

### RECENT & UPCOMING TA MISSIONS

#### December 2013

PFM	Fiji	Implementing Accrual Accounting
	Solomon Is.	PFM Roadmap Development Guidance - Phase 1
Tax	Tonga	Finalization of regulations and Technical Notes for the new extractive industries and small business tax regimes
	Palau	Finalizing VAT legislation
Statistics	Noumea	Pacific Statistics Steering Committee Meeting
	PNG	Review of methodology used to compile GDP estimates
Macro	PNG	Macroeconomic monitoring and forecasting framework
PFTAC/IMF	PNG	South Pacific Central Bank Governors' meeting

#### January 2014

PFM	Samoa	Non-Tax Revenue Review
	Solomon Is.	PFM Roadmap Development Guidance - Phase 2
	FSM	PFM Roadmap Development
Tax	Tonga	Finalization of regulations and Technical Notes for the new extractive industries and small business tax regimes
	Palau	Public Consultation on VAT
	Fiji - Regional	Auditing of Multinational Enterprises workshop
Statistics	Tonga	Improving National Accounts Statistics
	Fiji	National Accounts Quarterly
Supervision	Tonga	Financial Supervision
Macro	Tonga	Macroeconomics and forecasting framework

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#### February

PFM	FSM	PFM Roadmap Development
	Canberra - Regional	PFM Strategic Development Program - Budget Preparation
	Cook Is.	FMIS Enhancement
Tax	Tonga	Small Business Tax Implementation
	Palau	Public Consultation on VAT
	Vanuatu	Development of a Business Tax Regime
Statistics	PNG	Improving National Accounts Statistics
	Cook Is.	National Accounts Quarterly
Macro	Tonga	Macroeconomics and forecasting framework

### MEETINGS, SEMINARS & WORKSHOPS

#### PACIFIC STATISTICS STEERING COMMITTEE MEETING, NOUMEA, NEW CALEDONIA, 3-6 DECEMBER

Statistics Advisor [Russel Freeman](#) participated in the meeting, making presentations on recent TA activity by PFTAC, and also on a proposal to improve coordination among TA providers by establishing a list of primary and supporting providers in each of the core areas of economic statistics under the TYPSS agreement for developing statistics in the region. Other issues covered during the meeting included (i) design of Phase II of the ten-year Pacific Statistics Strategy; (ii) development of an Official Statistics Training Working Group; (iii) and recruitment of a PSSC Coordinator.

## SOUTH PACIFIC CENTRAL BANK GOVERNORS' MEETING, PORT MORESBY, PNG, 4-6 DECEMBER

The meeting was attended by PFTAC Coordinator **Scott Roger**, Regional Resident Representative **Yongzheng Yang**, financial supervision advisor **Pierre Séguin** and macroeconomic analysis advisor **Doug Hostland**. Some of the main issues covered during the meetings included: (i) the macroeconomic outlook; (ii) commercial bank

## TECHNICAL ASSISTANCE ISSUES

### CONDUCTING PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY (PEFA) ASSESSMENTS AND DEVELOPING PFM ROADMAPS - THE NEW PROCESS

By **Ron Hackett**

In their 2010 meeting, the Pacific Islands Forum Economic Ministers agreed that the PEFA process could be strengthened by establishing a central point for supporting the assessments in the Pacific, and that PFTAC was ideally placed for that role. PFTAC's donors agreed and since that time PFTAC's budget has allowed it to coordinate both PEFA assessments as well as follow-up work in PICs to develop Public Financial Management (PFM) Roadmaps – meaning that funds that may have been used in the past by other donors to support these can now be used for other purposes.

Since taking on these responsibilities PFTAC has changed the approach that had been used in conducting PFAs and preparing Roadmaps. In early PFAs and Roadmaps in the region country officials were often viewed by consultants largely as “providers of information” on processes to be “PEFA'd” or reformed, and not as active participants in discussions about conclusions or choices to be made. Such approaches created nice-looking reports but did little to create country skills or ownership.

PFTAC's new approach is designed to both create broader understanding of PFM good practices by a larger audience of PFM officials and create more ownership of conclusions and choices.

To achieve these objectives the PEFA process was broken into “Self-Assessment” and “Formal” phases:

The self-assessment is intended to familiarize country officials with the PEFA rating and documentation criteria and to give them experience using those criteria to evaluate their own systems.

activities and strategies, including issues relating to closure of bank accounts of foreign exchange dealers; (iii) experience with financial inclusion programs; and (iv) financial sector supervision issues and proposed PFTAC TA in the area of central banking. Presentations by Messrs. Hostland, Roger, Séguin, and Yang are posted on the PFTAC website [www.pftac.org](http://www.pftac.org).

While a major objective is to prepare staff for a formal assessment, self-assessments need not be immediately followed by the formal assessment. Some PICs have asked for a self-assessment in order to identify weaknesses to correct before a formal assessment – which might not occur until six months or a year later.

To assist the self-assessment effort, PFTAC provides a Facilitator and has developed Self-Assessment Workbooks.<sup>1</sup>

So far, 7 Pacific island countries have worked on self-assessments. Overwhelmingly, participating staff have demonstrated they are capable of fairly applying the rating criteria to the processes in their countries. In many cases their ratings have actually been more conservative than those given during the formal assessments.

Conducting a self-assessment covering all PEFA indicators requires roughly 3 weeks, so these should not be started during times of other major intense activities. The standard approach is to divide the effort into roughly 25 sessions spread out over 2-3 weeks. The first session provides an overview of the PEFA Framework. The remaining 24 sessions are organized around the individual indicators or indicator groups.

Participants in each group include the PFTAC Facilitator, a country-appointed Coordinator (from the MOF), and key officers most relevant to the specific process on which the indicator is focused. The Facilitator explains the indicator, the rating criteria, and documentation requirements. Participating officials then rate the process according to the criteria, begin gathering supporting documentation, and start drafting a brief rationale for the rating.

<sup>1</sup> The Workbooks are available for download at the PIFMA website: <http://class.pftac.org/login/index.php>. (Note: After accessing this site, click on “Login as Guest”, then as new pages open click sequentially on: “PIFMA”, “PEFA Issues”, PEFA Self-Assessment Workbooks”)

The major product of the formal assessment is a PFM Performance Report—the narrative/interpretive part of a PEFA Review. This has not changed from earlier practices.

What PFTAC has been changing is the process for developing the report. While in the past, report preparation was largely done by consultants, PFTAC now encourages a process that puts more responsibility on country staff to prepare the reports. PFTAC provides advisors experienced in applying the PEFA assessment framework and interpreting and applying the rating criteria, but their major role is to guide the country staff in preparing their own assessment using the PEFA standards.

This process requires that responsibility for drafting all sections of the Report be assigned to country staff. PFTAC Advisors can provide editorial assistance, but we firmly believe that country ownership of the report is greatly improved if the report is written by country staff.

## COUNTRY TA STRATEGIES



### FEDERATED STATES OF MICRONESIA

#### Public Financial Management

In the Public Financial Management area, the focus will be on supporting the authorities develop a PFM roadmap. Activities to support the roadmap's implementation will be planned in coordination with other partners, in particular the ADB, but are expected to include strengthened cash management and implementation of results-focused medium-term budgeting to better integrate planning and budgeting.

#### Revenue Administration

In the tax revenue policy and administration area, the nature of assistance will be dependent upon approval of tax reform recommendations made in previous PFTAC missions. PFTAC has provided considerable technical assistance to draft the new tax laws and will continue to work with the implementation team and the AusAID-funded resident advisor to assist the reform process. As FSM requires all four states to agree to reform package, the process is slow and at times difficult. Clearly there is some opposition to tax reform and the reform team is working through issues with relevant officials. If the reforms proceed through Parliament, PFTAC will assist in implementing the changes and provide support in

As with the self-assessment, preparing a draft PFM Performance Report will require at least 3 weeks, so these should not be started during times of other major intense activities.

With regard to developing PFM Roadmaps, a similar process is being followed. PFTAC provides a Facilitator to guide or moderate discussions among country staff, but choices and priorities are decided by the country officials. Likewise, although the PFTAC Facilitator can provide editorial assistance in the drafting of Roadmaps, they are prepared by country staff.

To schedule a PEFA or work on a PFM Roadmap contact either of PFTAC's PFM Advisors.

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developing the administrative capacity of staff at a national and state level.

#### Statistics

FSM's macroeconomic statistics are mainly produced by Compact-funded projects but following recent PFTAC TA including a national accounts training course, they now plan to produce the national accounts using their own staff. Provided adequate staffing remains available in the statistics office, PFTAC will also look to support enhancements in the range of national accounts aggregates that are produced and provided hands-on-training in compilation methods while IMF HQ will continue to support the balance of payments and government finance statistics development.

#### Financial Sector Supervision

In financial sector supervision, PFTAC will focus on assisting the Banking Commission to modernize the Banking Act and to strengthen off-site reporting through the adoption of enhanced prudential returns and better, more-automated analysis. Strengthening of the ability to assess banks of a CAMELS basis will also continue. PFTAC will coordinate with IMF headquarters and other TA providers to ensure that the newly-formed insurance commission has access to suitable capacity building but is unlikely to be able to devote significant resources to this area given resource constraints and that insurance does not feature in Phase IV's results framework.

No TA is currently planned in the area of [macroeconomic analysis](#).