

RECENT & UPCOMING TA MISSIONS

July		
PFM	Fiji	Implementation of International Accounting Standards
	Kiribati	Debt/Cash Management Law/Instructions
	Cook Is.	FMIS/Centralization of Accounting
Tax	Tonga	Review Consumption Tax Refund
	Tuvalu	Review current status of the reform programme
Banking	Vanuatu	Review of Credit Union Act
Statistics	Noumea	Head of Statistics Mission
Macro	Tonga	Improving medium-term forecasting techniques in NRBT
	Fiji	Improving methodology for debt sustainability
August		
	Fiji	Pacific Islands Development Forum
Macro	Fiji	Identifying the long-run determinants of inflation
	PNG	Measuring the output gap in Fiji
PFM	PNG	Macroeconomic modeling course
	Cook Is.	FMIS/Centralization of Accounting
	Fiji	Budget analyst training USP/PICPA Budget preparation/PEFA issues
	Kiribati	Debt/Cash Management Law/Instructions
	Samoa	PEFA Assessment
Tax	Fiji	PAYE notes, regulations, & amendments
Statistics	Solomon Islands	National Accounts
	Samoa	National Accounts
	PNG	National Accounts
September		
Macro	Samoa	Macro-fiscal analysis as input into budget preparation process.
	Tonga	Macroeconomic mission
PFM	Kiribati	Debt Cash Management
	Samoa	PEFA Self Assessment

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Tax	Solomon Islands	Pacific Islands Tax Administrators Association (PITAA) Annual Meeting
	Palau	Implementation of PAYE Palau Study
Banking	Fiji	Credit Union Technical Congress (CUTC) Annual Meeting
	Solomon Islands	FIS implementation training in conjunction with RBNZ
Statistics	PNG	National Accounts
October		
PFM	Samoa	PEFA Self-Assessment
	Tonga	PFM Roadmap
Tax	Kiribati	Revenue Administration mission
	Nauru	Revenue Administration mission
Banking	Samoa	Association of Financial Supervisors of the Pacific Countries (AFSPC) Annual Meeting

MEETINGS, SEMINARS & WORKSHOPS

PACIFIC ISLANDS DEVELOPMENT FORUM, NADI, FIJI, 5–7 AUGUST

The inaugural meeting of the PIDF, attended by **Scott Roger**, brought together heads of government and senior officials from throughout the region, as well as private sector and civil society organizations, to discuss an environmentally sustainable approach to economic development in the region. Presentations focused on promoting environmentally sustainable development of the region's land and sea resources, while promoting social inclusiveness, equity, and cultural preservation. It was agreed that implementation will require strong and sustained commitment by governments as well as by business and civil society organizations.

TECHNICAL ASSISTANCE ISSUES

MANAGEMENT OF NON-TAX REVENUES: PIONEERING REFORM IN SAMOA

by Stephen Mayes

Since 2012, PFTAC and the Australian Department of Finance and Deregulation (DOFD) have worked with the Samoan government to reform the management of non-tax revenues (NTRs).

A mission in October 2012 reviewed Samoa's legal and policy framework, institutions, systems and operational processes involved in the administration of NTRs. The mission recommended reforms to the Government's NTR framework and a fundamental review of fees and charges levied by line ministries and agencies which in many cases had become quite outdated over time. The report set out the suggested elements of a reformed management framework, and an action plan and timetable for implementation. These were accepted by the Samoan Ministry of Finance (MOF), and subsequently endorsed by Cabinet.

A follow-up mission in March 2013 assisted the authorities with the first stage of the agreed reform program, including a review of NTR fees levied by eight line ministries and agencies in a pilot review group.

The mission team and MOF worked closely with ministries to determine the scope, type, and legislative basis of chargeable activities; the current policy intent; the cost and funding model for each chargeable activity; consider whether rationalization/simplification could occur through bundling of activities and charges; review the cost-effectiveness and efficiency of each chargeable activity; and options for restructuring or abolishing the charge;

The mission team assisted each line ministry to document each charging arrangement in a Non Taxation Revenue Charging Statement. Ministries were asked to provide full details of each of their fees administered, including description, policy objectives, historical and projected volumes and financial data, legislative basis of the fee, and recommend changes to existing charging structures based on the review information.

The MOF and line ministries were careful to ensure that any proposed fees increases would have minimal impact on Samoan citizens and businesses. Ministries were mindful also to ensure that social equity and access to essential government services such as health and education were not eroded.

Working with the Office of the Attorney General, the mission also assessed whether each Ministry had a sound legal basis to impose their fees and charges, finding that nearly all fees imposed by line ministries had a legal basis for their imposition through specific primary legislation. However, the analysis also identified that there was not a uniform approach to the way in which NTR fee amounts are prescribed, nor was there a uniform approach to the establishment of authority to amend fees.

The first round rebasing exercise reviewed 916 individual fees and charges across the eight LMs. Most were found to be significantly outdated. The rebasing review resulted in a proposal to increase fees and charges across the eight LMs by an average of 28%, compared with an estimated increase in government services delivery costs by 53% over that period. As a result, the government recovery of the costs of delivering their chargeable activities is estimated to rise from 19% last year to 36% next year.

The results of the first rebasing exercise, and recommended changes to the NTR fee structures across the eight ministries, together with a proposed timetable for rebasing reviews across the remaining twenty-five line ministries and agencies - in three groups, staged over 12 months - and a proposed medium term action plan for implementation of a new NTR management framework were accepted by Cabinet.

In further support of the reform program, a mission by PFTAC/DOFD is being undertaken during August/September 2013 to assist with a rebasing review of the second group of eight line ministries and agencies, and provide further assistance with development of key components of the Government's new NTR management framework.

COUNTRY TA STRATEGIES



SOLOMON ISLANDS

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

Public Financial Management

In the **Public Financial Management** area, following on the results from the 2012 PEFA, the main focus is expected to be assisting the authorities to develop a revised PFM Roadmap in the context of the Core Economic Working Group. The process will guide the need for any PFTAC support to implementation, but priorities are likely to be follow-up on accounting reform, developing implementing instructions for a revised PFM law, and development of systems to appropriately manage natural resource revenues (including fiscal responsibility provisions). The authorities have also requested assistance with training on Cash Basis IPSAS for provincial governments.

Revenue Administration

In the **revenue** area, support to the implementation of the fiscal provisions for the mining sector designed with PFTAC TA will be financed by HQ-based trust funds. The Solomon Islands receives significant revenue administration support from New Zealand Inland Revenue Department (NZ IRD) under RAMSI TA and this assistance is expected to continue to be in place for some time. PFTAC has supported the development of natural resources administrative skills through a recent ‘international tax’ regional workshop and is developing a more detailed program that will be carried out in 2014. It is anticipated that Solomon Islands would figure strongly in that program. The 2013 Pacific Islands Tax Administrators Association (PITAA) will hold its annual meeting in Solomon Islands in September and a general review of Solomon Islands TA needs will be carried out at that time.

Financial Sector Supervision

In **financial sector supervision**, making use of PFTAC support, the CBSI has made great strides in improving its on-site supervision. As a result of extensive assistance over the past year, supervisors now have the skills and processes to effectively carry out on-site examinations of banking institutions with a lower level of technical assistance-probably with one visit a year from the PFTAC advisor for onsite examination (3.4). Additionally support will be provided in September 2013 to the CBSI as they act as the pilot for the implementation of the Reserve Bank of New Zealand’s information technology system to enhance supervision (3.1). Technical advisory assistance will also be provided in strengthening the oversight of credit unions and IMF HQ will provide assistance to the CBSI in strengthening the supervision of the country’s provident fund.

Statistics

In **statistics**, PFTAC has recently assisted the NSO enhance national accounts by incorporating historical business survey results back to 2003 and improving the methodology for the compilation of GDP estimates by production and by expenditures (4.1). The main focus of follow-up TA will be to complement inputs by the resident statistics advisor funded by donors, with a particular focus on expanding the range of aggregates available in the national accounts (4.3) and on future rebase of GDP estimates by production and by expenditures (4.2). Methodological improvements and support to further develop external sector statistics (4.6-4.8) and government finance statistics are supported by HQ TA. PFTAC also supported the implementation of the recommendations made by an IMF HQ mission in 2012 to improve the methodology and data sources for the CPI (4.10).

Macroeconomics

In the **macroeconomic** area, work in previous years has focused on building macroeconomic modeling and analysis capacity in CBSI with the aim of having better inflation and external forecasts to feed into monetary policy making (5.1, 5.3). In 2012, this was complemented by development of a financial programming framework involving staffs from both the Ministry of Finance and CBSI, based on the macroeconomic framework maintained by the former (5.2). Going forward, the task is to provide training in the effective use of this framework as well as deepen skills in macroeconomic analysis and forecasting.