legislation running to around 800

sections and over 450 pages. A small working group has been put together to oversee the rewrite process with the aim of keeping the new ITA to no more than 100 pages!! The working group includes representatives from Treasury and the Internal Revenue Commission.

Work has commenced on modernizing and simplifying VAT legislation in Fiji and Tonga (where the tax is referred to as “consumption tax”). Fiji has also started a rewrite of the Stamp Duties Act. A focus of the VAT rewrites is on improving the taxation of supplies of imported services, including digital products, and reviewing exempt and zero-rated supplies. Work has continued in Palau on the development of a VAT law.

Several PICs have been working on a Tax Administration Act (TAA). In broad terms, a TAA provides for harmonized procedural and administrative rules applicable to inland taxes, particularly the income tax and VAT. Both PNG and Vanuatu have recently enacted a TAA, and the bill for a new Revenue Services Administration Act in Tonga

went to Parliament in February 2019. The drafting of a TAA has commenced in Niue and the work on the TAA will run in parallel with the ITA rewrite.

Tax reform work has commenced in Kiribati, with legislation prepared to amend the ITA to provide for the taxation of seabed mining operations and to introduce a presumptive tax for small business.



Attendees at a training program on the Vanuatu TAA run by the University of New South Wales with financial support from Australian AID showing their excitement at having a TAA.



Mr. Peter Mondoro, Assistant Secretary, Revenue Policy, Treasury, and chair of the ITA rewrite working group, and Mr. Lee Burns (who noted that the PNG ITA was “born” the same year as he was, which is a good reason of itself to rewrite it!



The initial work in Tonga was interrupted by Cyclone Gita, which hit during the middle of the mission and saw tax reform work give way to helping with the clean-up.

PUBLIC FINANCIAL MANAGEMENT

MAIN ACHIEVEMENTS

- (1) Improving capacity to meet fiscal responsibilities by using diagnostic assessments to build reform programs;
- (2) Modernizing public financial management legislation to support on-going reforms, fiscal responsibility, and transparency;
- (3) Helping PICs to have more comprehensive, credible, and policy-based budgets through improved documentation accompanying parliamentary budget submissions;
- (4) Improving data integrity and budget execution through risk based internal audit;
- (5) Strengthening the coverage of reporting with improved account structures;
- (6) Facilitating effective cash management through improved forecasting and monitoring; and
- (7) Improving the management of fiscal risks associated with oversight of state-owned enterprises by establishing oversight and reporting mechanisms.



Public Financial Management Seminar hosted by the Fiscal Reform Commission, Timor-Leste, March 2019

WORK PROGRAM EXECUTION

In FY2019, PFTAC completed 33 country missions (totalling 469-person days) and conducted or participated in three regional workshops and two regional meetings on PFM topics. More than one third of the missions, in terms of person days, were conducted by the two Suva-based PFM advisors with the remainder delivered by STX and with Fiscal Affairs Department (FAD) staff in one case.

The major users of PFM TA during the year were **Fiji, Kiribati, Samoa and Vanuatu**. The major topics of assistance continued to be *Public Expenditure Framework Evaluation (PEFA)* assessments; improving controls and developing internal audit processes; implementing International Public-Sector Accounting Standards (IPSAS) cash accounting and accounting frameworks and policies.

The PEFA framework was updated by the PEFA Secretariat in 2016 with the revised framework now implemented across the region. Multi-phase assessments are now required covering: (1) a review of the progress achieved since the last PEFA, utilizing the previous framework; (2) completion of an assessment under the new framework, and (3) inclusion of both assessments in the report. This requires additional assessment effort and lengthens the report. This was fully implemented in the Samoa assessment during 2018. Planning for the PEFA in PNG has been underway throughout 2018, and more recently, a Fiji PEFA is being explored.

Improvements in internal audit practices have been occurring throughout the region. While initially this involved the establishment of audit committees, implementation of audit charters and reporting, recent work has turned to updating planning and audit practices that are consistently risk based. This includes establishing risk-based audit of systems, such as procurement and payroll.

Financial reporting is being enhanced on multiple fronts. A major update to the IPSAS cash reporting requirements related to financial reporting took effect in January 2019 (with earlier implementation encouraged). It provides opportunities for

countries to improve reporting on assets and liabilities within the notes to the financial statements. Examples of changes being supported through PFTAC assistance include reporting on non-financial assets and equity investment. Data classification in financial reporting is occurring through additional reporting on functional and administrative classifications while economic classifications are now being structured to reduce overlap and provide improved economic data.

These IPSAS reforms were addressed in a January 2019 workshop on financial reporting that allowed for member countries at more advanced stages of reform to present their experiences and challenges to others from the region. This peer-to-peer interaction allows countries to appreciate problems shared by others to work collaboratively towards solutions.

Expansion and enhancement of cash management and cash flow forecasting was a major focus during a workshop in late April. It provided countries an opportunity to share their existing forecasting models and cash management practices. Presentations focused on the relationship between the medium-term fiscal strategy and management practices, including communication strategies. Participants were able to learn best practices in forecasting models, with an opportunity to review and enhance their models through interactive discussions with country officials and workshop moderators. Country officials who have successfully reformed cash management and/or cash flow forecasting presented their achievements and discussed the challenges faced. Such interaction allows countries to recognize commonly experienced problems to work cooperatively to find solutions.

Finally, reforms in monitoring the fiscal risks associated with state owned enterprises (SOE) and oversight of SOEs has been improving in the region from PFTAC assistance and previous workshops. Missions during the year reviewed country implementation and

identified additional improvements and/or strategies for improving monitoring and oversight.

In the **Cook Islands** PFTAC helped:

- (1) Prepare the structure of the Chart of Accounts for implementation with the new FMIS.

Extensive support to **Fiji** led to the following achievements:

- (1) Completion of a comprehensive redrafting of the Public Financial Management Bill to replace the current public Financial Management Act;
- (2) Adoption of a risk-based audit methodology for payroll that is a significant component of the budget;
- (3) Further development of a new Chart of Accounts, including development of new economic classifications of revenues, expenditures, assets, and liabilities;
- (4) Draft instructions on financial reporting for small public enterprises and statutory authorities; and
- (5) Building on earlier TA for the analysis of fiscal risks associated with SOEs.

In **Kiribati** the focus of PFTAC assistance in conjunction with FAD:

- (1) Finalized the PIMA assessment to improve processes around public investment management.

PFTAC's support to **Nauru** is helping make:

- (1) Systematic and procedural changes to improve compliance with IPSAS cash reporting.

In **Papua New Guinea**, the PFTAC PFM program:

- (1) undertook preparatory work ahead of a national PEFA assessment in early FY2020.

BOX 7. PEFA in SAMOA

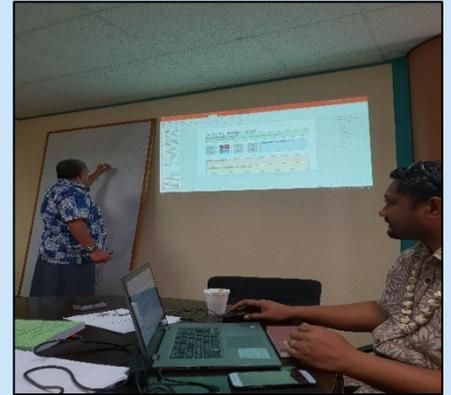
Samoa was the first PFTAC member to undertake a full PEFA assessment under the revised 2016 methodology, noting that the last PEFA to be undertaken in PNG was a test version of the revised methodology. Samoa's previous PEFA experience in 2014 utilized the 2011 methodology.

What is considered good PFM practice has evolved over time mostly driven by ongoing PFM reforms, resulting in higher expectations. Amongst other things, the updated PEFA framework has a stronger focus on internal financial controls, greater requirements for public access to more comprehensive financial information and more emphasis on use of macro forecasts and the adoption of a medium-term approach towards budget.

Samoa has undertaken ongoing PFM reforms for over a decade which at first glance under the new methodology looked to have had little success in terms of the ratings. The 2016 guidelines for reporting indicate that a direct comparison cannot be made. Tracking change is done by using the PEFA framework used in the previous assessment to the corresponding data for the years covered by the current assessment. Essentially applying two lenses to the same evidence.

The Government's PEFA Taskforce were responsible for the initial evidence gathering and the conduct of a self-assessment outlined the initial surprise "Being able to clearly demonstrate that improvements had been made since 2014 was a positive point to make. The process towards

developing a new roadmap will now need to consider the greater expectations around PFM actions and the Samoan context in where we need to focus our efforts to consolidate our gains and meeting these new expectations.



PEFA Assessment, Samoa, Aug 2018

In **Samoa**, an extensive program of PFM technical assistance included:

- (1) A full in-country PEFA assessment under PFTAC leadership including post-assessment follow-up;
- (2) Redevelopment of budget documentation for submission to Parliament to enhance understanding of the budget;
- (3) Developing a strategic plan for the Internal Audit Unit and training to implement a risk-based audit methodology;
- (4) A review of the government's compliance with requirements of IPSAS cash accounting standards and drafting of non-financial asset accounting and reporting policy;
- (5) Developing a revised warrant system to improve cash management processes; and
- (6) Developing risk indicators to monitor each of the SOEs

The **Solomon Islands** benefited from:

- (1) the PFM advisor joining the Article IV missions to ascertain how PFM reforms were progressing and to identify opportunities to further integrate CD and surveillance; and
- (2) Follow-up training on cash forecasting and a progress review of outcomes from previous cash forecasting missions.

In **Tonga** PFTAC:

- (1) Assisted in the PFM Symposium hosted by the Tongan government in conjunction with PASAI to assess progress against the PFM roadmap
- (2) Assessed the progress of internal audit and financial reporting facilities along with training for internal auditors on risk-based auditing;
- (3) Assisted with further improvements to economic classifications in the existing chart of accounts; and
- (4) Reviewed progress with the implementation of financial reporting reforms and compliance with IPSAS cash.

Help to **Tokelau** included:

- (1) Developing a PFM roadmap arising out of the findings in the 2016 PEFA self-assessment.

Timor Leste benefited from:

- (1) Participation of the PFM advisor in the Fiscal Reform Commission's Public and Financial Management Seminar for Sustainable Growth and Development.

In **Vanuatu**, PFTAC's support contributed to:

- (1) Adoption of a risk-based approach towards internal audit activities and reviewing the progress on the risk-based internal audit of the payroll system; and
- (2) Developing capability and capacity in the Ministry of Finance in the adoption of improved financial reporting and new accounting regulations.

BOX 8. WORKSHOP TO STRENGTHEN FINANCIAL REPORTING IPSAS CASH OR ACCRUALS BASED ACCOUNTING

Finance ministry officials from 14 countries and audit officials from two countries attended a PFTAC organized workshop in late January 2019. Countries shared their financial reporting and accounting practices which highlighted that most countries used cash basis accounting and were working toward accrual accounting, with just a few already on a full accrual basis of accounting and financial reporting.

Presentations, activities and peer engagement during the workshop improved understanding of the requirements of the International Public-Sector Accounting Standards (IPSAS) and challenges in improving reporting in accordance with these standards, particularly issues with recent changes in the IPSAS “Financial Reporting under the Cash Basis of Accounting”. The change eases

compliance with cash basis, which is considered a requirement for the transition to accruals. Participants noted that the standard allows reporting on data associated with accrual accounting, such as fixed assets, payables, and government business enterprises within the notes to the financial statements. The importance of appropriate timing and a pathway for transition from cash to accrual accounting provides an opportunity to reflect on the implementation of full accrual accounting and the benefits versus the cost.

Presentations were delivered by countries that reflect advances in practices such as electronic payments (Fiji), improvements to notes to accounts (Samoa), and enhancements in asset management (Fiji). Engagement was extensive with and between workshop participants and a

genuine desire to learn from the experience of each other. Many participants noted the lack of understanding in their country that compliance with even the most basic reporting standards requires robust accounts, which in turn relies on a basic level of capability in relation to internal controls, human resources, Financial Management Information Systems, chart of accounts, and reconciliations.

Each country developed an action plan for financial reporting activities which was presented by country officials to reflect a practical approach to improving financial reporting taking into consideration individual country circumstances. Appropriate follow-up with each country will be built into PFTAC’s future CD engagements.



Regional Workshop on Improving Financial Reporting, Fiji, January 2019

TABLE 10. PEFA & PIMA ASSESSMENTS AND PFM ROADMAPS IN PACIFIC ISLAND COUNTRIES

| Country | Most Recent External | Number of PEFA's (Final) | PFTAC Guided Self-Assessments | Planned PEFA's | Completed PIMA | Most Recent Roadmap | Roadmap Development Support | Planned Roadmap Development |
|-----------------|----------------------|--------------------------|-------------------------------|----------------|----------------|---------------------|-----------------------------|-----------------------------|
| Cook Islands | 2014 | 2 | 2013 | - | - | 2016 | Self | - |
| FSM | 2012 | 1 | 2016 | - | - | 2018 | Self | FY19 |
| Fiji | 2012 | 1 | 2012 | Full: FY19 | - | 2016 | PFTAC | - |
| Kiribati | 2009 | 2 | 2017 | - | 2018 | 2011 | EU | FY20 |
| Nauru | 2010 | 1 | 2016 | - | - | Revised | ADB/PFTAC | FY19 |
| Niue | 2011 | 1 | - | - | - | Revised 2014 | PFTAC | - |
| Palau | - | 0 | 2013 | Full: FY19 | - | - | - | FY19 |
| PNG | 2015 | 3 | 2014-15 | Full: FY20 | - | 2015 | PFTAC/FAD | - |
| RMI | 2012 | 1 | 2012 | - | - | 2013 | PFTAC | - |
| Samoa | 2018 | 4 | 2013 | - | - | 2014 | Self | - |
| Solomon Islands | 2012 | 2 | 2012 | - | - | 2018 | PFTAC | - |
| Timor Leste | 2019 | 3 | - | - | 2017 | - | - | - |
| Tokelau | - | 0 | 2018 | - | - | 2019 | PFTAC | - |
| Tonga | 2010 | 2 | 2014 | Self: FY20 | - | 2014 | PFTAC | - |
| Tuvalu | 2011 | 2 | 2015 | - | - | 2017 | PFTAC | - |
| Vanuatu | 2012 | 3 | 2015 | - | - | 2016 | PFTAC | - |



Joint PFM and Macro Regional Workshop on Cash Management and Forecasting, Samoa, April 2019

MACROECONOMIC PROGRAMMING & ANALYSIS

MAIN ACHIEVEMENTS

- (1) Ten of PFTAC's 16 members, **Cook Islands, Fiji, Palau, PNG, RMI, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu** have a macroeconomic programming framework that is used in policy analysis;
- (2) The **Bank of Papua New Guinea** and Department of Treasury are leading capacity development at their institutions, the PNG public sector and the region;
- (3) The **Samoa** Macroeconomic Policy Coordination Committee was revitalized following an observation attachment to **Fiji**;
- (4) The **Tonga** Ministry of Finance assisted staff at the **Tuvalu** Ministry of Finance and Economic Planning to develop GDP forecasting; and
- (5) In response to member requests for customized training, PFTAC organized joint training events with the IMF's Institute for Capacity Development and Singapore Training Institute.



Course on Fiscal and Monetary Policy Forecasting, Papua New Guinea, April 2019

WORK PROGRAM EXECUTION

The macroeconomic program is focused 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 response to member requests for customized training PFTAC organized three joint training events with the IMF's Institute for Capacity Development and Singapore Training Institute in FY2019:

A five-day course on 'Macroeconomic Policy for Stabilization and Growth in the Pacific' was co-hosted by the Central

Bank of Solomon Islands and the Ministry of Finance and Treasury in Honiara. It brought together 48 analysts from **Cook Islands, Fiji, PNG, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, and Vanuatu** to discuss the importance of sound macroeconomic policy and institutions. It was followed by a two-day **extended session for participants from PNG and Solomon Islands** on 'Adjustment Options for Commodity Exporters'.

Thirty-six participants from 14 PFTAC members analyzed sources of economic growth and productivity at a three-day workshop on 'Policy Making to Influence Sustainable Growth and Productivity' in Nadi. An important aspect of the training

was to bring together IMF and technical staff from member countries to better integrate capacity development and surveillance. Staff from the IMF's Asia and Pacific Department joined the workshop to help facilitate discussions.

The Bank of **Papua New Guinea (BPNG)** and the Department of Treasury (DoT) co-hosted a five-day course on Macroeconomic Policy in April. It was held at the DoT and facilitated by ICD, PFTAC and STI. Participants were invited from the BPNG, the Departments of Finance, National Planning and Monitoring and Treasury, the Internal Revenue Commission, the National Economic and Fiscal Commission and the PNG Customs Services.

BOX 9. CUSTOMIZED TRAINING GETS HIGH MARKS

In response to member requests for customized training PFTAC organized joint training with the IMF's Institute for Capacity Development and Singapore Training Institute. A five-day course on **Macroeconomic Policy for Stabilization and Growth in the Pacific** and a two-day extended session on Adjustment Options for Commodity Exporters were hosted by the Central Bank of Solomon Islands and the Ministry of Finance and Treasury. The courses focused on strengthening the understanding of linkages between macroeconomic sectors by constructing sector by sector a "microframework" populated with PNG data.

A three-day workshop on **Policy Making to Influence Sustainable Growth and Productivity** preceded and fed into PFTAC's 25th anniversary celebrations. The event provided a mix of theoretical training designed from ICD lecture material,

country presentations, group discussions and technical hands-on exercises for which new tools and country data were constructed. Feedback suggests that customized regional training is a key aspect of capacity building with 98% and 91% of participants agreeing or strongly agreeing that they would recommend

the training events to others. Participants particularly valued that the courses were tailored to the Pacific and the peer-to-peer learning. The positive Pacific experience is helping design other IMF customized training.



Regional Course on Macroeconomic Policy for Stabilization and Growth in the Pacific, Solomon Islands, July 2018

The FY19 events were designed from ICD and STI training material and focused on topics of relevance to the region and available data. PFTAC members highly value the IMF's extensive program of ICD and STI courses, workshops and seminars which are an important complement to PFTAC technical assistance, but participants often find it difficult to apply new skills and knowledge acquired at these events in their home countries because of lack of data.

PFTAC continued to facilitate multi-topic workshops. The macroeconomics program was involved in training events on GFS, VAT Implementation and Cash Management.

Cook Islands is preparing for a surveillance type-technical assistance mission. It will be led by the IMF's Asia and Pacific Department with PFTAC assistance and review macroeconomic policy and institutions.

Prudent fiscal management is essential for macroeconomic stability:

- (1) A medium-term fiscal strategy has been released for 2019/20-22/23;
- (2) To establish and implement new fiscal rules, following IMF methodology, Ministry of Finance and Economic Management (MFEM) staff developed a tool which is integrated with the fiscal forecasting and budget processes;
- (3) MFEM has agreed to share the new tool with Pacific neighbours.

Work is also on-going to estimate the economic and revenue contribution of the international financial services industry.

Researchers at the Reserve Bank of Fiji are collaborating with an Economist from the IMF Resident Representative Office and the PFTAC Macroeconomic Advisor to estimate potential output and an output gap for Fiji using ICD training material and computer code. Potential

output and the output gap are useful indicators for the conduct of monetary and fiscal policy but not directly observable.

- (1) A working paper was prepared and presented at the Nadi workshop and the inaugural South Pacific Central Banking Research Conference; and
- (2) Work has started to estimate potential and output gaps for other Pacific countries.

To address fiscal challenges and make the tax system fairer and more efficient **Palau** is considering fiscal reform options. Grants are terminating under the Compact Agreement with the United States and fishing revenues will fall following the signing into law of the Palau National Marine Sanctuary Act. Fiscal reform options include:

BOX 10. PEER TO PEER LEARNING: FROM TONGA TO TUVALU AND BACK

In October 2018 Sione Faleafa, Chief Economist, Ministry of Finance, Tonga, joined PFTAC Macroeconomic Advisor Iris Claus in Tuvalu to share his knowledge and Tonga's experience with GDP forecasting and assist staff at the Ministry of Finance and Economic Planning to develop their own GDP forecasting framework. Having indicators of economic activity is critical for forecasting and a database, Tuvalu Economic Indicators (TEI), was set up.

“Having access to a good forecasting framework is remarkably enriching the government in its budget preparation and particularly informing our

decision-makers in a timely manner.” Niuatui Niuatui, Director of Planning, Budget and Aid Coordination, Tuvalu Ministry of Finance & Economic Planning.

“Helping set up the Tuvalu framework has given me new ideas for how we can enhance our own framework back home.” Sione Faleafa, Ministry of Finance, Tonga.

Peer-to-peer learning is invaluable. Thank you Minister Tu'lonetoa and CEO Fa'otusia for releasing Sione to join me in Tuvalu!” Iris Claus, PFTAC.



PFTAC Macro Advisor, Iris Claus with Sione Faleafa from Tonga Ministry of Finance

- (1) Introduction of a VAT and expansion of the net profit tax for businesses to replace import duties and the highly distorting gross revenue tax; and
- (2) Reductions in wage and salary tax to compensate workers for a one-off increase in process that may result from the VAT.

Increased revenue could be used to build up the Palau trust fund to provide a perpetual revenue stream.

The BPNG and DoT are leading capacity development for macroeconomic analysis and forecasting at their institutions, the PNG public sector and the region. Joint ICD-STI-PFTAC events happened because of a BPNG request to ICD for tailored training.

- (1) The BPNG's Monetary and Fiscal Forecasting (MFF) Model was used for the Honiara training; and
- (2) The DoT hosted an interagency workshop which was an important event to share data and knowledge on national accounts following methodology changes by the NSO to the measurement of GDP.

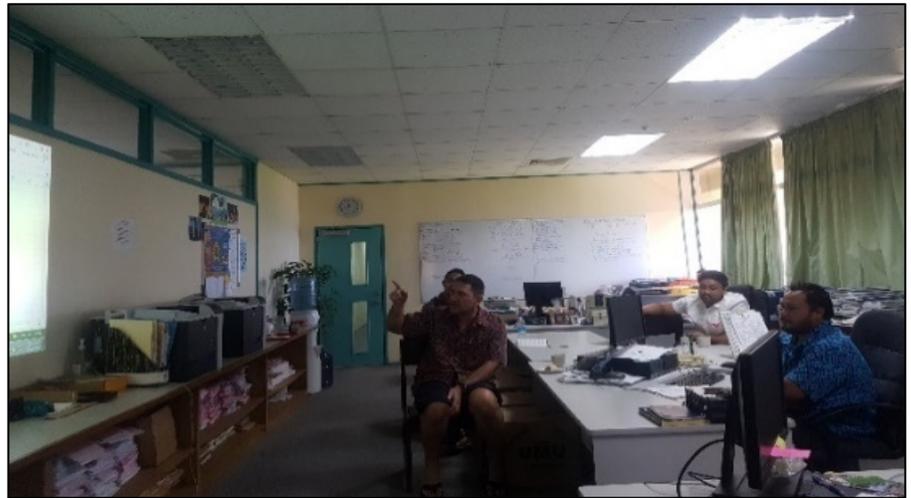
Work is continuing to incorporate enhanced GDP compilation methods into forecasts and develop composite indexes of indicators to estimate and forecast non-mineral and mineral GDP.

The Budget is a key document for the Government to communicate how it plans to achieve policy objectives in the short and medium term. Staff at the RMI Ministry of Finance are continuing to:

- (1) Progress medium-term budgeting; and

- (2) Enhance budget processes and documentation.

In Samoa a Technical Forecasting Committee was formed in 2017. In 2018 members from the committee participated in a two-week attachment to the Reserve Bank of Fiji to observe the process of the Fiji Macroeconomic Committee. Following the observation attachment, the team made recommendations on how “to enhance GDP forecasting ability for better policy making, planning and budgeting”. The team's recommendations led to the Samoa Macroeconomic Policy Coordination Committee being revitalized.



Sub-Technical Committee debating the Forecasts, Samoa, October 2018

BOX 11. REVITALIZED SAMOA MACROECONOMIC POLICY COORDINATION COMMITTEE

To strengthen institutional structures for macroeconomic policymaking a Technical Forecasting Committee was formed in 2017 comprising members from the Central Bank of Samoa, the Ministry of Finance, the Ministry for Revenue, and the Samoa Bureau of Statistics (advisory role). Committee members participated in a two-week attachment to the Reserve Bank of Fiji in 2018 to observe the process of the Fiji Macroeconomic Committee.

Following the observation attachment and recommendations by the team, the Macroeconomic Policy

Coordination Committee (MPCC) was revitalized with a new structure, terms of reference and memorandum of understanding that is to be finalized before the end of the 2018/19 financial year.

The new proposed MPCC has three levels chaired by the Ministry of Finance—Main Committee, Technical Committee and Sub-Technical Committee—and the following members: a. Ministry of Finance; b. Central Bank of Samoa; c. Ministry for Revenue; d. Ministry of Commerce, Industry and Labor; and e. Samoa Bureau of Statistics. The MPCC

produces consolidated forecasts that are published in the Fiscal Strategy.

“The observation attachment to the Reserve Bank of Fiji was a great opportunity for the team Samoa (from the Technical Forecasting Committee) to grasp the knowledge and experience the process of conducting meetings, and to gain an understanding of the nature of each level of each committee’s focus, roles and responsibilities.” Samoa Attachment Report, October 2018

In **Solomon Islands** staff at the Central Bank of Solomon Islands (CBSI) and the Ministry of Finance and Treasury (MoFT) continue to enhance their macroeconomic programming frameworks. A template for the monetary sector which was discussed during the ICD-STI-PFTAC training in Honiara was adopted in the CBSI model.

The MoFT's Solomon Islands Macroeconomic Model (SIMEM) is being used to inform tax reform to support private sector economic activity and investment:

- (1) Medium-term revenue projections have been produced for the current tax systems; and
- (2) The effects were quantified of introducing a VAT to replace the goods tax and import duty which are particularly harmful to economic activity and the sales tax and other 'nuisance tax' which do

not generate significant revenue but are costly to collect.

Staff at the **Tonga** Ministry of Finance continue to use and enhance tools developed in joint technical assistance provided in FY2016 by PFTAC and a secondee from the Reserve Bank of New Zealand. Peer-to-peer learning is a key aspect of capacity building and the Finance Ministry's Chief Economist joined the Macroeconomic Advisor in

Tuvalu to help develop GDP forecasting.

In **Tuvalu** staff at the Ministry of Finance and Economic Planning continue to build capacity for GDP forecasting which is a key statistic for macroeconomic analysis, monitoring and forecasting.

- (1) Having indicators of economic activity is critical and a database,

Tuvalu Economic Indicators (TEI), was set up;

- (2) Real GDP estimates and forecasts by industries are produced based on the economic and fiscal indicators in the TEI database and GDP deflators are forecast with world prices and components of the consumer price index; and

- (3) Methods were also enhanced to derive annual estimates of economic and fiscal variables when partial data for the year are available.

Staff at the Reserve Bank of **Vanuatu** (RBV) continue to use the Model of the Vanuatu Economy. In 2016 RBV staff presented on GDP forecasting using a composite index of indicators at a PFTAC workshop on GDP compilation and forecasting. Composite indexes to estimate and forecast non-mineral and mineral GDP are now being developed in PNG.

BOX 12. INAUGURAL SOUTH PACIFIC CENTRAL BANKING RESEARCH FOR POLICY CONFERENCE

The central banks of Fiji, PNG, Solomon Islands and Vanuatu, together with Australia's Griffith University convened an inaugural research conference in Suva, Fiji on December 12 – 13, 2018. The event brought together central bank researchers to share with academics, policy makers, regulators, multilateral organizations, business leaders, civil society, from the South Pacific and Australasia current research on the region and to explore vital links between research and policy relating to central banking, including financial and private sectors and economic growth and development. Invited key stakeholders from the ADB, DFAT, IMF/PFTAC, the Reserve Banks of Australia and New Zealand, the World Bank and commercial banks, participated in the conference as moderators, speakers and panelists.

Papers presented will be published as working papers and submitted to

journals and international conferences. Non-technical versions of the papers are published in the local media and posted on the South Pacific Centre for Central Banking (SPCCB) blog. The objectives of the SPCCB are to: (i) build credible local capacity for policy-oriented research; (ii) generate research results for use by policy analysts and policy makers; (iii) promote links between research

and policy; and (iv) encourage retention of high-quality researchers in the region. This year's research for policy conference will be hosted by the Reserve Bank of Vanuatu. There are plans for a central banks-SPCCB-PFTAC collaboration in 2019 which will be further explored at the PFTAC steering committee meeting in Port Moresby.



Delegates at the Inaugural South Pacific Central Banking Research for Policy Conference, Suva, December 2018

MACROECONOMIC STATISTICS

MAIN ACHIEVEMENTS

- (1) Improving the use of tax and other administrative data to supplement or replace business surveys in the compilation of gross domestic product (GDP);
- (2) Providing general and targeted training to local staff to build compilation capacities;
- (3) Improving the information available to data users and compilers, through the publication of more timely results; metadata; and good quality internal business process documentation;
- (4) Ensuring that new national chart of accounts (CoA) are mapped and aligned to the classifications according to the Government Finance Statistics Manual 2014 (GFSM 2014) for automation in the financial systems;
- (5) Compilation and dissemination of Government Finance Statistics (GFS) for the budgetary central government (BCG), and expanding coverage to the general government (GG); and
- (6) Increased coverage in the compilation of public sector debt statistics (PSDS).



Regional Workshop on GFS Classification, Compilation and Dissemination, Fiji, August 2018

WORK PROGRAM EXECUTION

Government Finance Statistics

The GFS program maintained momentum in FY2019 despite the early departure of the PFTAC GFS resident adviser in October 2018 who continued to oversee and deliver the program from his new assignment at the Statistics Department at IMF Headquarters. A replacement resident advisor is due to arrive at PFTAC in April 2019. As envisaged in the Phase V Program Document and as budgeted, the position of a resident GFS advisor is currently due to end in April 2020.

Over FY2019, ten GFS missions (totaling 147 TA field days) were delivered: 78 days by the PFTAC GFS resident adviser, and 69 days by STX. The program also delivered two training programs: a regional workshop in August 2018 in Fiji attended by 11-member countries, and a sub-regional GFS training mission for two northern Pacific countries in February 2019 in FSM.

The main themes in FY 2019 for the GFS program were:

- (1) Increased assistance in the coding and mapping of the new national chart of accounts aligned to the guidelines provided through the *GFSM 2014*. Reforms started and progressed in the **Cook Islands, Fiji and Tonga**. Chart of accounts and financial system reforms were also initiated in the **RMI, FSM and Palau**. These reforms may see potential improvements in producing financial statistics if the GFS is automated as part of the process;
- (2) Compilation and dissemination of GFS for the BCG for decision making and IMF surveillance as well as for reporting to IMF's GFS annual database, resulting in an

increase in the number of reporters from eleven (FY2018) to 13 (FY2019) PFTAC member countries, a major achievement since the inception and completion of the Japan government funded GFS project in the Pacific;

- (3) Expanding coverage to the GG, with progress in data preparation in **Fiji, RMI, Solomon Islands, Tonga, and Vanuatu**. **Cook Islands** and **Samoa** produced full consolidated general government accounts for the first time with a complete data series of three years (FY2015-17) and five years (FY2013-17) respectively. **PNG** kept the momentum of expanding GFS coverage to its national budget volume II with further improvements to the overall budget compilation process aligned to the GFSM 2014; and
- (4) In country missions continued to increase coverage in the compilation of PSDS, with progress made in **Fiji, Samoa, Solomon Islands, Tonga, and Vanuatu**.

In the northern Pacific nations of the **RMI, FSM, and Palau**, remote assistance enabled the compilers to report GFS for budgetary central and state governments to the GFSY. RMI received continued support in the compilation and dissemination of quarterly GFS for BCG. A hands-on-training mission in February 2019 assisted new and current GFS compilers of RMI and FSM to further improve compilation techniques and methodologies.

Real Sector Statistics

The RSS program was similarly affected by a change in resident advisor, with a gap between the departure of the former advisor in August and the arrival of a successor

in October 2018. This slightly lowered the projected delivery outturn of the updated workplan to around 84 percent, with 16 of 19 planned missions/activities delivered, utilizing 241 days of TA delivery time versus a plan of 275 days (89 LTX days delivered versus 102 days planned, and 152 STX days delivered versus 173 days planned). Of the 16 delivered missions, two covered External Sector Statistics to the RMI and Kiribati respectively accounting for 36 STX days of field TA. Two regional or sub-regional workshops that had been planned during FY19 did not materialize due to the change in experts and challenges in scheduling for the targeted beneficiary countries.

Despite the gap and changeover of resident advisor, several important accomplishments are noted during FY19 including:

- (1) Finalizing of rebased National Accounts through 2017 in **Fiji** and **Samoa**;
- (2) Improved calculation of cattle livestock data, an important contributor to economic activity in **Vanuatu**; and
- (3) Commencement of independent GDP calculations in **RMI**.

The sole objective of the RSS program is to *strengthen macroeconomic and financial statistics compilation and dissemination*.

Reliable macroeconomic statistics (National Accounts (NA) and Balance of Payments (BoP)) are essential for evidence based economic policy-making by country authorities. They also provide the private sector, foreign investors, rating agencies, and the public in general with important inputs

in their decision-making, while informing economic analysis and IMF surveillance. The Macroeconomic programming and analysis program also rely heavily on high quality data for monitoring, analysis and research purposes available for policymaking.

Capacity development in this field aims to improve the ability of member countries to compile independently and timely high-quality data, to make them available to the public, to provide information about their reliability, and to provide expertise about methods and data sources.

In the Cook Islands:

- (1) time series GFS data was for the first time submitted for inclusion in the IMF's annual GFS database;
- (2) progress towards implementation of a revised chart of accounts for the budgetary central government was made to support a new financial management information system;
- (3) economic and functional codes were mapped to automate GFS in the new financial system; and
- (4) completion of the rebase of the annual and quarterly GDP estimates were published in December 2018.

Fiji received assistance on statistical issues towards the following:

- (1) completion of the general government unconsolidated data series (FY2010-15) to be published as production tables on the Fiji Bureau of Statistics website;
- (2) preparation of draft gross debt statistics for corporations;
- (3) mapping and refinement of economic and functional codes to automate GFS in the new

financial management system;

- (4) Improvements in the quality of national accounts statistics with respect to the definition of output (particularly relating to agricultural output and the air transport industry) and the application of double deflation; and
- (5) Staff training to correctly derive constant price GDP through the correct use of intermediate consumption prices and production of volume estimates of taxes on products and imports and subsidies.

In Kiribati, developments included:

- (1) revisions and reclassification of institutional sectors and general government GFS data with an expansion of coverage to the rest of the public sector commenced; and
- (2) advice provided to reconcile data sets and improve statistics on overseas development assistance.

In RMI local capacity is being created:

- (1) for the authorities to develop National Accounts independently of external providers with PFTAC help towards independent determination of value-added estimates for some production activities.

In Nauru, assistance in National Accounts has contributed to progress despite staff constraint with:

- (1) estimates of gross domestic product (GDP) by production;
- (2) utilizing new tax information to replace weaker modelled components.

In Niue, developments included:

- (1) both the national accounts and the external sector statistics tables were updated to 2017–18; and
- (2) preparatory work was undertaken ahead of rebasing national accounts in 2019, including analysis of the 2015-16 household income and expenditure survey.

In Papua New Guinea, the PFTAC assistance helped with:

- (1) coverage being expanded to the financial balance sheet for budgetary central government by collecting and calculating balances for currencies and deposits and accounts payable and expense arrears;
- (2) review of national budget volume II and advice for 2019 budget implementation;
- (3) National Accounts improvements to deflation updates; tax data acquisition and mechanized processing; and
- (4) revisions to GDP by Production through joint assistance with the ABS.

In Samoa:

- (1) strengthened linkages between PFM and GFS through participation in the PEFA assessment;
- (2) training of 18 officials of the budget and treasury divisions of the Finance Ministry on guidelines for the *GFSM 2014* and how to apply the methodology during budget preparation;
- (3) completion and publication of a general government consolidated



Regional Government Finance Statistics Workshop, FSM, February 2019

- (4) time series (FY2013-17) for the first time;
- (5) rebasing of National Accounts was finalized that incorporated the 2016 Population Census, the 2013 Household Income and Expenditure Survey and the 2013 Business Activity Survey; and
- (6) Publication of revised National Accounts figures in March 2019.

The **Solomon Islands** efforts included:

- (1) an expansion of GFS coverage to General Government (GG);
- (2) a start to expand coverage of public sector debt;
- (3) improved adjustments to National Accounts to address under coverage, misreporting, definitional or conceptual differences, reconciliation of two GDP measures, and balancing product level estimates; and
- (4) advice on imputation processes for the business survey.

PFTAC assisted **Timor-Leste** to:

- (1) improve quarterly and annual GFS compilation with aiming at reducing statistical discrepancies; and
- (2) align GFS and financial reporting needs raised by the treasury and the Fiscal Reform Commission to ensure overall improvements in reporting.

The focus of PFTAC assistance to **Tonga** was:

- (1) an expansion of GFS and PSDS coverage to nonfinancial public corporations;
- (2) investigate possibilities of increasing frequency of reporting and advice on current reporting procedures; and
- (3) in support of efforts to rebase GDP starting in 2019 and drawing on the latest business census, with plans to publish new estimates in March 2020.

Tuvalu assistance in April 2019 will help with:

- (1) updating GDP estimates with the incorporation of the new HIES 2016 data.

In **Vanuatu**, PFTAC's support contributed to:

- (1) reconciliation of variances by the Ministry of Finance and Economic Management between balance sheet presentation for stocks and flows of nonfinancial assets, financial assets, and liabilities;
- (2) improvement in the quality of national accounts statistics particularly for livestock for cattle estimates and fishery output that have been re-estimated in accordance with 2008 SNA standards;
- (3) staff capacity building for more efficient quality control of incoming data through support from automated outlier detection and replacement software; and
- (4) explanation of methods for national accounts compilation concerning production side activities.

BOX 13. PACIFIC STATISTICS STANDING COMMITTEE (PSSC) MEETING

The annual meeting was convened in Fiji November 1 – 2 and was the first opportunity of the just appointed Real Sector Statistics advisor, Mr. Marcus Scheiblecker to meet many Government Statisticians from the Pacific as well as other Statistical development partners include the Pacific Community (SPC), the Australian Bureau of Statistics (ABS) and New Zealand Statistics.

The conference focused on the progress of members and

development partners under Phase 3 of the SPC's Ten-Year Pacific Statistics Strategy (TYPSS). Improvements were noted in socio-demographic statistics with steady progress of regional economic statistics. The Donor and Development Partners Group (DDPG) – of which PFTAC is a member – agreed on more frequent meetings to improve the coordination of measures and to consider the establishment of terms of reference including clear principles of partnership. The PSSC

acknowledged their diverse work and PFTAC's support of statistics in the region. The group also expressed their concern that funding for the PFTAC Government Finance Statistics (GFS) program would conclude in April 2020 and planned to advocate for resources to be secured to allow for a continuation of the program.



2018 ABS Pacific Statisticians Leadership Forum, Brisbane, August 2018

FINANCIAL SECTOR SUPERVISION

MAIN ACHIEVEMENTS

- (1) Contribute to macroeconomic stability and growth through stable, well-supervised financial institutions that contribute to financial inclusion;
- (2) Development and implementation of Financial Supervision Framework Enhancement strategies;
- (3) Supporting and facilitating banking regulation reform; and
- (4) On-site financial sector examination capacity building.
- (5) On-site financial sector examination capacity building.



Reserve Bank of Vanuatu Governor Simeon Athy making opening comments at the AFSPC Meeting

Annual Meeting of the Association of Financial Supervisors of Pacific Countries (AFSPC), Vanuatu, August 2018



WORK PROGRAM EXECUTION

Financial Sector Supervision

The FSS FY2019 program contributed to significant enhancement and reform of the financial sector regulatory and supervision frameworks of member countries. Provision of TA commenced on some long-standing gaps and inefficiencies in the supervisory systems, while work continued with the Supervision Framework Enhancement Program and the Banking Regulatory Reform project. New in FY2019, PFTAC made a start on long requested TA to enhance insurance regulatory frameworks in the Pacific.

Overall, the FSS program delivered 16 of 20 planned missions/activities in FY2019, using 253 days of field TA versus 297 planned days, although the weighting shifted slightly more to STX (198 days delivered versus 220 planned) than LTX (55 days delivered versus 77 days planned).

The success of PFTAC's FY2019 workplan is mostly attributed to a strategic focus that builds on foundational efforts around four key pillars: Strategic, Focused, Innovative, and Efficient.

| | |
|---|---|
| <p>Strategic: CD is based on targeted projects aimed at fundamental enhancement and reform of regulatory and supervisory frameworks as a whole, over a 2-4 year timeframe.</p> | <p>Focused: CD projects are formulated on mutually assessed and agreed needs; and in line with the recipient's strategic goals and ability to absorb the CD.</p> |
| <p>Innovative: Methods of CD delivery are adjusted to recipient circumstances, TA and training resources, IMF/PFTAC coordination and time constraints.</p> | <p>Efficient: Practical durable CD is delivered through multilateral expandable projects.</p> |

Supervision Framework Enhancement Program

PFTAC initiated a medium-term strategic approach in 2017 to assist Pacific countries to enhance the structure and operational effectiveness of their FSS

frameworks. Initial diagnostic missions and the establishment of medium-term supervision enhancement strategies (MTSES) and TA plans were completed in 2017 for the **Cook Islands, Vanuatu, PNG, and the Solomon Islands.**

To develop MTSES and TA plans, PFTAC and the supervisory authorities of the member countries assessed the structure and operation of the supervision frameworks, in relation to the size and complexity of the respective financial sectors, and against international supervision standards and practices.

The assessment focused on four key components of risk-based supervision (RBS) frameworks:

- (1) Regulation (legislation, prudential standards, licencing);
- (2) Risk identification and assessment (off-site and on-site supervision processes);
- (3) Risk-rating models; and
- (4) Supervisory action planning.

The aim of the framework assessment was to:

- (1) Identify structural weaknesses and gaps in regulatory/supervisory infrastructure, e.g. are there: (1) prudential standards covering all key risk areas; (2) an operating risk rating model; and (3) supervisory action planning processes;
- (2) Assess the quality (and identify deficiencies) of the infrastructure, e.g. (1) are prudential standards providing sufficient guidance to banks on minimum expectations; (2) does the risk rating model produce a net risk rating by key risk area or does it not have a sufficiently detailed rating characteristic framework/guidance; (3) is supervisory action planning focused on supervisory activities, rather than risk-based supervisory action;

- (3) Assess the ability of supervisory staff to implement a framework (skills and experience, and thus training and capacity needs); and
- (4) Assess the efficiency and effectiveness of the operation of the framework, i.e. does a changed risk rating lead to a reassessment of supervisory action; and is financial analysis incorporated into an overall risk assessment of the institution.

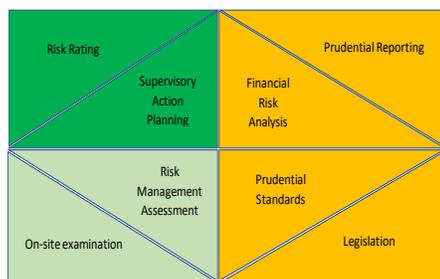
Key findings of the diagnostics were:

- (1) Gaps in the coverage of banking prudential standards;
- (2) Underdeveloped and outdated on-site examination processes and infrastructure;
- (3) Lack of operating risk-rating models;
- (4) Lack of in-depth financial analysis (entity specific and industry wide);
- (5) Lack of risk-focused supervisory action planning processes; and
- (6) revisions and reclassification of institutional sectors and general government GFS data with an expansion of coverage to the rest of the public sector commenced.

Since 2017, PFTAC has undertaken 14 missions ((**PNG** (5), **Cook Islands** (4), **Vanuatu** (2), **Solomon Islands** (3)) across all key components of the project. These missions account for a large share of FSS program resources utilized since 2017. The Risk Rating and Supervisory Action Planning Enhancement component of the project is largely complete, with all countries now having new risk rating models with RBS action planning infrastructure developed with PFTAC assistance. On-site examination process and infrastructure development has progressed steadily. PFTAC commenced this work with all countries and will finalize it in FY2020. Work on the off-site supervision component of the project (financial analysis and prudential reporting) has commenced and will be a

priority in FY2020. Regulatory reform and enhancement had the least attention so far and will be a focus in FY2021.

Implementation Progress



Banking Regulatory Reform

In late 2016, the **RMI** Banking Commission, the **FSM** Banking Board and the Financial Institutions Commission of **Palau**, requested TA to enhance their banking legislation and prudential standards frameworks. In response, PFTAC and the IMF Legal Department (LEG) 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 TA plan for each jurisdiction. Representatives from the **Kiribati** Attorney General's Office and the Kiribati Ministry of Finance and Economic Development also participated to learn about banking regulatory frameworks.

The regulatory reform program continued in FY2019 with the first bilateral follow-up missions to **Palau** (May 2018), **RMI** (July 2018) and **FSM** (in April 2019). The bilateral missions recommended the strengthening of current banking legislation and regulations in several key areas and provided drafting suggestions to revise legislation and regulation. The key areas

of recommended strengthening included:

| | | |
|---------------------------|-----------------------|----------------------------|
| Supervisor mandate | Supervisor governance | Licensing criteria |
| Resolution | Business conduct | License revocation |
| Exposure standards | Audit standards | Fit & Proper standards |
| Risk management standards | Governance standards | Operational risk standards |

| Implementation Progress | | |
|--|--|---|
| Training on international good practice for legislation and prudential standards: Participant self-assessment Reform strategy and planning | Detailed drafting assistance Initial stakeholder engagement | Stakeholder consultation Final drafting assistance |

PFTAC and LEG have undertaken four missions as part of this project, completing the initial phase of bilateral work. More work will follow in FY2020 on the detailed drafting of the revised banking laws and regulations. The project has suffered delays of about six months behind original expectations agreed between PFTAC, LEG and the respective authorities, mainly due to constraints in mobilizing LEG resources.

As a result, PFTAC and LEG will commence using short term legal experts backstopped by LEG to ensure that the project progresses well in FY2020, and to enable it to be expanded for the development of a banking regulatory framework for Kiribati.

Insurance Regulatory Reform

Using the banking regulatory reform project structure as a model for insurance regulatory reform, PFTAC and the IMF's Monetary and Capital Market's Department (MCM) held a regional workshop on insurance regulation in Fiji in May 2018. The workshop was attended by representatives from the **Cook Islands, Fiji, PNG, Samoa, Solomon Islands, Timor Leste, Tonga, and Vanuatu**. The workshop: (1) provided information on international good practice on insurance legislation and prudential standards (content and structure); (2) facilitated a self-assessment of current legislation and standards against international standards; and (3) established a proposed regulatory reform strategy and technical assistance plan for **Fiji, Samoa, and Tonga**.

The self-assessments highlighted the need for significant reform of the insurance regulatory frameworks of participating countries. Key weaknesses identified in insurance legislation and prudential standards ranged from not having any legislation to govern the insurance sector, to gaps in legal protection for supervisors, consolidated supervision, risk-based capital, resolution, and offshore placement of insurance cover.

Arising from the participant discussions about the regulatory reform plans, and given the commonalities of each of the jurisdictions, PFTAC and MCM identified the most efficient way to deliver TA is to provide a single draft example insurance law and suite of prudential standards. These can then be adapted to each country's circumstances. To undertake this work PFTAC employed the services of two insurance regulation experts over a 3-month period from November 2018 to produce a draft example insurance law; a draft example suite of prudential standards; and a gap analysis of existing laws and prudential standards.

For this project, PFTAC and MCM have undertaken three missions so far. However, budget utilization is significantly higher than the number of missions

suggests, given the two experts were employed for 20 and 30 days respectively. The next step will be to adapt the example law and prudential standards for local conditions and legal frameworks, and then start the consultation process. PFTAC will assist with this process through FY2020.

| Implementation Progress |
|---|
| Training on international good practice for legislation and prudential standards. |
| <ul style="list-style-type: none"> Participant self-assessment Reform Strategy and Planning |
| <ul style="list-style-type: none"> Example Insurance Law Example Insurance Prudential Standards |
| <ul style="list-style-type: none"> Bilateral drafting assistance Initial Stakeholder engagement |
| <ul style="list-style-type: none"> Stakeholder Consultation Final Drafting Assistance |

Supervision Framework Development

A supervision project was initially suggested in November 2016 with a TA mission agreed for November 2017 with the **Tuvalu** Ministry of Finance and Economic Development (MFED). A supervision strategy and TA plan envisages the development of a supervision framework on three coordinated levels:

- (1) Supervision Expert – will be engaged by the MFED under the Banking Commission Act to undertake direct off-site and on-site supervision of the National Bank of Tuvalu (NBT) and the Development Bank of Tuvalu (DBT) and develop supervisory capacity of the MFED;
- (2) PFTAC will assist in developing the supervisory infrastructure and will train MFED staff in all aspects of prudential supervision and will assist the Supervision Expert and MFED with enhancing off-site and on-site supervision practices; and
- (3) MFED staff will be assigned to develop supervisory skills and experience by working with the Supervision Expert on direct banking supervision. They will benefit from the training provided by PFTAC and the Supervision Expert and will work with PFTAC on developing the supervisory

infrastructure.

PFTAC completed the first follow-up mission of the project in November 2018 to provide training to the MFED on:

- (1) Introduction to prudential supervision;
- (2) Introduction to bank financial analysis; and
- (3) Introduction to credit risk assessment.

The mission provided guidance to the MFED in conducting on-site examinations of credit risk and operational risk at the NBT and DBT. The exercise provided on-the-job training to MFED staff, particularly in loan file assessment. The Supervision Expert provided introductory training on operational risk concepts.

As part of its on-site examination CD, the mission developed templates and tools for the MFED to create its assessment framework for credit risk and operational risk, including:

- (1) A proposed Credit Risk Assessment Framework document and a proposed Operational Risk Assessment Framework document that outlines the key areas of assessment for inherent risk, adequacy of management and controls, and information requirements for on-site examination;
- (2) Proposed timeframes to undertake on-site examinations;
- (3) A proposed outline of the structure and content of credit risk and operational risk assessment guidance manuals;
- (4) An onsite examination scoping template;
- (5) Loan file review line sheet; and

- (6) Loan policy assessment checklist.

Implementation of IFRS 9

In early 2018, Banco Central de **Timor Leste** (BCTL) requested training on IFRS 9 that PFTAC provided in April 2018. During the mission, a strategy and plan was developed to enhance the credit risk governance and credit risk management regulations, incorporating the application of IFRS 9 forward-looking loan loss provisioning by Timorese commercial banks. A follow-up mission in October 2018 provided additional training on the implementation of IFRS9 and produced for the BCTL draft regulations on credit risk management and IFRS 9's forward-looking loan loss provisioning based on expected credit losses (ECL). The mission also produced proposed amendments to BCTL's regulations for capital adequacy and asset classification to address needed enhancements for the adoption of IFRS 9.

On-site Examination Support

In FY2018 PFTAC supported the RMI Banking Commission through the attachment of two Banking Commission examiners to attend an FDIC on-site examination of a Guam-based bank. The attachment aimed to build capacity of the Commission examiners in on-site examination, particularly with respect to familiarity of US Anti-Money Laundering surveillance, supervision and examinations standards, on which the Commission's own examination framework is based. The attachment provided the examiners an opportunity for on-the-job training from experienced FDIC examiners with the AML/BSA standards. The learnings from the FDIC attachment will be applied to the Commission's onsite examinations in RMI.

Following on from this successful attachment, in October 2018, PFTAC again supported an attachment of Banking Commission examiners to attend an on-site examination, but this time, with the experienced examiners of the Palau Financial Institutions Commission.

PFTAC's support for these attachments

provides RMI Banking Commission with valuable, durable CD through on-the-job on-site examination training, at an efficient cost to PFTAC's budget. PFTAC does not need to employ short term experts to provide the knowledge transfer and experience sharing that these on-the-job training opportunities facilitate.

AFSPC Prudential Reporting Workshop

The regional Prudential Regulatory Workshop on reporting was held in Sydney during June 2018 attended by representatives from the **Cook Islands, Tonga, Samoa, Fiji, Vanuatu, Solomon Islands, Papua New Guinea, Timor Leste, Palau, RMI, FSM**, the World Bank (Sydney), and the Australian Prudential Regulatory Authority (APRA). Additionally, four private sector information technology service providers attended the workshop.

The workshop launched AFSPC efforts of the Prudential Reporting Working Group to facilitate contacts with private service providers and regional regulators experienced in developing online reporting processes. The event contributed to the group's determination of next steps, priorities, and workplans to address the long-standing challenges of manual Excel based prudential reporting. Four private sector IT service providers (three from Australia and one from the United States) presented the group with ideas and concepts for automating prudential data submission and analysis reporting.

Follow-up work from the workshop involved the working group developing standard system requirements and three of the service providers developing a project outline and costing to develop a prudential reporting system for AFSPC members. The working group will continue the assessment of the proposals in FY2020, with an aim to identify possible solutions by the end of 2019.

AFSPC Annual Meeting

The Association of Financial Sector

Supervisors of Pacific Countries (AFSPC) held its annual meeting in Vanuatu in August. The gathering facilitates coordination among the 11 AFSPC member and two observer countries on financial-sector issues and promotes cooperation on managing regional supervisory issues and risks. Following on from the 2017 Annual Meeting in which AFSPC members identified cybersecurity and IT risk as an important issue for supervisory attention and found that there is a need for TA in managing such risks, PFTAC and MCM staged a three-day workshop on Cyber Security and IT Risk during the meeting.

The workshop drew on global expertise in managing cyber and IT risk, including the participation of cyber experts from MCM and ITD; APRA; Financial Services - Information Sharing and Analysis Center and the Central Bank of Armenia.

The workshop provided an overview of how to manage such risks and identified gaps in regulatory frameworks and supervision practices. The workshop will be followed with targeted bilateral TA in assisting with the development of comprehensive risk regulations and capacity building.

Bilateral TA Coverage FY2019 v FY2018

FY2019 saw PFTAC expand its bilateral TA coverage of member countries to 13, up from 7 in FY2018. This was the result of additional support provided to the PFTAC FSS workplan by MCM; the increased use of short-term experts; and the efficient use of PFTAC's resources through innovative TA delivery.

In the **Cook Islands**:

- (1) a risk rating model and supervisory action planning process were developed.

In **Fiji**:

- (1) work commenced on revising and redrafting insurance legislation and regulations.

In **FSM** assistance is providing for:

- (1) banking regulatory infrastructure.

In **RMI** assistance has worked towards:

- (1) effective on-site examination; and
- (2) banking regulatory infrastructure.

In **Palau** progress is being with:

- (1) banking regulatory infrastructure.

In **Papua New Guinea**, the PFTAC assistance helped with:

- (1) developing a risk rating model and supervisory action planning process; and
- (2) building capacity in the on-site examination of market and liquidity risk.

In support of the financial sector in **Samoa**:

- (1) work was launched to revise and redraft insurance legislation and regulations.

The **Solomon Islands** efforts included:

- (1) developing a risk rating model and supervisory action planning process; and
- (2) assisting the CBSI to build capacity in the on-site examination of market and liquidity risk.

In **Timor Leste**:

- (1) BCTL is enhancing its credit risk regulation and incorporating implementation of IFRS 9.

In **Tonga**:

- (1) work to draft insurance legislation and regulations was launched.

In the **Tuvalu**, PFTAC is working:

- (1) to develop a banking supervision framework.

In **Vanuatu**, PFTAC's support contributed to:

- (1) development of a risk rating model and supervisory action planning process.



Regional Workshop on Cyber and IT Risk Workshop, Vanuatu, August 2018

SECTION III

WORK PROGRAM
(MAY 2019 – APRIL 2020)

A

SUMMARY
AND OVERVIEW

This section summarizes the work program planned for the period May 1, 2019 to April 30, 2020, corresponding to the 2020 IMF fiscal year (FY2020). The work program reflects the strategic objectives programmed over the fifth operational phase of PFTAC financing, covering the period November 2016 – April 2022.

PFTAC's delivery of CD during FY2020 will continue to build upon the earlier Phase V investments and during FY2019. Reflecting the adaptiveness of the PFTAC model, the FY2020 plan can be adjusted with appropriate consultation to accommodate opportunities for new engagements or reengagements with member countries, that ultimately 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.

ADAPTIVE TA MODALITIES

PFTAC is a demand-driven provider of CD. In-country missions of typically one or two weeks duration by the resident PFTAC advisor or an STX remains the main delivery mode to build capacity and help implement specific reforms. For a few more strategically focused missions each year, additional skills or leadership may be provided from the HQ functional department, such as for PIMA assessments, tax policy expertise, or specialist financial sector knowledge.

Peer learning is crucial to share best practices and country experience that often spurs new demand for PFTAC CD. Regional workshops and seminars and customized training is at the heart of this knowledge sharing. Attachments further reinforce the impact of regional events with PFTAC facilitating short visits between countries.

STAFFING CHANGES

With the turnover of four of the team of seven LTX in FY2019, the outlook for stability with the team of resident experts in FY2020 is favorable. One firm change will occur with the scheduled departure of the Macro advisor in February 2020 after a five-year assignment. Her successor is currently being recruited with a target start in September 2019 to facilitate a six-month overlap with a slightly expanded work program.

With one of the PFM advisors and the FSS advisor both beginning their fourth year at PFTAC in October and July 2019 respectively, their departure should be anticipated at the end of the fourth year or possibly sooner, although extension for a fifth-year could be considered. Early or unanticipated staff changes have a greater adverse impact on program delivery than when recruitment occurs well in advance to facilitate a smooth transition as was the case with the Revenue advisor and is planned for the Macro advisor.

The recruitment of a local Economic Analyst in August 2018 following the 2018 SC meeting endorsement and budget provision has been highly successful and has contributed to improved outreach efforts including the adoption of the new Annual Report format.

TABLE 11. FY2020 PLANNED WORKSHOP/SEMINARS

| Sector | Partner | Location | Topic | Estimated Date | Duration (Days) |
|-------------------|-------------|-------------------|--|----------------|-----------------|
| PFM | IMF/ CARTAC | Washington | Joint PFTAC/CARTAC Conference on Small State PFM Reform and Climate Change and Disaster Resilience | Dec-19 | 5 |
| PFM | PIFS | Suva, Fiji | PFM Leadership (fully financed by EU/PIFS) | Jun-19 | 3 |
| PFM | | Nadi, Fiji | Internal Audit Workshop | Jan-20 | 5 |
| Revenue | | Nadi, Fiji | Managing Large Taxpayers | Feb-20 | 5 |
| Revenue | | Nadi, Fiji | Managing Effective Compliance Improvement Strategies | Mar-20 | 5 |
| Revenue | | Nadi, Fiji | Managing Taxpayer Services for Operations Managers | Oct-19 | 5 |
| Revenue | | Nadi, Fiji | Workshop for Taxpayer Audit Managers | Jul-19 | 5 |
| Revenue | | Nadi, Fiji | Management of Core Tax Functions for Senior Managers | Nov-19 | 5 |
| Revenue | PITAA | Majuro, RMI | Annual PITAA Conference | Sep-19 | 2 |
| Statistics/GFS | | Nadi, Fiji | Capacity Development for Government Finance Statistics | Aug-19 | 5 |
| Statistics/RSS | | Nadi, Fiji | Workshop for National Accounts Seasonal Adjustments | Jul-19 | 5 |
| FSS | | Guam | Risk Based Supervision Northern Pacific Sub-Region | Feb-20 | 5 |
| FSS | | Nadi, Fiji | Cyber Risk Regulation | Nov-19 | 5 |
| FSS | AFSPC | Tonga | Annual AFSPC Meeting | Sep-19 | 2 |
| FSS | AFSPC | Tonga | Cross Border Regulation | Sep-19 | 3 |
| Macro | STI | Port Moresby, PNG | Fiscal Frameworks | May-19 | 5 |
| Revenue/RSS/Macro | PITAA | Majuro, RMI | Effective Exchange of Admin and Tax Data for GDP Compilation | Sep-19 | 3 |
| PFM/ Macro | WB | Honiara | Managing Fishing Revenues | Aug-19 | 5 |
| PFM /Macro | | Nadi, Fiji | Managing Fiscal Risks | Apr-20 | 5 |
| PFM/ Macro | UNDP | Nadi, Fiji | Budget Documentation | Nov-19 | 5 |
| GFS/Macro | STI | Nadi, Fiji | Workshop on GFS and Debt Sustainability | Feb-20 | 5 |
| TOTAL | | | | | 93 |

TRAINING/WORKSHOP EVENTS at the regional or sub-regional level are expected to be up 17 percent with 21 events planned versus 18 delivered in FY2019. Most events are open to all 16 PFTAC member countries, others may target sub-groups, either geographically designated (a common approach for the three northern Pacific nations of FSM, Palau, and RMI, and occasionally other Micronesian states), or where the participating countries share common issues, such as those receiving significant fishing revenues.

Illustrating the integration of TA and training into seamless CD, it is also quite common for a seminar or workshop to be provided exclusively for the officials of a country receiving a TA mission, particularly under the Macro and PFM programs.

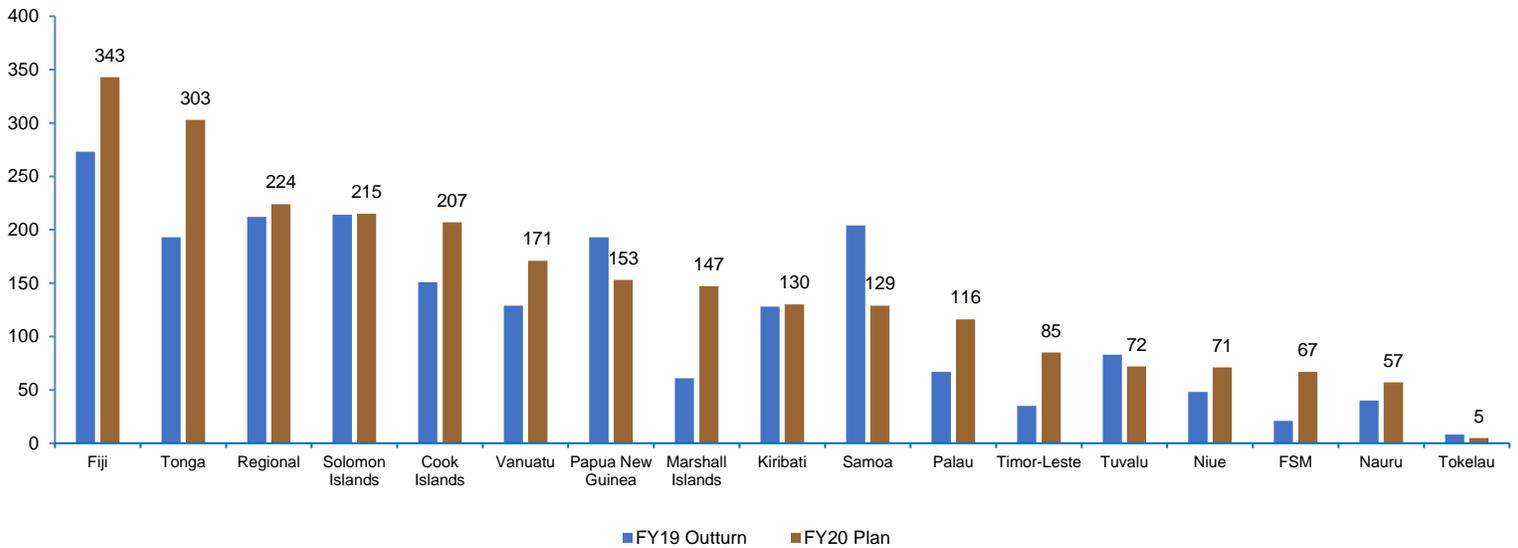
Every PFTAC program is scheduled to deliver at least one training event, with the expanded Revenue program accounting for a third of the total. Five events will be delivered jointly with the Macro program, three with the PFM program, one with GFS, and another with both the RSS and Revenue programs. This reflects the cross-cutting nature of the Macro program that is focused on building capacity with medium-term economic frameworks and forecasting that is closely related to the capacity building of the other programs around fiscal management, revenue collection, and statistical compilation. The joint Macro/RSS/Revenue workshop will focus on the challenges of Statistical Offices having access to reliable tax and other administrative data for GDP compilation that is essential for forecasting and economic modeling. This workshop will be held in

conjunction with the annual PITAA heads meeting in Majuro, RMI and will draw on a recent IMF Working Paper.

Training collaboration also extends to other parts of the IMF as well as development partners. A customized IMF Fiscal Framework course will be held in PNG with STI, and a joint CARTAC/PFTAC event on PFM Reforms and Climate Change and Disaster Resilience is planned in Washington along the lines of the highly successful Small State Revenue Mobilization Conference in July 2018.

Joint events with AFSPC and PITAA are planned as in the past, and PFTAC will play a key role at a PIFS organized PFM Leadership symposium, and a follow-on to a highly successful 2018 Fishing Revenue Management event will be delivered with the World Bank.

CHART 7. FY2020 WORKPLAN (2,495 DAYS) VS. FY2019 OUTTURN (2,060 DAYS)



FY2020 WORK PROGRAM will expand further than the record outturn in FY2019 as follows:

- 2,495 TA Field days are planned (772 LTX and 1,723 STX), up 21.1 percent from 2,060 days.
- 188 Activities are planned (167 missions and 21 workshops), up 23 percent over 153 activities (135 missions and 18 workshops).

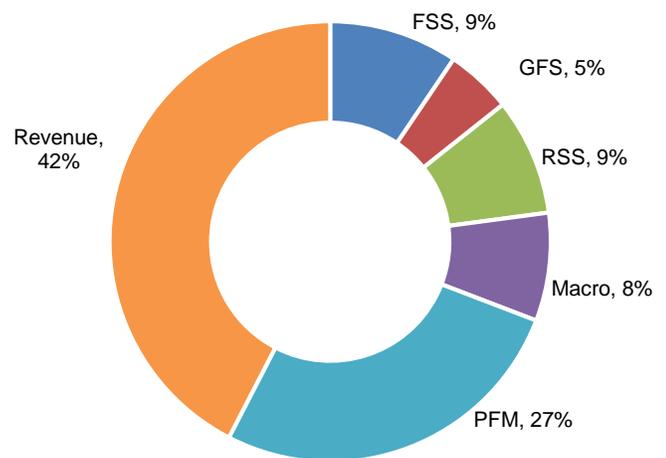
The respective workplans are summarized in annexes to the following program chapters. Full FY2020 plan details are available at www.pftac.org from two perspectives, program-by-program and additionally by country.

Changes to the overall work program are attributed to:

- Revenue program expansion that reflects scaling-up over the entire year versus only the second half of FY2019. The number of activities will grow 22 percent (77 up from 63), and TA field days by 29 percent (1,058 up from 818). The resident advisor will devote slightly more time to managing the program with LTX field days dropping from 92 to 84 days, with 92 percent of the program delivered by STX at 974 field days.
- The PFM program is finally expected to reach a long-envisaged level of execution, with 42 percent more Field TA Days (668, up from 469), and 24 percent more activities (41 up from 33). With both resident advisors expected to be in place throughout the year, the number of LTX days will grow from 184 to 250, plus a proportionate increase in STX from 285 to 418 days.
- The FSS program will see a 44 percent increase in activities with 23 planned compared to 16 in FY2019.

However, this will be achieved with 7 percent fewer Field TA days that will decline to 236 from 253 following a boost in the STX budget in FY2019 to finance unforeseen demands in the Solomon Islands and other countries. Several STX assignments in FY2019 were longer than the historic TA average to support insurance reforms, accounting for a surge in TA Field Days but with a lower activity count.

CHART 8. DISTRIBUTION OF FY2020 MISSION DAYS (2,495 DAYS) BY PROGRAM



- Macro program resource utilization will grow from a planned overlap of up to six months between the outgoing resident advisor who is due to finish after five years in February 2020 and the appointment of a successor targeted for September 2019. Activities will increase by 27 percent (19 up from 15), and TA Field Days will increase 50 percent to 198 from 132 days, predominately LTX days (165 up from 121), and to a lesser extent STX days (33 up from 11).

- Workplans for the two Statistics programs are expected to deliver slightly more activities compared to the underspent FY2019 budget. Overall, 8 percent more Statistics activities are planned at 28 versus 26, all attributed to the RSS program with the GFS activities remaining steady. TA field days are expected to decline 14 percent net from 388 to 335 days, all due to fewer STX

days, partly offset by additional LTX days given the return to stability with the resident advisors.

The proportion of resources targeted to the seven fragile Pacific states in FY2020 is approximately the same as in FY2019 at 35 percent (869 of 2,495 planned TA Field Days).

COUNTRY LEVEL planning will see slightly less than half of the 2,495 days of field deliver in FY2019 provided to five countries, with **Fiji** (13.7 percent), **Tonga** (12.1 percent), **Solomon Islands** (8.6 percent), **Cook Islands** (8.3 percent), and **Vanuatu** (6.9 percent). While Fiji has traditionally been a major recipient of PFTAC assistance across all programs, and the Solomon Islands and Vanuatu are usually in the top six countries, Tonga and the Cook Islands have moved up from recent years as moderate beneficiaries, in both cases from expanded engagement in fiscal issues, PFM as well as Revenue where efforts are focused on revenue mobilization including within the context of PACER Plus reforms.

The next five countries will account for 27 percent of PFTAC resources, with **PNG** (6.1 percent), **RMI** (5.9 percent), **Kiribati** (5.2 percent), **Samoa** (5.2 percent) and **Palau** (4.6 percent). PNG's share has dropped marginally over recent years with their heavy revenue mobilization TA needs now being met from the HQ managed trust fund that is financing a resident advisor and extensive TA inputs. The volume of PFM support that Samoa received in FY2019 will proportionately decline, and while a modest revenue program is currently planned, this could subsequently scale-up at mid-year with respect to PACER Plus needs. Revenue support to both Kiribati and Palau will be higher in FY2020 to support revenue mobilization objectives, and possible VAT implementation in Palau.

CHART 9. FY2020: 188 PLANNED MISSIONS/ ACTIVITIES

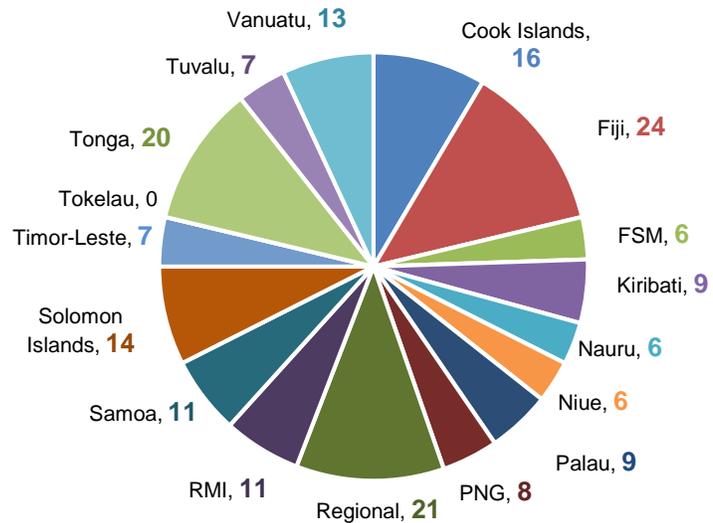
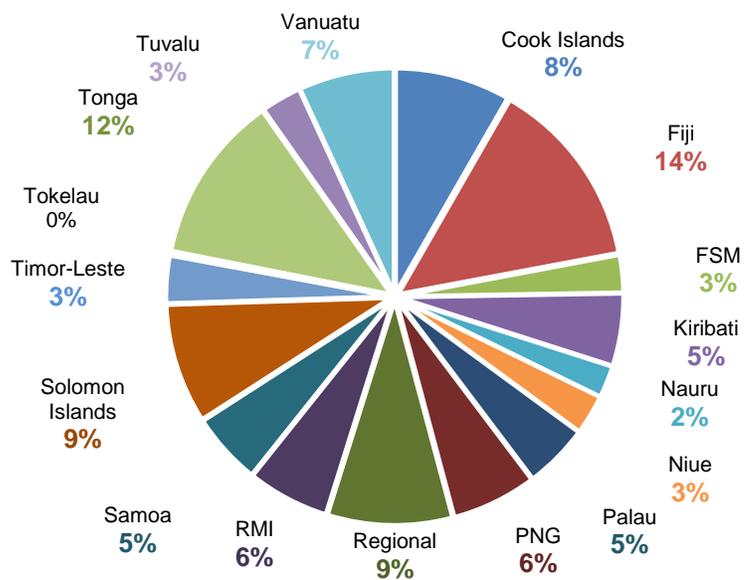


CHART 10. FY2020: 2,495 PLANNED TA FIELD DAYS



The remaining six PFTAC member countries account for a further 14 percent of allocated resources for in-country support, **Timor-Leste** (3.4 percent), **Tuvalu** (2.9 percent), **Niue** (2.8 percent), **FSM** (2.7 percent), **Nauru** (2.3 percent), and **Tokelau** (0.2 percent). Even though these planned resources may be initially modest, every country also benefits from regional training events.

A reallocation or reprioritization of resources may eventuate during the mid-

year work program review, including the possibility of expansion of programs in Timor-Leste and Nauru if the authorities' revenue reform strategies move forward. In the case of Timor-Leste this entails plans to introduce VAT, and for Nauru to develop tax reforms to compensate for significant tariff revenues that must be replaced under PACER Plus.

A further 9 percent of PFTAC resources (224 TA field days) are currently earmarked to regional activities, primarily

in the preparation and delivery of 21 planned workshops and seminars

Finally, the 2,495 TA Field Days that constitute the FY2020 work program is exclusive of the time spent by the seven resident advisors in managing and overseeing their respective programs from the PFTAC office in Fiji. This amounted to 733 work days in FY2019, an average of at least 100 days per year for each advisor.

TABLE 12. PROPOSED FY20 BUDGET (US DOLLARS MILLIONS)

| | Program Document Budget | Tot Ph V Expenses to end-FY19 | % of Prog Doc Budget thru end-FY19 | FY2019 | | FY2020 | | |
|---|-------------------------|-------------------------------|------------------------------------|---------------|---------------|---------------|-----------------|--------------|
| | | | | Budget | Outturn | Orig. Budget | Proposed Budget | Change |
| Resident Advisors (Long Term Experts - LTX) | \$12.6 | \$5.0 | 40% | \$2.17 | \$1.99 | \$2.28 | \$2.46 | \$0.2 |
| LTX Travel | \$2.3 | \$1.0 | 42% | \$0.44 | \$0.38 | \$0.39 | \$0.46 | \$0.1 |
| Short-Term Experts (STX) | \$11.4 | \$4.4 | 39% | \$2.35 | \$2.05 | \$2.10 | \$2.35 | \$0.2 |
| Diagnostic Missions | \$1.2 | \$0.7 | 58% | \$0.42 | \$0.35 | \$0.20 | \$0.32 | \$0.1 |
| Training/Seminars/Workshops | \$6.0 | \$1.7 | 28% | \$1.17 | \$0.86 | \$1.07 | \$1.22 | \$0.1 |
| Backstopping/Project Management | \$1.9 | \$0.6 | 31% | \$0.37 | \$0.28 | \$0.37 | \$0.40 | \$0.0 |
| Other Costs (Evaluation, misc., etc.) | \$1.6 | \$0.7 | 47% | \$0.51 | \$0.47 | \$0.50 | \$0.74 | \$0.2 |
| Total TA Provision/Delivery | \$36.9 | \$14.1 | 38% | \$7.43 | \$6.38 | \$6.91 | \$7.94 | \$1.0 |
| Trust Fund Management Fee* | \$2.6 | \$1.0 | 38% | \$0.52 | \$0.45 | \$0.48 | \$0.56 | \$0.1 |
| Total Trust Charges | \$39.5 | \$15.1 | 38% | \$7.95 | \$6.82 | \$7.40 | \$8.50 | \$1.1 |
| IMF and Host Country In-Kind Contribution | \$2.6 | | | \$0.50 | \$0.59 | \$0.50 | \$0.50 | \$(0.0) |
| TOTAL | \$42.1 | | | \$8.45 | \$7.41 | \$7.90 | \$9.00 | \$1.1 |

* Trust Fund Fee is 7 percent of funds utilized for TA delivery

PROPOSED FY2020 BUDGET is just over \$US 1.1 million more than the baseline budget, effectively reflecting the scaling-up of the Revenue program, and contingent on a further tranche being received or at least pledged before the middle of FY20.

At \$US 8.5 million, the proposed budget is 24.6 percent higher than the FY2019 outturn of \$US6.82 million. This is broadly

consistent with the increase in the work program (21 percent more TA field days and 23 percent more activities). The remaining variance is attributed to \$US0.46 million in LTX costs to cover a full year of the entire team of seven resident advisors plus six months of a second Macro advisor.

In FY2019, the LTX cost outturn was below

budget because of a cumulative gap of 10 months between incoming and outgoing advisors. While the PFTAC anniversary created a one-time boost in other expenses, \$US 0.3 million budget provision is included in FY2020 for the mid-term external evaluation of the fifth phase of PFTAC operations.

TABLE 13. PFTAC FY20 BUDGET BY PROGRAM (US DOLLARS)

| | Revenue | PFM | Macro | FSS | RSS | GFS | Other | Total |
|---|------------------|------------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Resident Advisors (Long Term Experts - LTX) | 335,499 | 664,830 | 517,339 | 318,362 | 309,754 | 309,754 | | 2,455,538 |
| LTX Travel | 61,546 | 124,910 | 101,999 | 57,765 | 57,679 | 56,080 | | 459,979 |
| Short-Term Experts (STX) | 1,173,766 | 570,000 | 64,862 | 222,072 | 168,283 | 33,734 | 112,932 | 2,345,649 |
| Diagnostic Missions | 177,668 | 65,595 | | 49,635 | 12,767 | 12,767 | | 318,432 |
| Training/Seminars/Workshops | 396,030 | 249,713 | 164,415 | 192,245 | 123,000 | 91,451 | | 1,216,854 |
| Backstopping/Project Management | 59,850 | 79,232 | | 83,875 | 73,842 | 68,842 | 36,660 | 402,301 |
| Other Costs (Evaluation, misc., etc.) | 14,036 | 27,355 | | | 10,142 | 10,142 | 679,491 | 741,166 |
| Total TA Provision/Delivery | 2,218,395 | 1,781,635 | 848,615 | 923,954 | 755,467 | 582,770 | 829,083 | 7,939,919 |
| Trust Fund Management Fee* | 155,288 | 124,714 | 59,403 | 64,677 | 52,883 | 40,794 | 58,036 | 555,794 |
| Total Trust Charges | 2,373,683 | 1,906,349 | 908,018 | 988,631 | 808,350 | 623,564 | 887,119 | 8,495,713 |

* Trust Fund Fee is 7 percent of funds utilized for TA delivery

REVENUE ADMINISTRATION

PFTAC's CD strategy for revenue administration for FY2020 represents a continuation and expansion of TA activities working towards:

- **Objective 1:** Strengthened revenue administration management and governance arrangements,
- **Objective 2:** Strengthened core tax administration functions,

Under the proposed FY2020 workplan, 77 activities are planned, representing a 22 percent increase over the expected outturn of 63 activities in FY2019. This will be reflected in expected 1,058 TA field days of technical support, compared with 818 in FY2019.

The upscaling of the Revenue Program now enables PFTAC to address a large unmet TA demand and facilitates considerable expansion of the program including responding to a range of revenue mobilization needs to address declining trade taxes, revenue volatility (from natural resources and fishing licenses), and to build individual and institutional capacity for modern revenue administration.

Through the upscaling PFTAC will



assist those countries facing the

biggest impacts from the PACER Plus trade agreement. Although PACER Plus implementation is scheduled to take place over an extended time frame, PICs are becoming increasingly aware of its implications and have requested extra PFTAC TA to assess its impact on tax revenues and evaluate options to replace possible revenue losses. In response, PFTAC is planning a program to support affected PICs in identifying and evaluating policy options in terms of revenue impact, legislative change requirements, and administrative constraints.

PFTAC will continue to promote the use of 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 are being promoted to facilitate the transition towards more effective and efficient tax systems. Raising TADAT awareness has also provided PICs with an objective view of the strengths and weaknesses of their respective administrations and the need for their reform agendas to include TADAT indicators.

AT THE REGIONAL LEVEL, delivery of the Revenue Administration program in FY2020 will include seven regional workshops up from six in FY2019, covering the following topics:

- (1) Managing the Large Taxpayer;
- (2) Management of Debt and Returns Workshop for Operations Managers;

- (3) Management of Taxpayer Services for Operations Managers;
- (4) Audit Planning and Management;
- (5) A joint workshop with the Macroeconomic Programming and Real Sector Statistics programs on Facilitating Effective Exchange and Use of Administrative (Tax and Social Security) Data for National Accounts; and
- (6) Managing Effective Compliance Improvement Strategies
- (7) Management of Core Taxes Functions for Senior Managers

IN TERMS OF COUNTRY ACTIVITIES,

TA and training in FY2020 will continue to entail TA provided to PICs by the resident advisor with a significantly higher proportion provided by STX, managed and backstopped by the resident advisor and HQ staff.

The scaling-up of the Revenue program entails significantly larger programs in several countries, mostly signatories to the PACER Plus agreement, including **Solomon Islands** with 9 missions planned to support extensive modernization of the tax administration around core functions, creating an effective large taxpayer program, and holistic

revenue reforms including potentially a MTRS.

Tonga is actively pursuing revenue mobilization and administration modernization and will benefit from 8 missions following a late FY2019 tax policy mission led from Washington to set the scene for responses to PACER Plus Challenges.

Other PACER Plus countries that will see more TA than in recent years, include **Kiribati** with 4 missions; **Nauru** with an initial plan for 3 missions that may subsequently expand depending on the authorities' reform intentions; similarly, **Samoa** with 5 missions; and **Vanuatu** with 4 missions to build on recent gains, and potentially to support the implementation of income tax subject to parliamentary passage.

Fiji has been a very effective user of PFTAC revenue assistance and has generously shared its experiences and challenges from the region and will benefit from 7 missions in FY2020.

In the Northern Pacific, **RMI** will be hosting the 2019 PITAA annual meeting that will be supported by PFTAC with an adjoining workshop on the sharing of tax data with national statistical offices for GDP compilation. RMI will additionally receive 4 PFTAC missions and **Palau** will similarly receive 4 missions to build on administration strengthening in advance of the possible introduction of VAT.

FSM will initially receive a mission to be delivered jointly with PITAA to strengthen audit skills, with the likelihood of additional TA needs emerging given the criticality and high priority of revenue mobilization for the authorities.

In support of ambitious fiscal reforms in **Timor Leste**, provision has been made for 3 strategically focused missions for possible development of an MTRS and plans towards implementation of a VAT.

Niue will receive 2 tax administration missions plus a tax legislation mission to advance ongoing reform efforts, and **Tuvalu** is currently slated to receive a single mission.

Of the 16 PFTAC member countries, 14 will receive bilateral direct TA, with no plans for either **Tokelau** or **PNG** that is now receiving extensive resources and support under the FAD managed MTRS program that is financed under the IMF's Revenue Mobilization Trust Fund that provides for significant CD resources in tax administration, tax policy, and tax legislation including the placement of a resident advisor. The PFTAC Revenue program will however remain closely informed of developments in PNG to add value when opportunities arise and in terms of longer-term sustainability of the ambitious reform program.

TABLE 14. FY2020 WORK PROGRAM SUMMARY: REVENUE ADMINISTRATION

| Beneficiary | Mode | Activities | Current Position | Expected Outcomes | Comments/ Risk |
|---|-----------|--|--|---|---|
| STRATEGIC OBJECTIVE 1: BETTER REVENUE ADMINISTRATION, MANAGEMENT AND GOVERNANCE ARRANGEMENTS | | | | | |
| Cook Islands | STX | Review Strategic and Operational Plan | No strategic or annual operational plan | Strategic and operational plans prepared | |
| Cook Islands | STX | Design Function Based Structure and Compliance Improvement Strategy | Made progress but not implemented effectively | Function based structure introduced and effective CIS facilitating compliance | Improve monitoring and evaluation of risk |
| Cook Islands | LTX | Review reform progress and status of Recommendations | Periodic review required | Review reform progress and status of recommendation | |
| Fiji | STX | Review compliance improvement strategy and Public and Private Ruling Program | Effective implementation required | Effective CIS facilitating high levels of compliance and disputes resolution process in place | Determine effectiveness and further improvement needed. |
| Fiji | STX | IT Quality Assurance review | Areas identified for further technical assistance | Quality assurance review completed | E-tax and risk needs further assistance |
| Fiji | STX | Develop industry partnership strategy | Industry partnership in process of being designed | Industry partnership developed by 31/12/2019 | Industry partnership to improve compliance |
| Fiji | LTX | Review reform progress and status of Recommendations | Periodic review required | Review reform progress and status of recommendation | |
| Fiji | STX | Finalize renewal of Stamp Duty and VAT legislation | Legislation not finalized yet. | Modernized laws implemented by 6/30/2020. | Request by authorities to modernize their tax laws. |
| FSM | LTX | Review reform progress and status of Recommendations | Periodic review required | Review reform progress and status of recommendation | |
| Kiribati | STX | Review organisation modernisation project plan and compliance improvement strategy project | Project plan developed and being implemented | Implementation of modernization strategy and improved compliance levels | Strong governance framework needed and expanded compliance improvement strategy |
| Kiribati | LTX | Review reform progress and status of Recommendations | Periodic review required | Review reform progress and status of recommendation | |
| Kiribati | STX | Facilitate seabed mining and small business tax | Support for implementation of new legislation required | Modernized laws implemented | Request by authorities to modernize their tax laws. |
| Marshall Islands | STX | Review compliance improvement strategy | Compliance improvement strategy developed | An effective CIS facilitating high levels of compliance. | Determine effectiveness and further improvement. |
| Marshall Islands | LTX | Review reform progress and status of Recommendations | Periodic review required | Review reform progress and status of recommendation | |
| Nauru | FAD | Pacer Plus mission | Pacer Plus will impact on revenue. | Modernized laws implemented by 30/6/2021. | Provide options to recoup losses from trade taxes |
| Nauru | LTX / STX | Review reform progress, organizational arrangements | Periodic review required | Reform strategy in place. | Ensure appropriate institutional settings. |
| Niue | STX | Facilitate implementation of new organizational structure | Function based structure introduced recently | An organizational structure in place and suitably staffed | Assistance to ensure successful structure |
| Niue | LTX | Review reform progress and status of Recommendations | Periodic review required | Review reform progress and status of recommendation | |
| Niue | STX | Renewal of Income Tax Act and Tax Administration Act | Renewal of tax legislation in progress | Modernized laws implemented | Request by authorities to modernize tax laws. |
| Palau | STX | Review implementation of functional structure | Functional structure f being implemented | Organizational structure in place and suitably staffed | PFTAC recommendations accepted. |
| Palau | STX | Facilitate implementation of VAT | VAT to be introduced | VAT system implemented on scheduled date. | New tax necessary -reduced grants |
| Palau | LTX | Review reform progress and status of Recommendations | Periodic review required | Review reform progress and status of recommendation | |
| Samoa | STX | Renew compliance improvement strategy and industry partnership strategy | Plan needs evaluation and improvement, support needed for implementation | New generation CIP and industry partnership designed and implemented | Industry partnership strategy introduced but struggle to get off ground |

| Beneficiary | Mode | Activities | Current Position | Expected Outcomes | Comments/ Risk |
|-----------------|-----------|---|---|--|---|
| Samoa | LTX / STX | Review reform progress and core tax function | Periodic review required | Review recommendations and status of implementation | |
| Solomon Islands | STX | Facilitate implementation of the large taxpayer office and function-based structure | Plans for implementation of LTO developed | Design of LTO delivered and function-based structure introduced | Assistance requested for design of LTO and function-based structure |
| Solomon Islands | FAD | Facilitate design of MTRS | Need identified for a MTRS mission | Design and implementation of an MTRS | Authorities requested assistance with MTRS. |
| Solomon Islands | STX | Facilitate compliance improvement strategy | Compliance improvement plan needs to be renewed | New generation CIP designed and implemented | Compliance Improvement Plan is evaluated |
| Solomon Islands | STX | Assist with implementation of VAT | VAT implementation require support | Successful implementation of VAT. | Decision to implement a VAT has been made |
| Timor-Leste | FAD | Develop MTRS | Need identified for a MTRS mission | Design and implementation of an MTRS | The authorities requested assistance with MTRS. |
| Timor-Leste | STX | Facilitate implementation of VAT | VAT implementation requires support | Successful implementation of VAT. | A decision to implement a VAT has been made |
| Tonga | STX | Review implementation of large taxpayer (LTO) office | Need identified to expand the LTO | Plan in place to expand LTO | Strategy developed to expand LTO |
| Tonga | STX | Renew the compliance improvement strategy and industry partnership strategy | Strategies implemented but needs to be renewed | Renewed CIP implemented and high-risk segments showing compliance improvements | Current strategies and plans evaluated |
| Tonga | LTX/ STX | Review reform progress and governance arrangement | Periodic review required | Implementation of reform and governance framework. | |
| Tonga | STX | Finalize renewal of Consumption Tax legislation | Renewal of tax legislation in progress | Modernized laws implemented by 30/6/2019. | Request by authorities to modernize their tax laws. |
| Tuvalu | STX | Review compliance improvement strategy and overarching modernization plan | Compliance improvement plan needs to be renewed, support needed with implementation | Effective implementation of the strategy and reforms | Governance framework provide better outcomes |
| Vanuatu | STX | Review compliance improvement strategy | Compliance improvement plan needs evaluation | Compliance Improvement Plan is evaluated | Renewal of Plan may be needed |
| Vanuatu | LTX | Review reform progress and status of Recommendations | Periodic review required | Review reform progress and status of recommendation | |
| Regional | LTX / STX | Managing Large taxpayers | Training on establishing (LTO's) needed | Assist authorities in the design of LTO's | Important reform step |
| Regional | LTX / STX | Introducing effective compliance improvement | Training on compliance improvement needed | Focus on importance of effective risk management | Support effective risk management |
| Regional | LTX | Tax and Social Security Data for National Accounts | Sharing data for national accounts problematic | Sharing of data for national accounts improved | Identify constraints and present best practice |

STRATEGIC OBJECTIVE 2: STRENGTHENED CORE FUNCTIONS EVIDENCED BY AN ACCURATE TAXPAYER BASE, TAXPAYER SERVICES SUPPORTING VOLUNTARY COMPLIANCE, IMPROVEMENTS IN FILING, PAYMENT AND AUDIT SERVICES

| | | | | | |
|-----------------|-----|---|--|---|---|
| Niue | LTX | Review reform progress and status of recommendations | Periodic review required | Review reform progress and status recommendation | |
| Palau | STX | Improve management of outstanding tax returns and tax arrears | Improvement required for management of returns and arrears | Operational plan in place to improve on-time filing and payment | Potential to improve on time filing and payments |
| Palau | STX | Review taxpayer service and facilitate improvements | Improvement required for the taxpayer service | Improved delivery of taxpayer services | More TA is needed to support implementation |
| Palau | LTX | Review reform progress and status of recommendations | Periodic review required | Review reform progress and status recommendation | |
| Samoa | STX | Improve management of outstanding tax returns and tax arrears | Improvement required for management of returns and arrears | Operational plan in place to improve on-time filing and payment | Potential to improve on time filing and payments |
| Samoa | STX | Improve taxpayer services and audit function | Improvement required to service and audit | Improved taxpayer services and audit function | Improvement in voluntary compliance. |
| Samoa | LTX | Review reform progress and status of recommendations | Periodic review required | Review reform progress and status recommendation | |
| Solomon Islands | STX | Improve management of outstanding tax returns and tax arrears | Improvement required for management of returns and arrears | Operational plan in place to improve on-time filing and payment | Potential to improve on time filing and payments |
| Solomon Islands | STX | Develop audit strategy and operational plan, improve taxpayer service | Audit and taxpayer service to be improved | Develop audit plan and improve taxpayer service | TA requested to develop new generation audit plan |

| Beneficiary | Mode | Activities | Current Position | Expected Outcomes | Comments/ Risk |
|-------------|-----------|---|--|--|--|
| Timor Leste | STX | Improve management of outstanding tax returns and tax arrears | Improvement required for management of returns and arrears | Operational plan in place to improve on-time filing and payment | Potential to improve on time filing and payments |
| Timor Leste | STX | Strengthen taxpayer services | Improvement required for the taxpayer service | Improved delivery of taxpayer services | TA needed to institutionalize concept |
| Tonga | STX | Improve management of outstanding tax returns and tax arrears | Improvement required for management of returns and arrears | Operational plan in place to improve on-time filing and payment | Potential to improve on time filing and payments |
| Tonga | STX | Review progress and further strengthen the audit function | Improvements required for the audit function | The audit function operating at improved efficiency levels | Audit modernization plan has been accepted |
| Tonga | LTX/ STX | Review reform progress and revenue administration | Periodic review required | Successful implementation of reform | |
| Tuvalu | STX | Improve management of outstanding tax returns and tax arrears | Improvement required for management of returns and arrears | Operational plan in place to improve on-time filing and payment | Potential to improve on time filing and payments |
| Tuvalu | STX | Review and improve taxpayer services, | Improvement required for the taxpayer service | Improved delivery of taxpayer services | Introduce a taxpayer services strategy. |
| Vanuatu | STX | Improve taxpayer services and review audit function | Improvement required for taxpayer service and audit | Improved delivery of taxpayer services and audit function | TA requested to build function and capability. |
| Vanuatu | STX | Improve management of outstanding tax returns and tax arrears | Improvement required for management of returns and arrears | Operational plan in place to improve on-time filing and payment | Potential to improve on time filing and payments |
| Vanuatu | LTX | Review reform progress and status of recommendations | Periodic review required | Review reform progress and status recommendation | |
| Regional | LTX/ STX | Management of Core Tax Functions for Senior Managers | Training on management of Core Tax Functions for Senior Mangers needed | Senior management increased awareness of managing core tax functions | Strengthen management of tax functions |
| Regional | LTX / STX | Audit Managers Workshop | Training on audit management needed | Improve audit management expertise. | Enhanced audit management capability |
| Regional | LTX/ STX | Management of Debt and Returns for Ops Managers | Training on debt and return management needed | Improve returns and debt management capability. | Enhanced debt and returns management |
| Regional | LTX / STX | Management of Taxpayer Services for Ops Managers | Training on managing taxpayer services needed | Improve management of Taxpayer services | Enhanced taxpayer services management |

PUBLIC FINANCIAL MANAGEMENT

In FY2020, 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; and
- Strengthening budget monitoring, reporting and accountability.

PFM 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 an 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 (418 of 668 days) are expected to be delivered by STX;

PFTAC will continue to coordinate with other providers of PFM TA to ensure consistency and sustainability in the delivery of TA to members.

AT THE REGIONAL LEVEL, five regional or sub-regional workshops are planned drawing on the resources of the PFTAC resident advisors, IMF Fiscal Affairs Department staff, STX, and experts from other development partners including the UNDP, the World Bank



and ADB; and

regional, sub-regional, and country-specific training jointly sponsored by PFTAC and regional partners like PASAI, PRIF, and PIFS.

Planned regional or sub-regional events include:

- Working with the Pacific Islands Forum Secretariat (PIFS), a PFM leadership seminar with Finance Ministry heads will discuss issues of commonality in PFM;
- A joint Caribbean/Pacific event is planned to bring together Small Island States senior PFM officials together in Washington to be coordinated with CARTAC that will include a focus on disaster resilience;
- Building on a highly successful event in 2017, a regional workshop on fishing revenue on Expenditure Forecasting/Budget Documentation is planned;

- A regional workshop on internal audit;
- A regional workshop on cash flow forecasting and management; and
- A workshop on the disclosure and management of contingent liabilities and other specific fiscal risks.

IN TERMS OF COUNTRY ACTIVITIES, the delivery under the PFM program in FY2020 is 24 percent greater than FY2019, with 41 missions/activities planned versus FY2019 outturn of 33, and with 668 days of TA field delivery up 199 days from FY2019.

In the **Cook Islands**, TA will target improving treasury operations and controls for non-salary expenditure.

PTAC will work across multiple PFM objectives with the **Fiji** authorities in FY2020 including preparations for and conducting the PEFA assessment. Assistance will be provided to revise financial instructions consistent with new PFM legislation,

including alignment with international standards and good practices, and address existing limitations. To facilitate the new PFM legislation, a mission on preparing an implementation plan will be conducted. Efforts will also continue to make improvements to risk-based audit systems. Further training for ministries on the Chart of Accounts will be provided as well as the quality control of a CoA manual. Finally, assistance will be provided to improve the presentation of budget execution reporting and analysis.

PFTAC will provide input to **Kiribati**, on their PFM roadmap.

RMI will be supported in making improvements in their annual budget documentation.

FSM will receive TA to improve treasury operations and controls for non-salary expenditures.

Nauru will be supported with complying with IPSAS Cash reporting standards.

Niue will receive assistance in drafting new PFM legislation.

Palau will be provided guidance with a planned PEFA self-assessment.

PFTAC will lead a full national PEFA in **PNG** working with other development partners that are expected to support subsequent sub-national PEFA assessments.

In support of a PEFA assessment in **Timor Leste**, PFTAC will work with the authorities and other development partners on preparation of a PFM Reform Roadmap.

Ongoing assistance in the development of a PFM Reform Roadmap will continue for **Tokelau**.

Tonga will receive support for a planned PEFA self-assessment, in addition to consideration for updated PFM legislation, and further TA for payroll audit. A review of the Chart of Accounts will identify next steps to be taken. A mission to prepare a revision to the PFM legislation will focus on updating legislation consistent with on-going and

planned reforms. Work on improving financial reporting will also continue with a focus on notes to the financial statements and a fixed asset framework.

Tuvalu will be supported in making improvements in their annual budget documentation.

In **Samoa** a review of treasury business operations is planned to improve efficiency of financial reporting and work will continue improving financial reporting.

The **Solomon Islands** will receive further TA to help improve treasury operations and controls for non-salary expenditures.

Vanuatu will benefit from reviews on: (1) progress on improving accounting internal controls and CD needs to adopt new accounting regulations, and (2) risk based internal audit functions with additional training planned. Assistance will also be provided to improve financial reporting and compliance with financial regulations.

TABLE 15. FY2020 WORK PROGRAM SUMMARY: PUBLIC FINANCIAL MANAGEMENT

| Beneficiary | Mode | Activities | Current Position | Expected Outcomes | Comments/ Risk |
|---|---------|--|--|--|--|
| STRATEGIC OBJECTIVE 1: IMPROVED LAWS AND EFFECTIVE PFM INSTITUTIONS | | | | | |
| Fiji | STX | Prepare implementation plan for draft PFM Legislation | Draft legislation prepared and circulated for comments | Strategy to update ministries and officials on changes required in new legislation and timetable | The draft legislation is currently being reviewed and will need to go to bill drafters after review. Delay in preparation could be problematic and require date changes in implementation plans. This is especially critical for those areas with delayed implementation dates |
| Fiji | STX | Review Financial Regulations and identify changes needed updating financial regulations through work at home mission | Minimal updates are underway | Update regulations to support new legislation | Delay in approval or legislation is staled could change dates |
| Fiji | LTX/STX | PEFA Assessment | Planning for PEFA is underway | PEFA assessment is conducted and report is issued | Government officials will Need to plan and prepare evidence for assessment prior to fieldwork |
| Kiribati | LTX/STX | PFM Roadmap Development | A number of diagnostics missions have been undertaken. PFM Roadmap still not drafted | PFM Roadmap endorsed by Government | Working with the Secretary to establish set of PFM priorities taking into account findings from the PEFA self-assessment and PIMA and other diagnostic efforts |
| Niue | STX | Draft new PFM Bill | The current law governing PFM is over 40 years old | Draft PFM Legislation prepared | Working with the Department to prepare a contemporary PFM law to cover all of Government in Niue |
| Palau | LTX/STX | PEFA Self-Assessment | Climate change readiness recommended that Palau undertake a PEFA | PEFA Self-assessment conducted | Preparing and working with Palau officials to undertake a PEFA self-assessment |
| PNG | LTX/STX | PEFA Assessment | Pre-PEFA work has commenced with concept note finalized | PEFA report checked by PEFA Secretariat and finalized | PEFA assessment to be conducted with assistance for agencies, ADB and WB. Sub national PEFA's to be undertaken by other providers |
| Timor-Leste | LTX | Establishing PFM reform priorities post PEFA | Providing input into PFM White Paper. Field work on PEFA underway led by the WB | PFM Roadmap established | Working with officials and development partners post PEFA assessment on future actions in PFM |
| Tokelau | LTX | Establishing PFM reform priorities post PEFA | Self-Assessment undertaken in 2017 | PFM Roadmap adopted by Government | Using the PEFA self-assessment undertaken in 2017 to establish a roadmap of priority actions to be undertaken in subsequent years |
| Tonga | LTX/STX | Pre-PEFA | The need for update of PEFA framework and indicators acknowledged | PEFA self-assessment is conducted and can be used to update reform plans | A lack of information available during the self-assessment mission may require government officials to finalize after the mission |
| Tonga | STX | Prepare draft amendment or revision to PFM Legislation | Review legislation and recommend updates consistent with current operations and reform plans | Review draft legislation and implementation strategies | Reform activities will need to be reviewed by government to ensure inclusion within the revisions |
| Regional | LTX | Workshop-PFM Leadership Workshop | Currently proposed to be working with EU and PIFS on a PFM Symposium | Completion of Workshop | Workshop with leaders of the Ministries of Finance on key contemporary issues |
| Regional | HQ | Conference- Joint CARTAC/PFTAC Leadership | Currently proposed for implementation in Nov 2019 | Review draft legislation and implementation strategies | Model on the successful revenue conference in 2017 bringing together the leaders of the Ministries of Finance in Caribbean and Pacific to work through common PFM issues and disaster management |
| STRATEGIC OBJECTIVE 2: STRENGTHEN BUDGET PREPARATION TOWARDS MORE COMPREHENSIVE, CREDIBLE & POLICY ORIENTED BUDGET | | | | | |

| Beneficiary | Mode | Activities | Current Position | Expected Outcomes | Comments/ Risk |
|---|-----------|--|--|--|--|
| Marshall Islands | LTX | Further developing budget process development tools to automate the process and improve budget documentation | | 2019/20 Budget document is improved in terms of presentation and development process of the budget is improved. | Working with the Macro Advisor to enable improved budget presentation. Assisting the MoF to utilize improved budgeting development tools across government |
| Tuvalu | LTX | Working with PRIF to improve the multiyear budget process for infrastructure and capital. | | 2020 Budget is reported in an improved format with a more credible approach towards public investment. | Working with PRIF to improve the budgeting for capital and infrastructure. |
| Regional | LTX | Workshop - Fishing Revenues Follow up | Initial workshop was completed in February 2017 bringing together national institutions involved in fishing. | Completion of the workshop | Working with macro adviser and other providers, FFA, WB, Tuna Commission, ADB and the PNA to provide follow up on budget work particularly looking at revenue projections and credible MTF's |
| Regional | LTX | Workshop - Improving Budget Document Transparency | Work has been undertaken by the UNDP with Parliamentarians on analyzing budget documents. | Completion of the workshop | Working with UNDP who provide a floating budget analysis team across countries on the Pacific to help MPs understand budget document. (in conjunction with Macro) |
| STRATEGIC OBJECTIVE 3: IMPROVED BUDGET EXECUTION AND CONTROL | | | | | |
| Cook Islands | LTX / STX | Improve treasury operations and controls for non-salary expenditure | New FMIS is currently being implemented. Assisted with structuring of CoA. | Adoption of new procedures. Improved internal controls over budget execution. | Looking to improved operations with implementation of the new system across government. |
| Fiji | LTX/ STX | Training is provided on implementing a risk based internal audit for procurement, review of payroll audit and prepare (or update) audit charter, audit committee structure and documentation consistent with PFM law | Training has been provided on risk-based payroll audit. Updates to legal framework are underway. | Payroll audit is conducted and reviewed by mission. Preparation for risk based procurement audit. | The work activity associated with the payroll audit may not be adequate to identify implementation. Similarly, if the draft legislation is not in final stages, limited activity may have occurred prior to the mission. |
| FSM | LTX/ STX | Improve treasury operations and controls for non-salary expenditure | | Adoption of new procedures. Improved internal controls over budget execution. | Improving business operations for new FMIS system. |
| Tonga | STX | Training is provided on implementing a risk based internal audit for payroll | Training on risk based planning has been provided. | Risk based planning implemented and reviewed during mission. Training on conducted a risk based payroll audit is provided. | Implementation on risk based planning may not initiate on a timely basis. |
| Samoa | STX | Improve treasury operations and controls for non-salary expenditure | | Identify improvements in treasury operations and internal controls | Improve effectiveness of the Accounts Division in budget execution and financial reporting. |
| Samoa | STX | Training is provided on implementing a risk based internal audit for payroll | Government wide audit activity is underway and risk based planning has been initiated. | Risk based planning implemented. Training on conducted a risk based payroll audit occurs. | Delay in implementation of new strategic plan or mission recommendations from April 2019 may hinder mission activities in 2020. |
| Solomon Islands | STX | Improve treasury operations and controls for non-salary expenditure | IMF led mission identified priority actions to be undertaken in the MoF. | Improvement in control over non-salary expenditure and account reconciliation. | Following up on 2018 work on priority actions in the Ministry of Finance. |
| Vanuatu | STX | Review risk based internal audit functions and provide additional training on auditing and recommendation monitoring. | Training on risk based planning, payroll, and procurement audits has been provided. | Review of procurement audit and implementation of risk based annual audit plan. | Delay in audit activities due to special audit requests can hinder progress in implementation modern internal audit function. |
| Regional | LTX | Workshop - Internal Audit | | Completion of the workshop | Combined workshop with PIFS on internal audit practice in the region. |

| Beneficiary | Mode | Activities | Current Position | Expected Outcomes | Comments/ Risk |
|---|---------|--|---|---|---|
| STRATEGIC OBJECTIVE 4: IMPROVE COVERAGE AND QUALITY OF FISCAL REPORTING | | | | | |
| Fiji | STX | Training for ministries on chart of accounts and quality control of CoA manual. | PFTAC recommended structure adopted by MOE. | Chart of Accounts structure is adopted by MoE with implementation dates and training provided. | Revisions to structure and lack of detail in the manual on the mapping of all segments may result in limited improvements and provide opportunity for improper economic codes to be identified in the future. |
| Fiji | STX | Improved presentation of budget execution reporting and analysis. | | Quarterly execution reports are published | Assisting with analytical tools to assess within year execution reports consistent with the revised legislation. |
| Nauru | STX | Follow up work on initial mission in March 2019 on Cash reporting | | Follow up mission on work done in FY-2019 | Looking to have the 2016/17 and 2017/18 FS submitted to the auditor by Dec 19 and looking to have the 2018/19 compliant with IPSAS cash standards. |
| Samoa | LTX | Improved reporting on notes | Accounts division continues resolving issues relating to asset and liabilities, while managing audit recommendations. | Mission works with staff to review progress and identify strategies for improvement. | Limited change occurs due to staff turnover and reduced capacity to implement reforms. |
| Tonga | STX | Review progress on chart of accounts and identify next steps. | Ministry of Finance is finalizing new economic codes. | Updated economic code is implemented. Segment structure is adopted. | The finalization may not occur on a timely basis or may be substantially delayed. |
| Tonga | LTX/STX | Review of treasury business operations to improve efficiency of financial reporting. | Roles and responsibilities are not adequately defined to reflect MoF and line ministry activities. | Improved operations implemented to enable timely reporting on in year and annual financial reported | Improving fixed asset reporting and notes to financial statement and identifying treasury functions and investing potential for electronic payments |
| Vanuatu | STX | Review of treasury business operations to improve efficiency of financial reporting. | Activities are underway to prepare 'unissued' annual financial statements. | Improved operations implemented to enable timely reporting on in year and annual financial reported | Financial statement preparation is delayed and reforms are unable to be implemented. |
| STRATEGIC OBJECTIVE 6: STRENGTHEN IDENTIFICATION, MONITORING, AND MANAGEMENT OF FISCAL RISKS | | | | | |
| Fiji | STX | Review of fiscal risk monitoring and management for improved reporting. | Fisk risk monitoring improvements recommended by February 2019 mission are adopted. | Fisk risk framework and reporting process is adopted by MOE. | The monitoring changes are adopted but not implemented on a timely basis. |
| Fiji | STI | Workshop - Fiscal Risks | | Workshop Completed | In conjunction with STI |

MACROECONOMIC PROGRAMMING & ANALYSIS

Under the macroeconomic programming and analysis CD work program for FY2020, efforts will contribute towards three outcomes:

- **Outcome 1:** Timely, high quality macroeconomic monitoring, analysis, and research available for policymaking;
- **Outcome 2:** Ready public access to key monetary, fiscal, and financial soundness information; and
- **Outcome 3:** Sound medium-term macroeconomic programming framework.

Under the proposed FY2020 workplan, 19 missions/activities are planned versus an expected outturn of 15 missions, a 27 percent increase over FY2019, requiring an expected 198 TA field day (165 LTX and 33 STX), up 50 percent from 132 in FY2019 (121 LTX and 11 STX), primarily resulting from an overlap of up to six months between the outgoing and incoming resident advisors.

AT THE REGIONAL LEVEL, building on a successful event in 2018, PFTAC will partner with the Asian Development Bank and the World Bank Group to host a second workshop on *Managing Fishing Revenues*. Participants from the fisheries agencies and ministries of finance/treasuries will be invited from member countries of the Parties to the Nauru Agreement (PNA), **FSM, Kiribati, Nauru, Palau, PNG, RMI, Solomon Islands, and Tuvalu**, and other countries with significant fishing revenues, **Cook Islands and Tokelau**. A joint seminar for **Kiribati and Tuvalu** will follow up on



country specific issues.

PFTAC will continue to organize multi-topic workshops including on *Effective Exchange and Use of Administrative Data, Budget Documentation and Fiscal Risks*, and partner with STI to deliver training tailored to Pacific countries on *Government Finance Statistics and Debt Sustainability*.

IN TERMS OF COUNTRY ACTIVITIES, TA and training in FY2020 will continue to develop and support the use of quantitative tools. Ten of PFTAC's 16 members, **Cook Islands, Fiji, Palau, PNG, RMI, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu** have a macroeconomic programming framework which is a useful empirical tool for the analysis of economic developments. Countries' frameworks will continue to be enhanced to undertake medium-term projections, debt sustainability and external vulnerability assessments.

GDP is a key macroeconomic statistic.

GDP estimates and forecasts are important for macroeconomic

management and fiscal and monetary policy because they underlie the forecasts of revenue collections, inflationary pressures and the balance of payments. Through CD, tools and methodologies for forecasting GDP will be developed in **Palau** and continue to be enhanced in **Tuvalu**. GDP forecasting will be reviewed following re-benchmarking and rebasing in **Solomon Islands and Vanuatu**

Prudent fiscal management remains a focus for the program. The PNG Department of Treasury will host a course on *Fiscal Frameworks* to be delivered jointly by PFTAC and STI for participants from **PNG and Solomon Islands**. PFTAC will support empirical analysis of tax reform in **RMI** and a climate change policy assessment in **FSM**.

PFTAC will continue to support peer-to-peer learning by encouraging regional

empirical analysis and research and facilitating staff attachments. Staff attachments entail analysts from one country visiting another country (usually in the region) for one to three weeks so that they can share their expertise and knowledge or observe and learn first-hand

how a country has instituted a reform or development that may have application and benefit to their country. PFTAC covers the travel and accommodation costs and per diems of participants while the persons attached continue to receive their regular salary.

A new Macroeconomic Advisor will start in FY2020. The work plan assumes a six-month overlap of the incoming and outgoing advisors.

TABLE 16. FY2020 WORK PROGRAM SUMMARY: MACROECONOMIC PROGRAMMING AND ANALYSIS

| Beneficiary | Mode | Activities | Current Position | Expected Outcomes | Comments/ Risk |
|--|------|---|--|--|---|
| STRATEGIC OBJECTIVE 1: IMPROVED MACROECONOMIC POLICY ADVICE TO GOVERNMENT AND CENTRAL BANK MANAGEMENT | | | | | |
| OUTCOME 1: Improved quality and frequency of macroeconomic surveillance and policy/ research available for policymaking | | | | | |
| FSM | LTX | Support climate change policy assessment. | No bilateral technical assistance has been provided by the macroeconomics program. | (1) The macroeconomic and fiscal impacts of climate change risks are quantified and monitored (Apr. 20). (2) Macroeconomic and fiscal risks arising from climate change are managed (Apr. 21). | Technical assistance will support an IMF Fiscal Affairs Department's Climate Change Policy Assessment. |
| Kiribati, Tuvalu | LTX | Seminar on managing and forecasting fishing revenues. | Methodology to forecast fishing revenues started to be developed in Tuvalu. | (1) Medium-term fishing revenue projections are produced jointly by ministries of finance and marine authorities (Apr. 20). (2) Fishing revenues are managed within a medium-term fiscal framework (Apr. 21). | The seminar will be joint with PFM and built on the regional workshop. |
| Palau | LTX | Develop GDP forecasting methodology. | GDP forecasts are currently produced by the U.S. Graduate School. | (1) An economic indicator database is set up and maintained (Apr. 20). (2) GDP forecasts are independently produced (Apr. 21). (3) Economic and fiscal forecasts are consistent (Apr. 21). | Technical assistance will be supplemented with attachments. |
| Papua New Guinea | LTX | Fiscal course. | Fiscal reforms are being implemented in public financial management, revenue generation, and fiscal reporting. | (1) Discussion of current and medium-term fiscal performance in budget documents and monetary policy statements is improved (Apr. 19). | The course will be delivered jointly by PFTAC and the Singapore Training Institute (STI). Training will be tailored to PNG. |
| RMI | LTX | Support empirical analysis of tax reform. | The Marshall Islands Fiscal Model (MI-FM) produces medium-term projections for the current tax system. Some preliminary analysis for tax reform has started. | (1) Advice on tax reform is empirically based (Apr. 20). (2) Analysis of tax reform options is published (Apr. 20). | |
| Solomon Islands | LTX | Review and enhance GDP forecasting. | Upgrades of the Central Bank of Solomon Islands and the Ministry of Finance and Treasury's macroeconomic programming frameworks are almost complete. | (1) GDP forecasting methodology is reviewed and updated following the rebasing of GDP (Jul. 19). (2) Economic and fiscal forecasts are consistent (Jul. 19). | |
| Tuvalu | LTX | Support GDP forecasting. | GDP forecasting methodology has been developed. | (1) GDP forecasts are independently produced and published (Dec. 20). (2) Economic and fiscal forecasts are consistent (Dec. 20). | |
| Vanuatu | STX | Review of GDP forecasting methodology. | GDP is forecast using a bottom up and a top down approach. | (1) GDP forecasting methodology is reviewed and updated following the rebasing of GDP (Apr. 20). | |
| Regional | LTX | Workshop on managing fishing revenues. | A workshop on managing and forecasting fishing revenues was facilitated in February 2018. | (1) Participants identify priority areas for prudent management of fishing revenues (Aug. 19). (2) Medium-term fishing revenue projections are produced jointly by ministries of finance and marine authorities in 3 out of 9 countries (Apr. 20). (3) Data are shared between ministries of finance and marine authorities in 3 out of 9 countries (Apr. 20). | The workshop will be joint with PFM. |

| Beneficiary | Mode | Activities | Current Position | Expected Outcomes | Comments/ Risk |
|---|------|--|--|---|---|
| Regional | LTX | Workshop on facilitating effective exchange and use of administrative data. | The extent of data sharing varies across the region. | (1) Participants recognize the importance of sharing data (Jul. 19). (2) Priority actions are identified to enhance data sharing (Jul. 19). | The workshop will be joint with Revenue and RSS. |
| Regional | LTX | Support and advise on empirical analysis and research. | Research is currently undertaken in four-member countries. | (1) Research papers are peer reviewed (Apr. 20). (2) At least two working papers are published by Pacific central banks and / or ministries of finance (Apr. 20). | Support will be provided offsite. PFTAC will participate in the annual South Pacific Central Banking Research Conference. |
| Regional | LTX | Support the compilation of a regional database of indicators used for forecasting. | No progress has been made. | (1) A regional database is set up with the assistance of development partners (Apr. 20). (2) The database is published on a PFTAC member country's website (Apr. 20). (3) The PFTAC member maintains and publishes the website (Apr. 21). | Support will be provided offsite. Input will be sought from the IMF Statistics Department and the Secretariat of the Pacific Community. |
| OUTCOME 2: Ready public access to key monetary, fiscal and financial soundness information | | | | | |
| Regional | LTX | Workshop on budget documentation. | The quality of budget documentation varies across the region. | (1) Budget documents include a section on current and medium-term macroeconomic and fiscal performance (Apr. 21). (2) Budget documents include an annex with fiscal and economic statistics for the last 10 years, the current year, and the next 3 years (Apr. 21). | The workshop will be joint with PFM and UNDP. |
| Regional | LTX | Workshop on government finance statistics and debt sustainability. | Data availability is constraining debt sustainability analysis. | (1) GFS balance sheet data is produced in 2 out of 10 countries (Apr. 21). (2) Debt sustainability analysis is included in macroeconomic programming frameworks (Apr. 21). | The workshop will be joint with GFS and STI. |
| Regional | LTX | Workshop on fiscal risks. | Contingent liabilities are not yet included in countries' macroeconomic programming frameworks. | (1) Participants identify fiscal risks (Apr. 20). (2) Contingent liabilities are quantified and reported on (Apr. 20). | The workshop will be joint with PFM. |
| OUTCOME 3: Sound medium-term macroeconomic framework | | | | | |
| Cook Islands | LTX | Support prudent fiscal management. | Capacity is high in Cook Islands. Staffing can be a constraint. | (1) The Cook Islands macroeconomic and fiscal framework continues to be used in budget preparations (Jun. 19). (2) Forecast methodology continues to be enhanced (Apr. 20). | |
| Fiji | LTX | Develop the fiscal sector in the Fiji macroeconomic programming framework. | Monthly fiscal data are needed to map between fiscal and calendar years. | (1) Consistent economic and fiscal forecasts are produced, i.e. methodology is developed to map data between calendar and fiscal years (Apr. 20). (2) The macroeconomic and fiscal framework is used in budget preparations (Jul. 20). (3) The macroeconomic and fiscal framework is used in monetary policy settings (Apr. 20). (4) The fiscal sector in the macroeconomic and fiscal framework produces internationally comparable data, i.e. it adopts official GFS methodology (Aug. 21). | |
| PNG | LTX | Support the use of the PNG Monetary and Fiscal Forecasting (MFF) Model. | Analysis and forecasting tools will require updating as official statistics continue to be enhanced. | (1) The MFF Model is used in monetary policy settings (Apr. 20). (2) The MFF Model is used in budget preparations (Dec. 19). (3) The MFF Model is used for sustainability analysis (Apr. 20). (4) The fiscal sector is reported in GFS for general government (Apr. 20). | |

| Beneficiary | Mode | Activities | Current Position | Expected Outcomes | Comments/ Risk |
|-----------------|------|---|--|--|---|
| RMI | LTX | Support the use of the Marshall Islands Fiscal Model (MI-FM) in budget preparations and policy analysis and document the model. | Additional documentation and staff training are needed on the MI-FM. | (1) The MI-FM continues to be used in budget preparations (Oct. 19). (2) The MI-FM is used for policy analysis including to develop a medium-term fiscal framework (Apr. 20). (3) Quarterly GFS and outturns compared to forecasts are reported on (Apr. 20). | Assistance will be provided jointly with the PFM Advisor. Technical assistance will be supplemented with attachments. |
| Samoa | LTX | Support the use of the Samoa Economic and Revenue Forecasting (SERF) Model. | The balance of payments needs completing in the SERF Model. | (1) The SERF Model continues to be used in budget preparations (Jun. 19). (2) The SERF model is used to undertake sustainability analysis of policy scenarios (Apr. 20). | |
| Solomon Islands | LTX | Complete the upgrades of the Solomon Islands' macroeconomic programming frameworks. | Solomon Islands is the only member where the central bank and ministry of finance both have a macroeconomic programming framework. | (1) The Ministry of Finance and Treasury's macroeconomic programming framework continues to be used in budget preparations (Dec. 19). (2) The Central Bank of Solomon Islands' macroeconomic programming framework continues to be used in monetary policy settings (Apr. 20). (3) The frameworks are used to undertake sustainability analysis of policy scenarios (Apr. 20). | |
| Tonga | LTX | Support the use of the Tonga macroeconomic and fiscal framework. | Revenue forecasts need reviewing. | (1) The GDP forecasting framework continues to be used in budget preparations (Jun. 19). (2) The Tonga projection model continues to be used in budget preparations (Jun. 19). (3) Fiscal forecasting is enhanced (Apr. 20). | |
| Vanuatu | LTX | Support the use of the Model of the Vanuatu Economy (MOVE) and the national framework for revenue forecasting. | The monetary sector needs to be forecast. | (1) The MOVE is used in monetary policy settings and policy analysis (Apr. 19). (2) The national framework for revenue forecasting is used in budget preparations (Dec. 19). (3) Documentation on the MOVE is publicly available (Apr. 20). | |

MACROECONOMIC STATISTICS

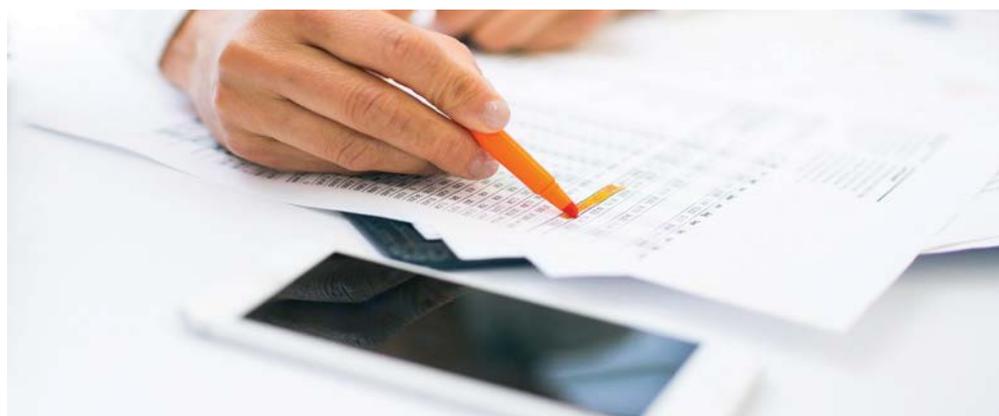
The macroeconomic statistics program that comprises sub-programs for GFS and Real Sector Statistics (RSS) with a small component for External Sector Statistics (ESS) works towards one broad objective:

- **Objective 1:** Strengthen compilation and dissemination of data on macroeconomic and financial statistics for decision making according to the relevant internationally accepted statistical standard, including developing/improving statistical infrastructure, source data, serviceability and/or metadata.

GOVERNMENT FINANCE STATISTICS

The PFTAC GFS program enters its final year of funding under Phase V, and unless there is a change of plan and funding, the resident advisor position will end April 30, 2020. A new GFS PFTAC Advisor will join PFTAC in April 2019 focused on the same themes as FY2020 including 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*.

Increased assistance will focus on how to compile PSDS guided by the public-sector



debt statistics guide for compilers and users 2013 (*PSDSG 2013*).

AT THE REGIONAL LEVEL, one regional GFS training workshop is planned for FY2020. However, country-specific TA will still represent most of PFTAC's support with advisory in-country missions and remote support.

IN TERMS OF COUNTRY ACTIVITIES, bilateral missions and workshops are planned to provide TA coverage to 14-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 summarized below and detailed in the FY2020 workplan.

Data are compiled and disseminated using the coverage and scope of the latest guidelines. The majority of PFTAC member countries that receive bilateral assistance have adopted the internationally accepted statistical standard, the *GFSM 2014* for compilation and dissemination of GFS. TA in FY2020 will continue to work with country counterparts to improve 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 FY2020 will continue to focus on improving the compilation and dissemination methods and processes to derive reconciled GFS time series for the GG. Several member countries 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 and defining government spending by purpose and social-economic activity. COFOG deserve focused attention to make progress in the near-to-medium term. 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 *PSDSG 2013* 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). Five countries in the region are now participating to the e-GGDS initiative by releasing statistics through the National

Summary Data Page (NSDP), **Fiji, FSM, Samoa, and Timor-Leste.**

REAL SECTOR STATISTICS

The real sector and external sector statistical CD needs of the PFTAC member states varies significantly. These include countries embarking on the rebasing of GDP estimates to incorporate the latest and most comprehensive survey data. This will be a key target of the RSS program.

AT THE REGIONAL LEVEL, a national accounts regional workshop intends to improve the usability of administrative data by various methods of quality control. Different approaches for outlier detection and correction, and the treatment of missing values will be presented, and their limitations discussed.

In recent years, PFTAC member countries have become more aware of data privacy issues. While this is understandable, some statistical offices are reporting problems in accessing administrative data. Such data is typically inexpensive and reflects a high degree of compliance with the needs for national accounts statistics. To respond to this adverse development, PFTAC plans a workshop at the regional level in FY2020 to bring together administrative data providers with representatives of statistical institutes. This forum will discuss problems, potential solutions and best practices for data sharing in member countries.

IN TERMS OF COUNTRY ACTIVITIES, in FY2020 the RSS program will scale back up to an extensive program after the deceleration in FY2019 given the changeover of resident advisors. There are 17 missions planned to 13 PFTAC member countries, including two on external sector topics to Fiji and Tuvalu respectively.

In the **Cook Islands**, analysis on imports – especially capital products – has to be pursued in order improve value added estimations of industries.

For **Fiji** the resumption of work on quarterly national accounts is regarded as

the main target for coming FY2020. Furthermore, missions have been requested to support BoP compilations in

Country activities concentrate on increasing staff capacities, the release of metadata and the documentation of business processes, the use of up-to-date concepts, definitions and classifications, data coverage and scope and the use of adequate source data.

respect of capturing correctly FDI and external debt issues.

Kiribati plans to improve their BoP coverage concerning the financial account.

FSM's GDP calculation is challenged by a restriction to access tax data. PFTAC will support an agreement about future data sharing. PFTAC's work will otherwise continue training staff to independently calculate national accounts.

Due to severe staff capacity constraints, PFTAC will support **Nauru** with four weeks of national accounts missions to resume GDP compilation and publication.

In **Niue** PFTAC work in FY2020 concentrates on incorporating the latest HIES 2015/2016 results in national accounts.

In **Palau** and **RMI**, PFTAC pursues its efforts to put their statistical offices in the position to compile national accounts independently.

Together with the statistical office in **Tonga**, PFTAC will assist with a rebase of national accounts to 2016/2017.

In **Tuvalu** the number of statistical compilation staff is expected to be increased. PFTAC will continue to train the new staff members.

The priorities of PFTAC's technical assistance program in FY2020 for **Vanuatu** concentrate on the elaboration of a business process documentation for improving their statistical resilience. The calculation of livestock and fishery output is a further important goal.

TABLE 17. FY2020 WORK PROGRAM SUMMARY: MACROECONOMIC STATISTICS (GOVERNMENT FINANCE STATISTICS)

| Beneficiary | Mode | Activities | Current Position | Expected Outcomes | Comments/ Risk |
|---|--------|--|---|--|--|
| STRATEGIC OBJECTIVE 1: STRENGTHEN MACROECONOMIC AND FINANCIAL STATISTICS COMPILATION AND DISSEMINATION | | | | | |
| OUTCOME 1: Data are compiled and disseminated using the coverage and scope of the latest manual/guide | | | | | |
| Nauru | Remote | Compile the institutional unit table for the public sector and investigate source data for GFS compilation purposes. | A mission in September 2017 started work on institutional unit classification, but due to source data gaps the classification was not completed. Further work is required. | Sectoral coverage is used to include all units of the public sector and to compile and disseminate GFS for policy making and surveillance (Apr. 20). | Remote technical assistance should support the efforts to complete the institutional unit classification. Local staff shortages and source data gaps may continue to pose challenges and risks in making progress. |
| Tonga | LTX | Finalize the list of institutional units in order to compile and disseminate full public-sector accounts. | Progress have been made in defining and classifying units of the public sector during the February 2019 mission. | Public sector GFS for internal use, policy making and surveillance (Apr. 20). | Staff resources and availability of data is sufficient to complete the task. |
| OUTCOME 2: Data are compiled and disseminated using appropriate statistical techniques | | | | | |
| Cook Islands | LTX | Refine compilation techniques for using various administrative data sources to reduce statistical discrepancies. | Recent missions completed a review to determine reasons for statistical discrepancies. Discrepancies have been narrowed down with the main reason for discrepancies in the net investment of nonfinancial assets. | Reconciled statement of operations (Sep. 19). | Results of corrections are dependent on the work external consultants are performing on clearing inconsistencies in nonfinancial assets. |
| Fiji | LTX | Bridge tables facilitate the compilation of budgetary central government (BCG) GFS. | The CoA and financial management information system reforms were initiated and progress was made. | GFS is automated in the financial management information system to compile reports (Aug. 20). | Dependent on skilled resources and the success is reliant of sufficient staff training and awareness. |
| Kiribati | Expert | Ensure that all transactions of general government and public corporations are included in the coverage, inclusive of donor contributions. | Data series review conducted during the previous GFS TA and adjustments made to the data. Further review and improvements required. | Reconciled statement of operations (Dec. 19). | National Statistics staff require continued PFTAC support to improve techniques and methodologies. |
| Nauru | Remote | Mapping the national chart of accounts (CoA) to GFS. | The process was initiated in the September 2017 mission but the mapping results need to be incorporated as part of the financial management information system. | GFS is automated in the financial management information system to compile reports (Aug. 20). | External professional technical support be available to assist with the updates and the migration. |
| Timor-Leste | Remote | Imbalances using various data sources to compile GFS are investigated and resolved. | Statement of operations continue to present imbalances. Stocks and flows in financial balance sheet creates discrepancies as well as unreconciled source data derived from various systems. | Reconciled statement of operations (Dec. 19). | Assistance required from external systems vendors to update the management information reporting systems. Coordination between internal stakeholders may be improved to achieve common solutions. |
| Tonga | LTX | Mapping the national chart of accounts (CoA) to GFS. | Reforms on the CoA and financial management information systems was impacted by key staff and management changes. Limited progress was made. | GFS is automated in the financial management information system to compile reports (Aug. 20). | Dependent on skilled resources and the success is reliant of sufficient staff training and awareness. |

| Beneficiary | Mode | Activities | Current Position | Expected Outcomes | Comments/ Risk |
|--|------------|--|--|---|--|
| Vanuatu | LTX | Imbalances using various data sources to compile GFS are investigated and resolved. | Statement of operations continue to present imbalances. Stocks and flows in the balance sheet creates discrepancies to be resolved. | Reconciled statement of operations (Dec. 19). | Stakeholders from all three reporting agencies (Treasury, Reserve Bank of Vanuatu and Vanuatu National Statistics office need to coordinate efforts in resolving data discrepancies. |
| Regional | LTX/Expert | Regional workshop on government finance statistics. | | Trained staff for improved GFS compilation and dissemination (Aug. 19). | All PFTAC member countries will attend and be trained. |
| OUTCOME 3: Higher frequency data is compiled and disseminated | | | | | |
| Cook Islands | LTX | Compile, review and disseminate data to the IMF Statistics Department. Complete FY2018 for general government (GG). Start to produce quarterly GFS for FY2019. Compile and disseminate public sector debt statistics (PSDS). | Annual data for general government completed up to FY2017. | 1) Data compiled and disseminated for the annual GFS database, internal policy decision making, surveillance and use for fiscal forecasting (Nov. 19). Quarterly GFS (Sep. 19). 2) PSDS submitted to the World Bank for publication and used into debt sustainability analysis (Apr. 20). | Provided that staff resources are on strength and that source data is readily available. |
| Fiji | LTX | Compile, review and disseminate data to the IMF Statistics Department. Complete BCG for FY2018 and expand the coverage for GG. Resolve inconsistent classifications of historical data. | Annual data for BCG completed up to FY2017. Unconsolidated GG data completed up to FY2015. Expanding coverage to the public sector was initiated. | 1) Data compiled and disseminated for the annual GFS database, internal policy decision making, surveillance and use for fiscal forecasting (Nov. 19). 2) PSDS submitted to the World Bank for publication and used into debt sustainability analysis (Apr. 20). | Given that source data is readily available. Unresolved classification issues with BCG data will result in no progress with GG consolidation. |
| FSM | LTX | Compile, review and disseminate data to the IMF Statistics Department. | Annual data for BCG and 4 state governments were sustained. Data was completed up to FY2017. Expanding coverage to the public sector was initiated. | Data compiled and disseminated for the annual GFS database, internal policy decision making, surveillance and use for fiscal forecasting (Nov. 19). 2) PSDS submitted to the World Bank for publication and used into debt sustainability analysis (Apr. 20). | Provided that staff resources are on strength and new staff is fully trained. |
| Kiribati | Expert | Compile, review and disseminate data to the IMF Statistics Department. | Annual data for general government completed up to FY2017. Expanding coverage to the public sector was initiated. | Data compiled and disseminated for the annual GFS database, internal policy decision making, surveillance and use for fiscal forecasting (Nov. 19). 2) PSDS submitted to the World Bank for publication and used into debt sustainability analysis (Apr. 20). | National Statistics staff require sustained training and assistance in the compilation and dissemination of GFS. |
| Palau | LTX | Compile, review and disseminate data to the IMF Statistics Department. | Annual data for was sustained. Data was completed up to FY2017. Expanding coverage to the public sector was initiated. | Data compiled and disseminated for the annual GFS database, internal policy decision making, surveillance and use for fiscal forecasting (Nov. 19). 2) PSDS submitted to the World Bank for publication and used into debt sustainability analysis (Apr. 20). | Provided that staff resources are on strength and new staff is fully trained. |
| PNG | LTX | Compile, review and disseminate data to the IMF Statistics Department. Assist in the verification and revisions of the COA mapping and associated compilation procedures for quarterly reporting. | Annual data for BCG was sustained. Data was completed up to FY2017. Expanding coverage to the public sector was not initiated due to size of data source gaps. | Data compiled and disseminated for the annual GFS database, internal policy decision making, surveillance and use for fiscal forecasting (Nov. 19). Data are published for International Financial Statistics and increased timeliness and frequency for surveillance (ongoing). | Department of Treasury staff capacity sufficient to produce annual and quarterly BCG. Concerted efforts are needed to produce audited financial statements to compile public sector GFS. |

| Beneficiary | Mode | Activities | Current Position | Expected Outcomes | Comments/ Risk |
|-----------------|--------|--|---|--|---|
| RMI | LTX | Compile, review and disseminate data to the IMF Statistics Department. | Annual data for BCG was sustained. Data was completed up to FY2017. Expanding coverage to the public sector was initiated. | Data compiled and disseminated for the annual GFS database, internal policy decision making, surveillance and use for fiscal forecasting (Nov19). Data are published for International Financial Statistics and increased timeliness and frequency for surveillance (ongoing). 2) PSDS submitted to the World Bank for publication and used into debt sustainability analysis (Apr. 20). | Provided that staff resources are on strength and new staff is fully trained. |
| Samoa | Remote | Compile, review and disseminate data to the IMF Statistics Department. | Annual data for general government completed up to FY2017. Expanding coverage to the public sector was initiated. | Data compiled and disseminated for the annual GFS database, internal policy decision making, surveillance and use for fiscal forecasting (Nov. 19). Data are published for International Financial Statistics and increased timeliness and frequency for surveillance (ongoing). 2) PSDS submitted to the World Bank for publication and used into debt sustainability analysis (Apr. 20). | Bureau of Statistics staff capacity sufficient to produce annual and quarterly BCG. |
| Solomon Islands | Remote | Compile, review and disseminate data to the IMF Statistics Department. | Annual data for BCG was sustained. Data was completed up to FY2017. Expanding coverage to the public sector was initiated. | Data compiled and disseminated for the annual GFS database, internal policy decision making, surveillance and use for fiscal forecasting (Nov. 19). Data are published for International Financial Statistics and increased timeliness and frequency for surveillance (ongoing). | Central Bank staff capacity sufficient to produce annual and quarterly BCG. |
| Tuvalu | LTX | Compile, review and disseminate data to the IMF Statistics Department. | A time series of data was completed for the BCG (FY2013-16), however the data was not submitted for the annual GFS database nor used for internal policy and decision making. | Data compiled and disseminated for the annual GFS database, internal policy decision making, surveillance and use for fiscal forecasting (Nov. 19). 2) PSDS submitted to the World Bank for publication and used into debt sustainability analysis (Apr. 20). | National Statistics Office is at full strength, however strong commitment needed from the authorities in disseminating data, sustain compilation and using data for policy and decision making. |
| Vanuatu | LTX | Compile, review and disseminate data to the IMF Statistics Department. | Annual data for BCG was sustained. Data was completed up to FY2017. Expanding coverage to the public sector was initiated, however progress is limited due to incomplete and infrequent completion and audit of financial statements. | Data compiled and disseminated for the annual GFS database, internal policy decision making, surveillance and use for fiscal forecasting (Nov. 19). 2) PSDS submitted to the World Bank for publication and used into debt sustainability analysis (Apr. 20). | Capacity are sufficient in the Treasury to compile and disseminate GFS, however concerted efforts are needed reconcile statistical discrepancies to make progress. |

OUTCOME 4: Macroeconomic data sets used by policy makers have been made more intersectoral consistent

| | | | | | |
|-----|-----|--|---|---|---|
| PNG | LTX | Prepare a reconciliation and include data for the financial balance sheet and public-sector data to the monetary statistics and balance of payments. | Reconciliation process initiated for financial balance sheet. | Complete, balanced statement of operations with narrowing down the statistical discrepancies and all macroeconomic datasets are harmonized. | Provided that all stakeholders contribute in providing and reconciling source data. |
|-----|-----|--|---|---|---|

OUTCOME 5: A new dataset has been compiled and disseminated internally or to the public

| | | | | | |
|-----|-----|--|--|---|--|
| PNG | LTX | Assist in the verification and revisions of data compiled for GFS. | Assistance in the verification and improvement of GFS data compilation processes is ongoing with the support of PFTAC. | Improved GFS and macroeconomic statistics for internal policy and decision making and surveillance. | |
|-----|-----|--|--|---|--|

OUTCOME 6: Metadata released internally or to the public have been strengthened consistent with the dataset to enhance interpretation and analysis

| Beneficiary | Mode | Activities | Current Position | Expected Outcomes | Comments/ Risk |
|-------------|-------------|--|--|--|---|
| Fiji | LTX Mission | A comprehensive sources and methods document is disseminated and updated regularly. | Country counterparts started the documentation processes and are now participating in the e-GDDS by publishing updates through the National Summary Data Page. | Business process documentation completed and available. Associated metadata produced to support fiscal data time series. | Staff resources are committed to regular updates and publication. |
| Kiribati | Expert | Update current business processes and include the compilation methodologies for public corporations. | Business process documentation does exist, but need updating. | Enhanced methodology and national guidelines are available for GFS compilation and dissemination. | Staff resources are committed to regular updates and publication. |

TABLE 18. FY2020 WORK PROGRAM SUMMARY: MACROECONOMIC STATISTICS (REAL SECTOR STATISTICS)

| Beneficiary | Mode | Activities | Current Position | Expected Outcomes | Comments/ Risk |
|--|------|--|---|---|--|
| STRATEGIC OBJECTIVE 1: STRENGTHEN COMPILATION AND DISSEMINATION OF DATA ON MACROECONOMIC AND FINANCIAL STATISTICS | | | | | |
| Cook Islands | STX | Reclassify ESS data correctly concerning foreign aid and loan funded development data | Some ESS data lacks comprehensiveness and the correct valuation | ESS data correctly reflects data on foreign aid and loan funded development | Availability of necessary source data |
| Cook Islands | STX | Improve timeliness of quarterly GDP estimates | Quarterly GDP estimates are published infrequently | More timely and regular publication of quarterly GDP estimates | As access to VAT data has been regained risks are low |
| Fiji | LTX | Compile expenditure side GDP in line with rebased production side | Rebased productions side GDP has been published | Rebased expenditure side GDP is published | As resources are available non-performing risk is low |
| Fiji | LTX | Discrepancies between GDP by expenditure, income and production resolved via balancing | Production side and expenditure side of GDP show considerable differences | Discrepancies between GDP by expenditure, income and production decreased | Still no new government statistician in office for deciding about priorities |
| Fiji | LTX | Fresh up training in QNA and start with compilation of production side GDP | Training took place two years ago | Production side GDP is published on a quarterly basis | Still no new government statistician in office for deciding about priorities |
| Kiribati | STX | Improve BoP coverage concerning the financial account. | Certain components are missing in the BoP statistics | Financial account in the BoP is exhaustive | Availability of necessary source data |
| Kiribati | STX | Improve the model for estimation of value added and output of construction industry | Construction industry model does not include construction permit data | Value added and output estimates of construction industry are more reliable | The access to construction permit data is not granted yet. |
| Micronesia | LTX | Develop capacities and to start with independent GDP estimates | GDP is calculated by Graduate School USA | Value added and output for three industries are calculated by end of FY2020 | As access to VAT data has been denied, a MoU is necessary to start work |
| Nauru | LTX | Resume GDP compilation and publication | Emerged severe staff capacity constraints jeopardize GDP compilation | Publication of 2017 GDP estimates | Number of staff has not increased to minimum operational level |
| Nauru | LTX | Collection of improved construction, house rental and financial service data | Estimates are based on weak assumptions | More reliable value-added estimates for construction and the financial industry | Access to quality source data and adequate staff number |
| Niue | STX | Rebase of national accounts to reflect latest HIES 2015/2016 results | New HIES 2015/2016 are available but not yet incorporated in GDP | Latest HIES 2015/2016 results are reflected national accounts | Success depends on available staff resources |
| Palau | LTX | Develop capacities and to start with independent GDP estimates | GDP is calculated by Graduate School USA | Value added and output for three industries is calculated by end of FY2020 | Success depends on available staff resources |
| PNG | LTX | Investigate/resolve data/methods concerns | Draft GDP calculation agreed with MoF are available | Methodologically improved version of GDP estimation published | Staff capacities are adequate |

| Beneficiary | Mode | Activities | Current Position | Expected Outcomes | Comments/ Risk |
|-----------------|------|---|--|--|---|
| | | highlighted via previous GDP release | | | |
| Solomon Islands | STX | Training staff on analysis and dissemination of GDP estimates | Basic training had been provided | Staff capable of independent GDP calculation | Number of staff is adequate so current risk is low |
| Solomon Islands | STX | Review and documentation of annual business survey imputation methods | Partially completed, but should be done within a comprehensive review of the survey strategy | A user friendly and transparent documentation of annual business survey is published | Number of staff is adequate so current risk is low |
| Tonga | STX | Preparation of the new rebase round of national accounts to 2016/2017 | 2016 Household Income and Expenditure Survey, 2015 Population and Housing Census, and the 2015 Agricultural Census are available | National accounts data published in 2020 reflects latest census data | Number of staff and TA sources are adequate so current risk is low |
| Vanuatu | LTX | Improve livestock and fishery output calculation | Livestock data is based on many assumptions which have to be proved. Fishery data is incomplete | Output and value-added estimations for agriculture and fishing are more reliable | The operational reliability of the new electronic data collection system at harbor fish markets |
| Regional | LTX | Workshop on the improvement of the usability of administrative data by various methods of quality control | In planning status, no venue and date agreement reached | Completion of Workshop | Broad participation of PFTAC member countries |
| Regional | LTX | Workshop on the improvement of accessibility and usability of administrative data | In planning status, no venue and date agreement reached | MoUs between administrative data providers and statistical offices are signed | Workshop participation of high level Ministries of Finance staff |

FINANCIAL SECTOR SUPERVISION

Under the FSS CD work program for FY2020, efforts will contribute towards two core objectives to:

- **Objective 1:** Develop and strengthen banking regulations in line with international standards; and
- **Objective 2:** Implement a risk-based supervision (RBS) system and upgrade other supervisory processes.

Under the proposed FY2020 workplan, 23 missions/activities are planned versus an outturn of 16 missions, a 44 percent increase over FY2019. However, fewer TA field days are needed for FY2020 at 236 (65 LTX and 171 STX), down 7 percent from 253 in FY2019 (55 LTX and 198 STX) because of the lengthy multi-country STX contracts used to support insurance reforms in FY2019.

AT THE REGIONAL LEVEL, PFTAC will continue to organize multi-topic workshops in FY2020 including on Effective Regulation of Cross Border Banking and Sound Governance; and support the AFSPC Annual Meeting to be held in Tonga. The IMF's Singapore Training Institute (STI) with the Legal Department will hold a course on Anti Money Laundering (AML)/ Countering Financing of Terrorism (CFT) in June 2019.

IN TERMS OF COUNTRY ACTIVITIES, TA and training in FY2020 will continue to



focus on the four major projects of the FSS program:

1. *Supervision Framework Enhancement Program*, with **Cook Islands, PNG, Solomon Islands** and **Vanuatu**. The FY2020 Workplan include missions to the Cooks Islands on financial analysis and finalizing prudential standards and on-site examination reform; to PNG on on-site examination and developing prudential standards; to the Solomon Islands on financial analysis and developing prudential standards; and to Vanuatu on financial analysis and developing prudential standards; and
2. *Banking Regulatory Reform project*, with **Palau, RMI** and **FSM**. The FY2020 Workplan includes follow-up mission to all three countries to finalize draft legislation and regulations and support stakeholder consultation. This project will also be

expanded in FY2020 to also assist **Kiribati** to develop a banking regulatory framework;

3. *Insurance Regulatory Reform project*, with **Fiji, Samoa** and **Tonga**. The FY2020 Workplan includes follow-up missions to all three countries under the project to finalize regulatory drafts and support stakeholder consultation; and
4. *Supervision Framework Development project* with **Tuvalu**. The FY2020 Workplan includes a mission to develop prudential reporting.

Other planned activities in FY2020 include two missions to **Timor Leste** to finalize draft credit risk regulations and review the banking law.

TABLE 19. FY2020 WORK PROGRAM SUMMARY: FINANCIAL SECTOR SUPERVISION

| Beneficiary | Mode | Activities | Current Position | Expected Outcomes | Comments/ Risk |
|---|-------------|--|---|--|--|
| STRATEGIC OBJECTIVE 1: DEVELOP AND STRENGTHEN BANKING REGULATIONS IN LINE WITH INTERNATIONAL STANDARDS | | | | | |
| Cook Islands | STX | Assistance in finalizing draft Prudential Standards following stakeholder consultation | Draft suite of prudential standards being finalized | Final suite of prudential standards formally issued | |
| PNG | LTX/ STX | Assistance in developing comprehensive suite of Prudential Standards | Gaps in current suite of prudential standards | Draft suite of prudential standards ready for stakeholder consultation | |
| Solomon Islands | LTX/ STX | Assistance in developing comprehensive suite of Prudential Standards | Gaps in current suite of prudential standards | Draft suite of prudential standards ready for stakeholder consultation | |
| Vanuatu | LTX | Assistance in developing comprehensive suite of Prudential Standards | Gaps in current suite of prudential standards | Draft suite of prudential standards ready for stakeholder consultation | |
| Palau | STX | Finalize draft legislation and regulations and support stakeholder consultation | Revised draft legislation and regulations being developed | Revised legislation and regulations finalized for issuance | PFTAC requires assistance of IMF Legal Department. |
| RMI | STX | Finalize draft legislation and regulations and support stakeholder consultation | Revised draft legislation and regulations being developed | Revised legislation and regulations finalized for issuance | PFTAC requires assistance of IMF Legal Department. |
| FSM | STX | Finalize draft legislation and regulations and support stakeholder consultation | Revised draft legislation and regulations being developed | Revised legislation and regulations finalized for issuance | PFTAC requires assistance of IMF Legal Department. |
| Kiribati | STX | Assistance in developing draft banking legislation | Currently no banking law | Draft banking law developed | PFTAC requires assistance of IMF Legal Department. |
| Fiji | STX | Assist in finalizing insurance regulatory drafts and support stakeholder consultation | Draft insurance law being developed | Insurance law finalized for stakeholder consultation | PFTAC requires assistance of IMF Legal Department. |
| Samoa | STX | Assist in finalizing insurance regulatory drafts and support stakeholder consultation | Draft insurance law and regulations being developed | Insurance law and regulations finalized for stakeholder consultation | PFTAC requires assistance of IMF Legal Department. |
| Tonga | STX | Assist in finalizing insurance regulatory drafts and support stakeholder consultation | Draft insurance law and regulations being developed | Insurance law and regulations finalized for stakeholder consultation | PFTAC requires assistance of IMF Legal Department. |
| Timor Leste | STX | Assist in finalizing draft credit risk regulations | Draft regulations being developed | Draft regulations finalized for stakeholder consultation | |
| Timor Leste | STX | Review and revise banking legislation | Gaps in current banking legislation | Revised draft legislation developed | PFTAC requires assistance of IMF Legal Department. |
| STRATEGIC OBJECTIVE 2: IMPLEMENT A RISK-BASED SUPERVISION (RBS) SYSTEM AND UPGRADE OTHER SUPERVISORY PROCESSES | | | | | |
| Cook Islands | STX | Finalize on-site examination reform | Draft enhancements to on-site examination process developed | Enhancements to on-site examination process embedded | |
| Cook Islands | LTX | Assistance in developing a financial analysis process that effectively identifies risk | Current financial analysis process is compliance based | Draft enhancement to financial analysis process developed | |
| PNG | LTX/ STX | Finalize on-site examination reform | Draft enhancements to on-site examination process developed | Enhancements to on-site examination process embedded | |
| Solomon Islands | LTX | Assistance in developing a financial analysis process that effectively identifies risk | Current financial analysis process is compliance based | Draft enhancement to financial analysis process developed | |
| Vanuatu | LTX | Assistance in developing a financial analysis process that effectively identifies risk | Current financial analysis process is compliance based | Draft enhancement to financial analysis process developed | |
| Tuvalu | LTX | Develop prudential reporting | Banks do not submit periodic prudential returns | Prudential reporting process in place | |



2019 PFTAC Steering Committee Meeting, PNG, March 2019

SECTION IV

PFTAC STAFF

Coordinator



David Kloeden

(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.

Resident Advisors

FISCAL AFFAIRS DEPARTMENT

REVENUE ADMINISTRATION



Georg Eysselein

(Since November 2018)

Georg joined PFTAC in November 2018 and is a South African National. Georg worked for the South African Revenue Service for more than 30 years in various senior positions. His international career started by working for the IMF and the European Delegation in Macedonia, followed by DFID, USAid and World Bank funded projects in Afghanistan and Somalia. Georg was closely involved with the implementation of the post-graduate Tax Professional Qualification in South Africa for tax practitioners in the private sector and taxation auditors working for the Revenue Service.



Stanley Shrosbree

(June 2014 – October 2018)

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.

PUBLIC FINANCIAL MANAGEMENT



Celeste Kubasta

(Since June 2018)

Celeste Kubasta joined PFTAC as a Public Financial Management (PFM) Adviser in June 2018. With over thirty years of experience, she has worked on implementation of PFM reforms in policy formulation and implementation, budget preparation and execution, and financial reporting processes. She also has experience in auditing, IT system implementation, and teaching courses in accounting and public policy. From 2013 to 2018, Celeste provided technical assistance for CARTAC within the Caribbean and has worked internationally providing technical assistance since 2006 in Africa, the Middle East, and the Caribbean. She was formerly employed by the State of North Dakota as the Deputy Budget Director. Celeste is a Certified Public Accountant with a BS Accounting and MS Management.



Richard Neves

(Since October 2016)

Richard 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.

ASIA PACIFIC DEPARTMENT

MACROECONOMIC PROGRAMMING AND ANALYSIS



Iris Claus

(Since February 2015)

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.

STATISTICS DEPARTMENT
REAL SECTOR STATISTICS



Marcus Scheiblecker
(Since October 2018)

Marcus joined PFTAC in October 2018. He is an Austrian national with extensive knowledge and expertise in Real Sector Statistics and experience in compilation of national accounts. Prior to coming to the Pacific, Mr. Scheiblecker held various positions including as deputy director at the Austrian Institute of Economic Research where he acted as an advisor to Eurostat for seasonal adjustment and on financial statistics and national accounts for Statistics Austria.

GOVERNMENT FINANCE STATISTICS



Barend De La Beer
(March 2017 – November 2018)

Barend joined PFTAC in March 2017. Barend is both a South African and 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.



Luis Temes Castrillon
(Since April 2019)

Luis joined PFTAC in April 2019. He is a Spanish national with expertise in Government Finance Statistics and National Accounts. Before joining PFTAC he held various positions at the National Statistics Institute in Spain and worked as a seconded national expert on GFS quality management and Government accounting at EUROSTAT. He also worked as an advisor for the for the Minister of Employment and Social Security and as a senior analyst at the Independent Authority for Fiscal Responsibility (AIReF). He has under-graduate and postgraduate degrees in mathematics and statistics awarded from universities in Spain and the United Kingdom.

MONETARY AND CAPITAL MARKETS DEPARTMENT
FINANCIAL SECTOR SUPERVISION



Ben Stefanou
(Since July 2016)

Ben joined PFTAC in July 2016 and is an Australian national. Ben has extensive experience both as a bank supervisor with the Australian Prudential Regulatory Authority (APRA), the Australian bank regulator, and working in the commercial banking sector. He previously worked with the IMF as a TA advisor in the Caribbean.

Administration



**SENIOR ADMINISTRATIVE ASSISTANT
(ACCOUNTING/ OPERATIONS)**
Maria Nina Samuela



**SENIOR ADMINISTRATIVE ASSISTANT
(INFORMATION / OPERATIONS)**
Elenoa Bogiwalu



TEAM ASSISTANT
Rusila Bituwaqa



LOGISTICS ASSISTANT
Josaia Nakete



ECONOMIC ANALYST
Shane Prasad

ANNEX

ANNEX 1. MACROECONOMIC DEVELOPMENTS OF PFTAC MEMBER COUNTRIES

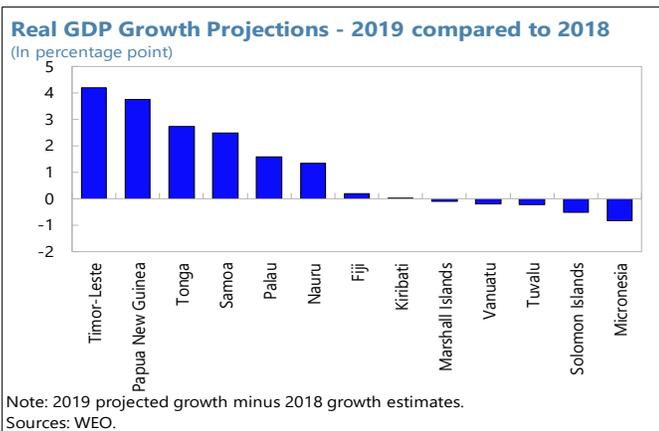
In 2018, Pacific island countries (PICs) as a group experienced relatively slow growth, of around 0.9 percent. While some countries experienced good growth, supported by continuing strength in tourism and fisheries sectors, weather-related disasters hampered growth in some PICs, notably Tonga, while a major earthquake in Papua New Guinea reduced its growth to zero. Inflation in the region remained low, reflecting exchange rate stability and weak import prices.

For 2019, growth in the region is projected to pick up to just under 4 percent as the PNG economy recovers. Risks are tilted to the downside, however. As seen in previous years, new natural disasters can dramatically cut growth in individual countries and across the region. In addition, global growth momentum has been easing, and trade in Asia has slowed sharply in recent months. If sustained, the slowing of growth in Asia could dampen tourism earnings in the region, as well as slow growth indirectly if the Australian and

New Zealand economies experience significant spillovers from Asia.

Macroeconomic vulnerabilities in the region are also edging upwards as public debt-to-GDP ratios have been rising. Although debt ratios remain, in general, below those seen in many other small island economies, the vulnerability of the region to natural disasters underscores the need to maintain significant fiscal space to cope with such disasters.

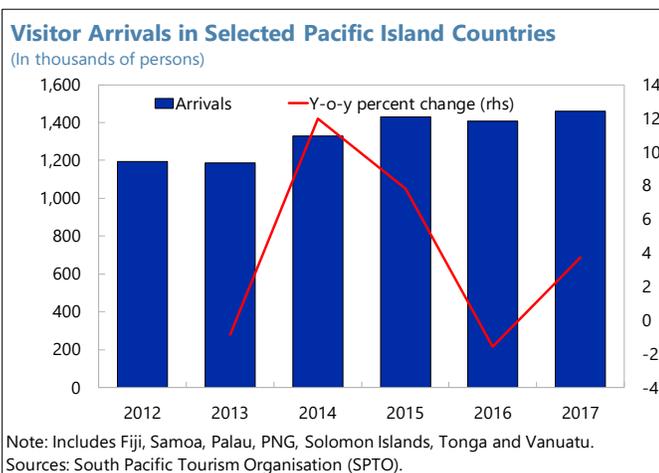
Small states growth generally improving in 2019



Country by Country the outlook is mostly positive



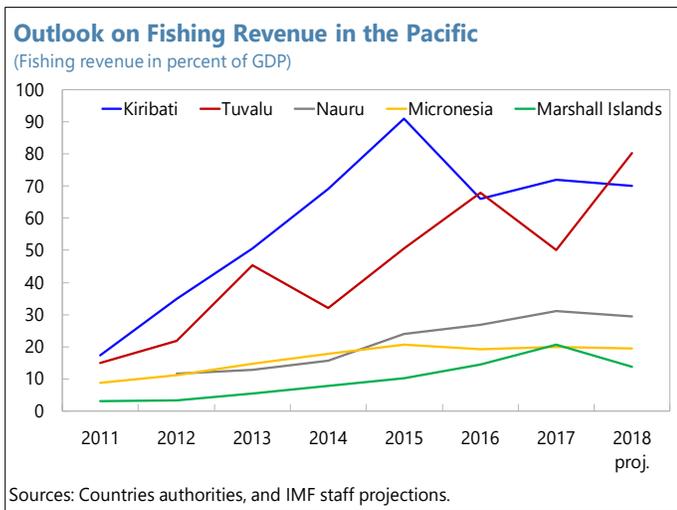
Tourism is an important driver of growth in the region



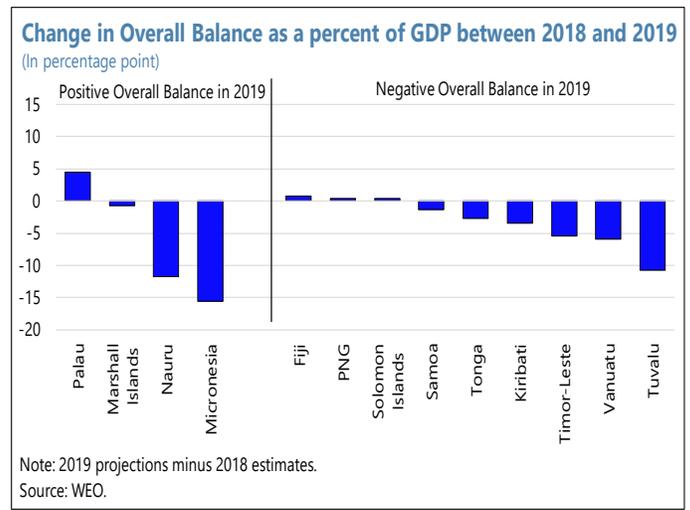
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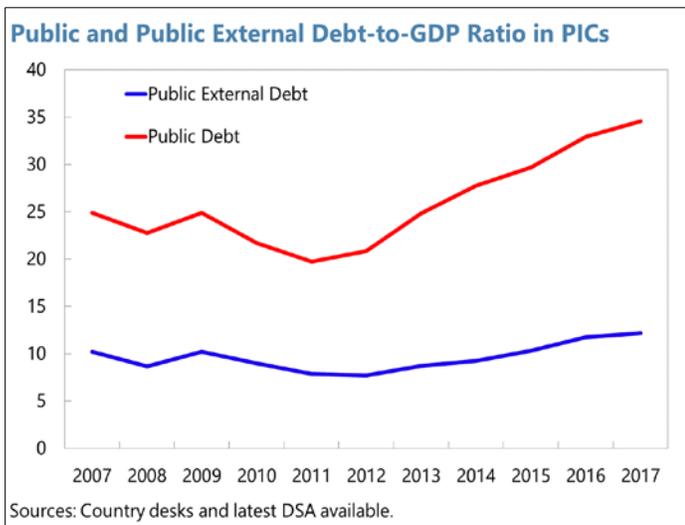
And fishing revenues have been buoyant



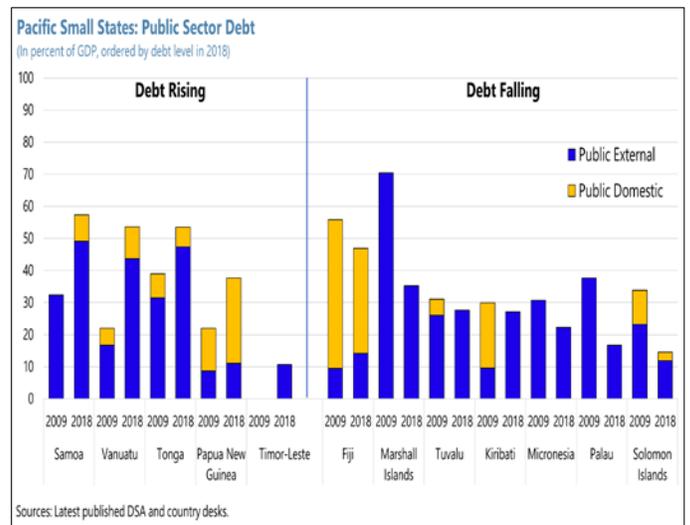
However, fiscal positions are projected to weaken with higher spending



Debt has been rising...although...



The pattern of debt differs across countries





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