

### RECENT & UPCOMING TA MISSIONS

#### January 2014

PFM	FSM	PFM Roadmap Development
Tax	Australia	Interview for new PACTAM Tonga Adviser
	Palau	Public Consultation on VAT
Statistics	Tonga	Improving National Accounts Statistics
	Fiji	Quarterly National Accounts
Financial Supervision	Tonga	Offsite and Onsite Supervision
Macro	Tonga	Macroeconomics and forecasting framework
	PNG	Develop macro and fiscal monitoring / projection methodologies

#### February

PFM	Regional	Strategic Development Program (with AusDOFD) workshop
	Solomon Is.	PFM Roadmap Development Phase II
	FSM	PFM Roadmap Development
	Cook Is.	FMIS Enhancement
Tax	Kiribati	Implementing VAT & Administration Reforms
	Australia	Selection of Nauru Revenue Adviser
Statistics	PNG	Improving National Accounts Statistics
	Niue	Annual National Accounts/BOP
	Cook Is.	Quarterly National Accounts
Financial Supervision	Solomon Is.	Credit Union Oversight
	Timor-Leste	Offsite and Onsite Supervision
Macro	Nauru	Develop capacity to assess debt sustainability
	Palau	Develop revenue forecasting methodology

#### IN THIS ISSUE

Recent & Upcoming TA Missions	1
Meetings, Seminars & Workshops	1
TA Issues: A Sub-regional Approach to Training in Macroeconomic Statistics	2
Country TA Strategies: Palau	3

#### March

PFM	PNG	PEFA Self-Assessment Training
	Fiji	Budget Analyst Training
	Tokelau	PEFA Assessment
Tax	Tonga	Implementation of Small Business Tax and New Adviser Briefing
	RMI	Implementation Planning - New Tax Regime
Statistics	Kiribati	National Accounts - expenditure
	Cook Is.	Quarterly National Accounts /BOP
	Vanuatu	National Accounts Rebase
Financial Supervision	Vanuatu	Onsite examination and credit union oversight
	Regional	Risk Based Banking Supervision Training for Palau/RMI/FSM
Macro	Regional	Joint workshop with Bank of England Centre for Central Banking Studies
	Regional	Joint workshop with IMF Singapore Training Institute on Fiscal Analysis and Forecasting (FAF)

### MEETINGS, SEMINARS & WORKSHOPS

#### REVENUE-AUDITING OF MULTINATIONAL ENTERPRISES, NADI, 15-17 JANUARY

The workshop, jointly hosted by PFTAC and IFC, and run by Arcotia Hatsidimitris and Randall Fox, focused on selecting the right case to audit. The objective was to help participants to be able to identify key international tax issues used by some taxpayers to erode the tax base and shift profits.

## TECHNICAL ASSISTANCE ISSUES

### A SUB-REGIONAL APPROACH TO TRAINING IN MACROECONOMIC STATISTICS

By Russel Freeman and Greg Legoff

Capacity building is a key aspect of PFTAC's technical assistance in macroeconomic statistics. Regional training courses on national accounts statistics are organized on an annual basis. They usually include lectures, interactive discussions to share experiences, and practical exercises to apply concepts and methods. In order to better meet local needs, PFTAC is increasing the delivery of sub-regional training courses for countries with similar training needs and statistical systems.

A sub-regional training course was organized during November 2013 for the compilers of national accounts from Palau, the Federated States of Micronesia and the Marshall Islands. These three countries were chosen because they have very similar source data, which has led to a close correspondence between the compilation methodologies. The methodology depends heavily on the use of social security wage data and gross revenue tax information. Unlike many other countries in the Pacific, a value-added tax system has not yet been implemented and business surveys have not been undertaken for many years, so the resulting methodology is quite different from that in the rest of the Pacific region.

The standard modality for national accounts compilation has been for local compilers to gather and process data and then have external consultants working under contract to the US Government complete the process and prepare the final tables for publication. The objective of the workshop was to extend the knowledge of regional compilers so that they can take a much greater role in the future production of the accounts.

The training was well received by participants as it enabled discussion on specific issues of interest for the region including compilation systems, data flow and classifications, but most of all because of the synergies involved in the sharing of common problems and the emphasis on the group approach which combines the knowledge and skills of all participants. This approach can be developed not just in-country but also within the region. PFTAC in recent years has facilitated the provision of technical assistance in the Northern Pacific by local staff and will continue to encourage this as it contributes

to capacity building and assists with the emergence of expertise at the regional level.

The skill levels and resources available for compilation of national accounts vary widely across compiling agencies of the Pacific region resulting in quite different training needs. Targeting the training content to the average level of knowledge often overwhelms less advanced participants and frustrates more experienced compilers. Tailoring the content of the training to meet specific needs of small group of participants produces better outcomes.

Small workshops also facilitate closer interaction between trainers and participants as well as between participants. Following the feedback received, PFTAC has been increasing the training content dedicated to hands-on training and exercises. This approach requires a more homogenous set of experience amongst participants. However, if well balanced, different skill sets and experiences can also be used to improve the effectiveness of the workshop as more knowledgeable participants can teach the others.

PFTAC closely liaises with other regional development partners and local experts who provide technical assistance in economic statistics in the region. Their participation in regional and sub-regional workshops enables better coordination of technical assistance in the region as well as between different areas of statistics. For example, experts in price statistics or balance of payments statistics provide valuable input to national accounts training courses as these statistics are key components of the integrated system of national accounts.

Travel times in the Pacific can be significant, especially for remote islands with infrequent flights to major hubs. In this regard, sub-regional training also enables capacity building in a more cost-effective way compared to regional training as participants' travel costs and time away from work are reduced.

Following the positive feedback from the November 2013 workshop, PFTAC will organize a second workshop for countries from the Northern Pacific more focused on compilation of GDP estimates. PFTAC is also considering holding another sub-regional training workshop for some Melanesian countries later in 2014.

## COUNTRY TA STRATEGIES



PALAU

### Public Financial Management

In the Public Financial Management area, the focus will continue to be on supporting the ADB project on developing medium-term budgeting. PFTAC will assist with a formal PEFA assessment in early 2015 if requested, following on the Self-Assessment in early 2013. Follow up support on accounting and cash management may also be required.

### Revenue Administration

In the tax revenue policy and administration area, PFTAC will follow up on Palau's recent decision to introduce a VAT Bill in Congress by providing technical assistance to ensure that the Bill is consistent with international policy and administrative practices. If necessary, PFTAC will provide assistance to redraft the VAT legislation and provide recommendations on tax policy and administrative reforms that may be necessary to successfully implement a VAT.

The capacity of the revenue division to administer the existing tax laws is not strong and it is likely that should Palau proceed with tax reform, there will be a need for ongoing PFTAC technical assistance. Given the scope of work required to uplift administrative capacity and implement a new tax regime, it is probable that this assistance alone will be insufficient and PFTAC will work with aid agencies to identify funding for a resident tax adviser.

PFTAC has previously provided assistance to develop an IT strategic plan and, if tax reform proceeds, the implementation of this plan and identification of donors to fund the IT development will also be a priority.

### Statistics

In economic statistics, PFTAC will continue to provide technical assistance for the development of GDP estimates by expenditures and will assist with capacity building in national accounts statistics (RBM code 4.1). IMF HQ will provide resources to produce better current and capital accounts of the balance of payments (RBM codes 4.6-4.8) and government finance statistics.

### Financial Sector Supervision

In financial sector supervision, prudential returns are now implemented, and Palau is in line for the integration of the Financial Sector Information System (FSIS) developed by the Reserve Bank of New Zealand to be performed in late 2014.

A regional on-site examination training workshop will be held for the staff in mid 2014. Capacity building in risk-based banking supervision will continue, including workshops for managerial staff on how to manage in a risk-based supervision environment.

### Macroeconomic Analysis

PFTAC will provide TA on developing the methodology used to forecast revenues focusing on planned tax reform measures. In addition, TA will also be provided to develop capacity to assess alternative fiscal consolidation options for preserving fiscal/debt sustainability when the Compact grants expire in 2023.