

PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTRE

QUARTERLY REPORT



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I. Introduction¹

This report covers PFTAC activities and finances in the period from August to October 2016 (FY2017 Q2), as well as planned activities through the rest of FY2017. As in the previous quarter, PFTAC capacity development (CD) activity remained at a moderate pace in August-October, partly reflecting staff turnover. The major country users of CD during the quarter were [Nauru](#), [Solomon Islands](#), and [Vanuatu](#).

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PFTAC activity is expected to pick up in coming months, as the PFTAC Phase V program gets under way. In the last part of Phase IV, covering the first half of FY2017, PFTAC activity was somewhat constrained by uncertainty about the adequacy of remaining Phase IV funds. With the beginning of Phase V in November, that constrain has been eased. In addition, PFTAC now has a nearly full complement of staff, so activity is likely to pick up in the second half of FY2017. This report provides a narrative overview of recent and planned activities by the TA advisors, as well as detailed tables on missions and workshops planned through to end-April 2017 (see Annex 3).

II. PFTAC Developments

Staff news

Mr. Scott Roger, current Coordinator of PFTAC, will leave PFTAC in January 2017, to join the Small States Division in APD. Scott will also become mission chief for Papua New Guinea.

Mr. David Kloeden will take over Coordinator of PFTAC, beginning in February 2017. Since mid-2014, David has been 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. Over the prior decade at IMF Headquarters he most recently led the Tax Administration Diagnostic Assessment Tool – TADAT project, and as Deputy Chief of the Revenue Administration Division he managed the Tax Policy and Administration Topical Trust Fund to support DRM efforts in low income countries. Following Australian government service, between 1992 and 2002 he was a resident IMF revenue

¹ PFTAC’s activities are funded by Australia, New Zealand, the European Union, Korea, and the Asian Development Bank. The IMF covers salaries for the Coordinator and local staff, as well as various administrative costs.



administration advisor in Sri Lanka, Albania, Turkey and Saudi Arabia, assisting in a diverse range of reforms. He is a CPA, has an undergraduate degree in information technology and post graduate degrees respectively in financial management, tax law, and economics.

Ms. Alison Stuart has been appointed as Chief of the Small States Division in the IMF's Asia Pacific Department (APD). The division is PFTAC's key partner division in Headquarters. Until recently Alison was Deputy Division Chief in the China Division of the Asia and Pacific Department of the IMF and was mission chief for Hong Kong. Previously, she worked on Australia and Maldives in the Asia Pacific Department and prior to that in the IMF's Strategy, Policy and Review Department where she had a major role in the Triennial Surveillance Review. Prior to joining the IMF in 2005, Alison worked as an economist in the Bank of England and has also worked in the UK Treasury, and the UK Executive Director's Office to the IMF and World Bank. She holds a Masters in Economics from Birkbeck, University of London.

Mr. Barend De La Beer has been appointed as a resident advisor in statistics at PFTAC. Barend will begin in February, and will focus on providing TA and training in Government Finance Statistics (GFS). Many 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 has worked as a senior financial analyst with the Auckland Council, and, from 1997-2011, with the National Treasury of South Africa.

Mr. Tao Zhang, Deputy Managing Director of the IMF, visited Fiji and Vanuatu from December 6-9. Mr. Zhang was accompanied by Adviser Tarhan Feyzioglu and APD Small States Division Chief Alison Stuart. The visit to Fiji included meetings with the Minister of Economy and the Governor of the Reserve Bank of Fiji, as well as seeing post-Cyclone Winston school reconstruction, and visiting an IMF-PFTAC regional workshop on Financial Stability Indicators in Nadi. In Vanuatu, the team, accompanied by IMF regional Resident Representative Tubagus Feridhanusetyawan, met with the Prime Minister, the Minister of Finance, and the Governor of the Reserve Bank of Vanuatu, and visited post-Cyclone Pam reconstruction.

PFTAC Phase V (2016-22)

The PFTAC Phase V program and funding cycle began on November 1st.

Funding from donor countries is gratefully acknowledged:

- **In June, New Zealand became the first country to commit to funding support for PFTAC in Phase V.** the New Zealand government agreed to contribute NZ\$12 million towards the cost of PFTAC operations during Phase V. This represents an increase of over a third from New Zealand's substantial contribution in Phase IV. We are very grateful for New Zealand's contribution and indeed its ongoing support of PFTAC, and we look forward to continuing to work together;
- **Australia has also very recently approved proposed funding for Phase V.** This consists of A\$10 million over 4 years, with the possibility of an additional A\$3 million in support of domestic revenue mobilization. Altogether this represents an increase of over 70 percent in Australian dollar terms and 30 percent in US dollar terms. We greatly appreciate the confidence in PFTAC this reflects at a time when the aid budget is under pressure. As with New Zealand, we look forward to working closely with Australian authorities in implementing capacity development in the Pacific during Phase V;

- **The Asian Development Bank has approved a contribution of \$0.8 million.** Although the ADB direct financial contribution to PFTAC is not large compared with those of other donors, we work closely with ADB in delivering capacity development across the region and greatly value our partnership with them;
- **The Korean government has also agreed to contribute \$2.5 million.** This contribution is also very much appreciated, and we look forward to working more closely with KOICA, the Korean development agency, through its recently established regional office in Fiji;
- **Discussions are ongoing with the European Union to secure a continuation of their support for PFTAC.**

Significant progress is also being made in securing member contributions for Phase V. To date, ten member countries have confirmed their agreement to contribute the amounts proposed. We would be most appreciative if the remaining members could follow through with confirmation at their earliest convenience. Following confirmation, letters of understanding (LOUs) are sent to the countries to formalize the agreement and to set up a payment schedule. In general, members are opting for annual contributions linked to their budget cycles. Eight LOUs are currently in process, and two—for Cook Islands and Fiji—have been completed. Fiji also recently made the first annual payment., for which we are most grateful.

PFTAC has also finalized a rental agreement for office space at the Reserve Bank of Fiji.

June 2016 Proposed Distribution of Member Contributions

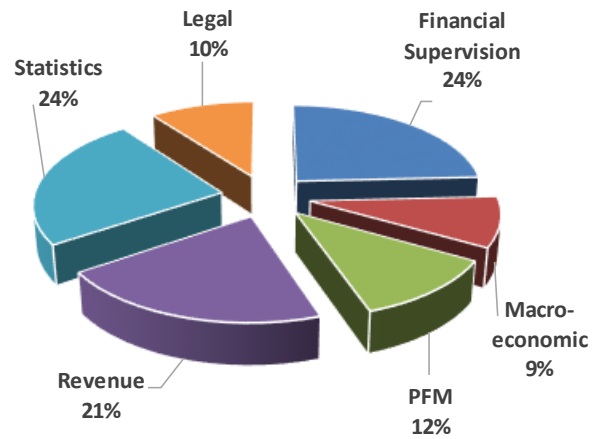
Countries	Proposed contribution per year (US\$000)	Confirmation of agreement to contribute	Letter of Understanding in process	Letter of Understanding Complete
Cook Islands	20	√		√
Fiji	125	√		√
Kiribati	15	√	√	
Marshall Islands	20	Pending		
Micronesia	20	Pending		
Nauru	15	√	√	
Niue	5	√	√	
Palau	20	Pending		
Papua New Guinea	250	Pending		
Solomon Islands	30	Pending		
Samoa	30	√	√	
Timor-Leste	100	Pending		
Tokelau	2	√	√	
Tonga	20	√	√	
Tuvalu	5	√	√	
Vanuatu	30	√	√	
Donors	Contribution over Phase V			
ADB	0.8 million	√		√
Australia	AUD 10 million + 3	√	√	
EU		Pending		
Korea	2.5 million	√	√	
New Zealand	NZD 12 million	√		√

PFTAC Activity and Finances in the Second Quarter of FY2017 (Aug.-Oct. 2016)

Overview

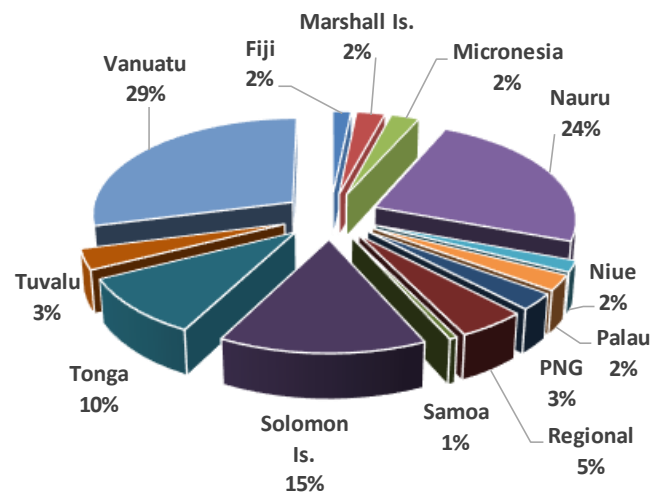
During the second quarter of PFTAC’s financial year (August-October) activity moderated slightly further, partly staff turnover and, partly, end of Phase IV budget constraints. During the period, the total number of capacity development (CD) missions managed or carried out by PFTAC staff was down slightly from the previous quarter at 30, including 27 country missions, and 3 regional workshops and seminars. The total number of mission days also declined, from 393 days to 312, of which 60 percent were conducted by STX or HQ-based staff. The share of TA in the PFM area fell sharply reflecting the departure of one of the two PFM. Provision of TA in other areas was supported though increased use of short-term experts. This included a significant amount of TA in tax law to [Nauru](#), [Tonga](#), and [Vanuatu](#). Annex I provides a detailed listing of missions and workshops during the quarter.

Sectoral composition of PFTAC missions for August-October 2016 (Percentage of total mission days)



The major country users of CD during the quarter were [Nauru](#), [Vanuatu](#), and [Solomon Islands](#). In [Nauru](#), TA focused on PFM (PEFA assessment and PFM roadmap), and statistics (national accounts and balance of payments). In [Solomon Islands](#), TA covered financial supervision (on-site bank examination), and statistics (Government Finance Statistics). In [Vanuatu](#) CD focused on tax reform (including tax policy, revenue administration, macroeconomic analysis, and legal aspects) and financial supervision (on-site bank examination and credit union supervision). Additional details are shown in Annexes I and III.

Geographic distribution of PFTAC missions for August-October 2016 (Percentage of total mission days)



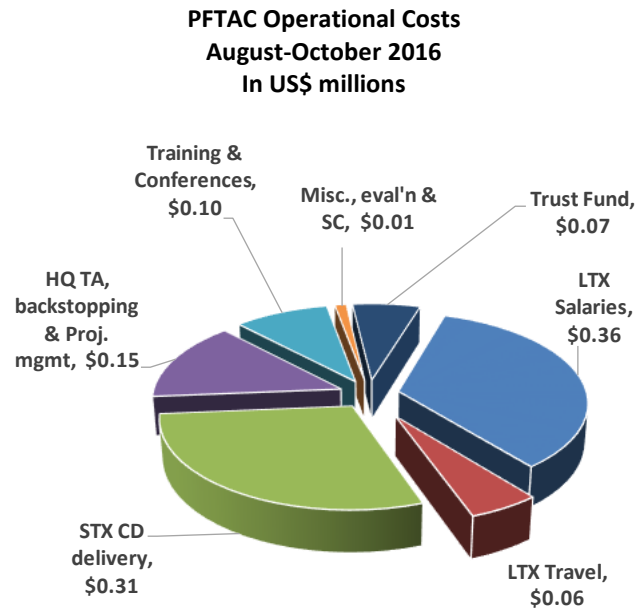
During the quarter PFTAC continued to emphasize a cross-sectoral approach to capacity development. In [Vanuatu](#), assistance with the implementation of tax reforms has involved a combination of assistance with tax policy design and drafting of legislation, support on planning revenue administration aspects, and macroeconomic modeling of the implications of tax reforms. At the [regional](#) level, a cross-sectoral approach was also taken in the provision of a workshop on GDP compiling and forecasting, which brought together statisticians from National Statistics Organizations and GDP forecasters in central banks and finance ministries (See text and Box 3 in the section on Macroeconomic Analysis and forecasting, below).

The total donor cost of PFTAC operations during the August-October quarter were just over US\$1.0 million (based on PFTAC estimates), similar to the previous quarter. As in the previous quarter, spending on STX was spending on LTX salaries and travel was relatively low owing to the departure of one PFM advisor and delay in replacing the second statistics advisor. (See Annex II, Table 1).

Total spending in Phase IV is estimated at about \$0.7 million below total donor contributions.

Total contributions in Phase IV amounted to \$25.2 million. PFTAC estimates that total expenditure during Phase IV, including for the first half of FY2017, was about \$24.5 million. A

finalized figure will be prepared in early 2017, to allow time for delays in billing of Phase IV expenses. A financial buffer was needed at the end of Phase IV because there is no scope to use funds from Phase V or from other sources to cover Phase IV costs. Surplus funds will be refunded to donors.



III. Sectoral Technical Assistance Developments and Prospects

In this section, the advisors provide a discussion of key TA projects and work streams in the August-October quarter of FY2017 together with planned TA in the next several months. The aim is to provide a longer-term perspective on the various TA projects under way, as well as to help inform planning by others. The TA program is based on the current version of the work program, which is updated from the version presented at the PFTAC Steering Committee meeting in February. Over the course of the year, the work program is progressively updated as missions are added, extended, delayed or canceled. Details of the work program through to the end of April 2017 are shown in Annex III, including the relevant capacity building objectives or outcomes and specific developmental milestones associated with each TA mission and workshop. These tables are also available through the PFTAC website (<http://www.pftac.org/>), organized by sector and by country.

Public Financial Management

PFTAC's technical assistance on PFM issues continues to cover a broad spectrum of issues. The IMF's Results-Based Management Framework, aligned with the 2016 PEFA,² divides these into six work-streams:

- PFM laws and institutions;
- budget preparation;
- budget execution control;
- fiscal reporting;
- asset management; and
- fiscal risks management.

Two advisors and a group of short-term consultants are engaged by PFTAC to work on PFM. Through most of the August-October period, however, PFTAC was down to one advisor, following the departure of Mr. Ron

² PEFA: Public Expenditure and Financial Accountability

Hackett. A new PFM Adviser, Mr. Richard Neves, joined PFTAC in October 2016. A key factor in success is to work with development partners to ensure cohesion in support and that efforts are complimentary and are working towards the achievement of common outcomes.

1. **PFM Laws and Institutions.** The objective of this work-stream is to improve PFM laws and strengthen the capacity of PFM institutions. Major activities include assisting countries to conduct PEFA assessments and PFM reform roadmaps, and update their PFM legal frameworks.

PEFA assessments and PFM Roadmaps

- **Nauru** - A PEFA self-assessment in Nauru was conducted with PFTAC support in August 2016, simultaneously with DFAT's Assessment of National Systems.
- **Micronesia and Kiribati** - Both countries are scheduled to do a PEFA self-assessment with PFTAC support, in November 2016, and April 2017, respectively.
- **Vanuatu** - Initially, in April 2016, PFTAC assisted the Ministry of Finance in developing a PFM reform planning framework based on the outcomes of the June 2015 PEFA self-assessment. A follow-up TA in October 2016 facilitated the discussion of action plans for the next five years to be included in the first PFM Reform Roadmap of Vanuatu.

During this quarter, countries that completed PEFA assessments in 2015 have also been in the process of updating/developing their roadmaps. Cook Islands is expected to finish a draft revision in August. The government of Tuvalu, in consultation with development partners, has formulated a Joint Policy Reform Matrix that includes a number of PFM reforms. After the PEFA self-assessment in August 2016, Nauru is expected to develop a PFM reform roadmap and request TA to review the draft roadmap which is anticipated to sometime in the January to April 2017 period.

PFTAC is also cooperating with GIZ (the German International Development Assistance Agency) and the Pacific Islands Forum Secretariat (PIFS) to enhance PIC access to climate change finance by using PEFA's and PFM roadmaps to highlight PFM reforms that are needed to meet the procurement, reporting, and other requirements of such funds. This project is financed by Australian DFAT, and is now getting into the implementation phase. The project is described in more detail in Box 1, below.

Box1: PFTAC joins forces with climate change finance readiness in the Pacific context

International policies, including the Paris Climate Agreement, are calling for increased mobilisation and upscaling of financial resources to support developing countries strengthen their climate change adaptation and mitigation responses. This opens up new windows of opportunity for funding for Pacific Island countries (PICs). However, gaps in national finance systems and Public Finance Management (PFM) processes of PICs could hinder their access to flexible climate change finance modalities including budget support. Addressing these gaps is fundamental to enable PICs to access and effectively manage climate change finance. Specific assistance and capacity development are required targeting institutions, public financial management structures and expenditure systems.

Approach and key expected results

Climate change finance readiness includes elements of support that are 'finance specific' and elements of support that are 'climate change specific', or 'sector specific'. The ability to access climate change finance – as with other external finance – depends on robust financial management systems that give funding and financing institutions confidence that

governments can effectively and efficiently manage, disburse, utilise and report on finance provided. Having ‘ready to go’ climate change projects based on national strategic programmes, frameworks and priorities will facilitate accessibility to new funding opportunities. Climate financing requirements also strongly emphasise the need to ensure that the priorities and concerns of local communities, including marginalised and minority groups, are addressed.

The Climate Change Finance Readiness Project for the Pacific

The Australian Department of Foreign Affairs and Trade (DFAT) has tasked the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH to assist Kiribati, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu in strengthening their capacities to access international climate change finance. The 1.5 million Euros project will collaborate closely with, utilise and enhance existing and ongoing processes such as Public Finance Management (PFM) reforms and the Pacific Climate Change Finance Assessment Framework (PCCFAF) led by PFTAC and PIFS. It will also collaborate closely with other initiatives in this context, such as the USAID/SPC project Institutional Strengthening for Adaptation to Climate Change, and the USAID project READY.

Project outcome 1: PFM reforms support enhanced climate finance access, including national GCF accreditations

Outputs

- PFM performance standards specified by various climate change funders that must be met to directly access climate change funds are identified;
- PFTAC’s Public Expenditure and Financial Accountability (PEFA) self-assessment workbooks are modified to include – where required – information/ guidance on PFM performance standards that must be met to access climate change finance from various donors;
- PFM assessments are prepared with PFTAC’s “CC-augmented” versions of the PEFA self-assessment workbooks;
- Recommendations from country ‘Climate Change Finance or Risk Governance Assessments’ are reviewed and priority recommendations are progressed within the framework of current PFM reforms;
- Summary of GCF accreditation options for participating countries is developed;
- National development fora recognise and secure financing for climate change priorities;
- Regional coordination and collaboration is strengthened through joint planning and implementation of climate finance projects/ programmes.

Project outcome 2: Pipeline “ready to fund” projects result in increased access to climate change finance

Outputs

- National plans that incorporate climate change and disaster risk management plans (including National Adaptation Plans (NAP), Nationally Determined Contributions (NDC), National Development Plans (NDP) are costed and prioritised;
- National roles and responsibilities relating to accessing climate change finance are clarified;
- Pipeline project proposals, including environmental and social safeguards, are developed.

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PFM legal frameworks

Having a comprehensive legal framework clearly laying out basic PFM principles and identifying both Finance and Line Ministry responsibilities for implementing disciplined PFM is essential. Equally important

is the need for updated PFM regulations or financial instructions specifying required steps for various types of financial transactions, as well as budget preparation and review processes, and accounting and financial reporting requirements. Progress in this area includes:

- **Fiji** - PFTAC TA on proposed revisions to its Financial Management Act was provided during 2015. This was adopted by the Ministry of Economy, and once the Act has been approved by the Parliament, further support is planned during the January to April 2017 period, to amend the Finance Instructions consistent with the new PFM Act.
- **Nauru** - The Department of Finance has requested TA to update the government's Finance Instructions. This TA is scheduled during November 2016 to January 2017.
- **Samoa** - Initial TA was provided to the Ministry of Public Enterprises (MPE) during February 2016 to develop guidelines for planning and financial reporting by state-owned enterprises (SOEs). The PFTAC-proposed amendments g guidelines have been adopted by MPE. The new guidelines are expected to be introduced during the first quarter of reporting (August to October, 2016).
- **Solomon Islands** – TA to develop the new set of finance instructions was requested. The authorities have drafted some of the relevant sections but would like PFTAC to complete and improve where necessary. This TA is tentatively planned in February, 2017.

2. Budget Preparation. The objective of this work-stream is the development of more comprehensive, credible, and policy-based budgets. PFTAC places a high priority on improving budget preparation with particular emphasis on better integration of policy/project planning and budgeting within a medium-term framework. While some PICs have shown small gains on the PEFA indicator focused on a multi-year, policy focused perspective in fiscal planning and budgeting, this aspect of PFM in the PICs still is among the weakest of the PFM components assessed by the PEFA. PFTAC's Budget Preparation TA has focused on the following:

- **Fiji** - PFTAC has supported the inclusion of a more policy-focused explanatory and analytical narrative in the Fiji budget document. The initiative started in the 2015 budget and the 2016 Fiji budget has sustained the addition of policy-focused explanatory narrative at the program/activity level, along with a clearer display of changes in funding levels, including for the medium-term. PFTAC's planned work in this area is to continue staff mentoring on improvements in the annual budget document and improving the accuracy of medium-term expenditure estimates associated with already approved government policies/projects, and crucial public services whose costs may be significantly affected by demographic factors (like growth in the number of school-age children, or growth in the number of aged citizens).
- **RMI** - As an offshoot of the April 2016 workshop, a joint TA mission with the macro-fiscal adviser was held in RMI from May 26 - June 12, 2016. The main outputs of this mission included significant revisions to the Marshall Islands Fiscal Model (MI-FM). ADB on the other hand has offered RMI a TA package that includes financial management information system (FMIS) and medium-term budgeting reform.

3. Budget execution and control. The objective of this work-stream is better budget execution and control. Sound budget execution controls require effective commitment control, payments control, virements control, and other internal control procedures, with the support of an efficient FMIS, and responsive internal audit. Progress of TA in this area is as follows.

Financial Management Information Systems

PFTAC coordinates with development partners who provide financial support to improve implementation or acquisition of FMIS software. PFTAC supports a regional approach that promotes better conceptualization, planning, and execution of FMIS reforms. PFTAC TA mainly involves recommendations of basic modules and system control specifications, and review of treasury policies and processes that contribute to the efficiency of the FMIS:

- **PNG**- Since May 2014, PNG has received PFTAC TA through a short-term advisor to restructure the operation of its Integrated Financial Management System (IFMS). Assistance continued during FY2016, and a mission was recently concluded in May 2016. The TA has enabled roll-out of the system to 30 central government departments (compared to the 3 connected when assistance commenced in May 2014). The PFTAC FMIS expert also assisted in the review of proposals for outsourcing data centre services and other implementation issues. Roll-out to the remaining central government ministries is expected to be completed by March 2017, along with piloting at some provincial sites, and statutory authorities depending on resource availability. IFMS is currently used on a regular basis across government. The European Union is currently supporting the government's Financial Management Improvement Program which includes the IFMS reform.
- **Cook Islands** – The Ministry of Finance and Economic Management has indicated intentions to explore the implementation of a centralized FMIS across government. PFTAC's role will be to assist in the development of the functional design of the system. Tentatively, a mission is planned for the January-April period.
- **Fiji** - In order to implement the new government accounting framework, the Ministry of Economy is planning to upgrade its FMIS. In support of this plan, PFTAC recommended improvements in the draft Terms of Reference of the FMIS project proposal for submission to the Asian Development Bank (ADB).
- **RMI** - TA to improve the design of Treasury business processes is planned for RMI in preparation for the FMIS reform. This TA was originally planned in April 2017. However, this is expected to be deferred and reallocated to the next fiscal year after the IFMIS reform supported by the ADB.
- **Tonga** - Initial TA was provided in January 2016 to review FMIS issues and recommend strategies for the way forward. The recommendation was for Tonga to first improve the accounting and reporting frameworks, as these will contribute later to the implementation of the proposed FMIS reform. In the draft accounting framework, PFTAC also recommended a list of basic modules and control specifications that should be included in the FMIS project proposal.

Internal Audit

PFTAC TA in this area has focused on strengthening risk-based auditing of PFM systems and procedures:

- **Vanuatu**: Initial TA provided in 2014 was followed-up in October 2015 on the application of risk-based auditing standards, and training on the use of TeamMate (audit activity monitoring software). The Internal Audit Unit has improved its Audit Plan and Risk Assessment Framework, and staff have improved their work efficiency by using the TeamMate software. The unit's staff were also trained on

conducting a payroll system audit. Further support to review progress and gaps on the payroll auditing procedure, including training on audit of other risk areas is ongoing during November 2016.

- **Joint workshop on risk-based auditing:** PASAI and PFTAC will continue to promote a closer partnership among internal and external auditors in the region. A joint regional workshop on risk-based auditing will be conducted in Solomon Islands from December 5-9, 2016.

4. Fiscal Reporting. The objective of this work-stream is improved coverage and quality of fiscal reporting. Quality shall mean relevance, transparency, reliability, and timeliness of financial reports. TA in this area includes developing capacity in the adoption and implementation of international public sector accounting standards, improvement of accounting policies, chart of accounts, accounting procedures, and transparency in financial reporting. Progress of TA is as follows:

- **Fiji:** The first stage of PFTAC TA was focused on adopting the international public sector accounting standards (IPSAS-cash basis) in presenting the government financial statements, and improving the reliability of data. To date, the following outcomes have been achieved:
 - Fiji has successfully accomplished the first set of accounting reforms. PFTAC progress review in July 2016 revealed that all of the IPSAS-cash basis standards have been fully complied with. The 2015 financial statements also contained improvements from last year such as presenting cash flows by fund classification; disclosing the breakdown of grant revenue, grant expenditures, and special expenditures, and explanation of major deviations from the original budget. More details on public debt were also reported through implementation of the new debt accounting and reporting framework that was developed with PFTAC support. With these improvements, the audit report on the 2015 consolidated financial statements rendered an unqualified opinion.
 - To assist the government in preparing for the second part of the reform strategy (moving to basic accrual accounting), three new government accounting and reporting policies (expense, revenue, and financial assets) and an implementation plan were drafted with PFTAC assistance during the August to October 2016 period. PFTAC was requested to continue assisting the MOE in improving the accounting policies and Chart of Accounts. This series of TA is scheduled during the November to February 2017 period.
- **Samoa:** TA to Samoa started in March 2016 when PFTAC conducted a comprehensive assessment of the government accounting system vis-à-vis international accounting standards, and recommended an accounting and reporting reform strategy. The target of the first set of accounting reform is for Samoa to be in full compliance with IPSAS-cash by FY2016-17. In July 2016, a follow-up TA was provided to review and improve the draft 2015-16 financial statements that were submitted to the Audit Office in October, 2016. Key recommendations that were adopted in the 2015-16 reports are as follows:
 - Presenting significant items (such as equity investments, community service obligations) separately;
 - Integrating in the report all extra-budgetary government funds;
 - Disclosing additional details of external assistance including third party payments (payments made directly by donors to suppliers and service providers as part of loans and grants to the government); and
 - Disclosing financial performance of state-owned enterprises (SOEs).

Follow-up TA was provided during August - October 2016 in drafting a new General Accounting Framework and Regulations based on the amended PFM Act. This draft framework is now being reviewed by the Accounting Division. Further TA is expected in FY2018.

- **Tonga:** PFTAC started TA to **Tonga** in early 2016 by assessing the government accounting system vis-à-vis international accounting standards, and formulating a clear accounting and reporting reform strategy. Likewise, PFTAC assisted in developing a General Government Accounting Framework and Regulations as these are lacking. Follow-up TA is planned in March 2017 to improve the budget classification and Chart of Accounts.
- **Regional:** To enhance transparency and relevance in financial reporting in the region, a regional workshop on *How to Develop a Responsive Chart of Accounts* is scheduled for February, 2017.

5. Asset and Liability Management. The objective of this work stream is improved integration of asset and liability management.

Cash management

This TA program aims to minimize short-term borrowing costs and avoid delays in budget execution by improving cash consolidation, payment and collection procedures, cash flow planning and forecasting, cash allocation, and cash monitoring. During FY2016 both **PNG** and **Samoa** requested assistance:

- **PNG:** PFTAC work in PNG resulted in the adoption of an improved cash management strategy and the development of standard procedures on bank reconciliation, creation of a Cash Management Unit (CMU), and initial discussions among the Department of Finance, Department of Treasury, Internal Revenue Commission, and Bank of PNG for the adoption of a cash pooling/sweeping scheme.

This initiative needs to be followed up with more concrete steps. Catch up of the bank reconciliation for the Waigani Public Account has been successful with the technical support of a consultant funded by the EU. However, the reconciliation of the various Trust Accounts remains a challenge.

- **Samoa:** As recommended by PFTAC in a previous mission (November 2015), electronic fund transfers have been introduced in all government bank accounts. Payments have become more timely as due dates are being monitored through the FMIS (Finance One). In addition, during May - July 2016, an improved Cash Management Policy and Manual and a forecasting model were developed with PFTAC assistance. This draft policy is being reviewed by a Cash Management Committee. Further staff training on the use of the seasonality module of cash flow forecasting was delivered by a PFTAC consultant during August to September 2016. Request for follow-up TA to improve cash planning and cash allocation is anticipated in FY2018.
- **Solomon Islands:** Has requested assistance to develop a cash management policy and strategy. That assistance has been scheduled for November 2016.

Public investment and capital asset management

TA in this area will focus on developing the capacity of countries to meet the criteria for public investment and asset management as suggested in the February 2016 revised PEFA Framework (PI 11 and 12). This TA

is integrated with the program on budgeting, accounting and reporting. Earlier workshops on expenditure forecasting introduced some basic beginning steps including starting an asset register and simple procedures for using this information to derive estimates of annual set-asides for asset repair/replacement.

- **Timor-Leste:** A TA mission to Timor-Leste led by IMF Headquarters was conducted during July 19 - August 3 2016, specifically to identify gaps and advise on reforms to strengthen the public investment framework, using the Public Investment Management Assessment (PIMA) Toolkit that was developed by the IMF Fiscal Affairs Department. Timor-Leste was the first PFTAC country to use the PIMA. The PIMA framework provides a more comprehensive assessment of the public investment decision-making process at three key stages:
 - Planning sustainable levels of investment across the public sector;
 - Allocating investment to the right sectors and projects; and
 - Implementing projects on time and on budget.

A follow-up visit in March 2017 is planned to discuss a possible plan of actions and TA needs for Timor-Leste.

6. Fiscal Risks Management. The objective of this work-stream is to strengthen the identification, monitoring, and management of fiscal risks. Fiscal risks are factors that could adversely affect the achievement of fiscal outcomes. These can be internal or external, controllable or non-controllable. Examples of internal risks are: unfunded commitments that lead to budget overruns and expenditure arrears, as well as financial losses from calls on guarantees to public entities that could not pay their own debt. The focus of PFTAC TA is on strengthening fiscal oversight of public entities outside the central government such as SOEs, and sub-national governments, as well as the transparent disclosure and management of contingent liabilities.

Fiscal Oversight of State-owned Enterprises (SOEs)

SOEs may be of strategic relevance to a country. Some provide essential commodities and services to the public. However, due to weaknesses in corporate governance, financial management, and several other factors, they have created fiscal problems in many PICs. It is therefore important to identify, monitor, and manage these fiscal risks in a timely manner. Because of emerging demands from PICs, PFTAC TA in this area was started early in FY2016 in Samoa, and is planned for other PICs in the upcoming months:

- **Samoa:** The Ministry of Public Enterprises (MPE) has adopted PFTAC's recommendations that were presented during the first mission in September 2015. To enhance MPE staff capacity, a PFTAC mission in July 2016 included a presentation for the MPE staff of a model of a risk assessment framework and how to identify fiscal risks based on an analysis of financial statements and off-balance sheet transactions of SOEs. Likewise, PFTAC presented options that MPE can consider for improving fiscal oversight strategy, depending on the extent of risks in each of the SOEs, including a proposed outline of a more comprehensive and balanced reporting. During the August to October 2016 period, achievements included:

- *Fiscal risks assessment* - MPE continued to monitor selected financial indicators of SOEs. MPE intends to conduct a more comprehensive risk assessment as a basis for formulating priority intervention strategies for each SOE;
- *Fiscal risks reporting* - As recommended earlier by PFTAC, MPE's 2016 first quarterly report to the Cabinet included information on the amount of loan guarantees issued by the Government to SOEs;
- *Fiscal risks mitigation* - The new Corporate Planning Guidelines which were developed during February 2016 with PFTAC support have been implemented by SOEs in preparing their 2017-2020 Strategic Plans. These plans now present a medium-term financial framework and risk management strategy for each SOE. However, the linkage between the corporate plan and the financial framework requires strengthening.

Continued support to [Samoa](#) in developing staff capacity on fiscal risk assessment, monitoring, and reporting is expected to continue in FY2018.

- [Fiji](#): Planned TA to Fiji during April 2017 shall include the development of a framework to assess the amount and likelihood of fiscal risks arising from public enterprises.

Social security/pension issues

Any discussion of medium (or longer) term budgeting and planning cannot ignore addressing social security and pension matters. Social security and pension programs must be carefully developed and managed as they impose long term legal and moral obligations on governments. IMF Article IV reviews have highlighted the challenges that some PICs in financing the social security benefit commitments that have been made to their citizens upon retirement. The PICs facing the biggest challenges include [FSM](#), [Palau](#) and [RMI](#). The challenges faced are a function of a variety of factors such as inadequate contribution levels, failure to enforce employer/employee contribution requirements, costly early retirement provisions, and loop-holes related to beneficiary designation.

- A sub-regional workshop (in cooperation with IMF's Expenditure Policy Division) in late April 2016 for [FSM](#), [Palau](#) and [RMI](#) focused on issues related to both benefit policies and achieving sustainable financing. As a result, the RMI government has planned to create a committee to study and recommend a sustainable long-term solution to address their particular pension issues.

Regional Workshops and Seminars

PFTAC periodically conducts workshops and seminars for PICs to enhance awareness and skills on PFM and share experiences. These were discussed in the topical sections above, but are highlighted again in this section for readers who want a comprehensive overview of regional activities:

- **Outcome of the November 2015 joint PFTAC-PASAI workshop on adoption of International Public Sector Accounting Standards (IPSAS)** - After this workshop, three countries (Fiji, Samoa, and Tonga) have developed a clear pathway for the gradual implementation of IPSAS. These joint workshops also resulted in more effective partnerships between accountants and auditors. In Tonga for example, the Audit Office and the Treasury have been meeting regularly to discuss how each can contribute to improving PFM performance. The Tonga Audit Office started invoking IPSAS-cash compliance in its 2015 audit report. In Samoa, the timeliness of the audited financial statements has improved due to more frequent discussions between accountants and auditors. In Fiji,

accountants and auditors have jointly discussed on how IPSAS-cash should be properly applied, resulting to first time compliance with the standards this year.

- **EU workshop on budget support conducted in Suva, Fiji** - PFTAC participated in two sessions on October 28 2016, and presented an overview of PFM challenges in the region as indicated by PEFA assessments, and the relevant PFTAC activities.

Planned Workshops up to April 2017

- **Joint PFTAC-PASAI workshop on risk-based auditing** planned for December 2016 in the Solomon Islands- This workshop aims to enhance auditors' appreciation of significant PFM risks and how auditors could better contribute in addressing them. This proposed auditing workshop was conceptualized as a result of the November 2015 joint workshop with PASAI on international accounting standards. In that workshop, PFTAC adviser presented the major risks confronting PICs. This presentation led to a proposal to hold a joint workshop on risk-based auditing. Internal and external auditors from selected countries are expected to attend.
- **PFTAC Workshop on Chart of Accounts and Fiscal reporting** planned for February, 2017. This is a sequel to the November 2015 workshop on international accounting standards. The workshop will discuss basic principles and steps in developing more relevant Chart of Accounts, and how to align them with government budget management and finance statistics reporting standards. Budget analysts and accountants in countries that are implementing reporting reforms will be the main participants.
- **A PFM Adviser will participate in the Workshop on Expenditure Forecasting**, planned during the November-April 2017 period. This will be a follow-up sub-regional workshop in cooperation with PFTAC's Macro-Economic Advisor.
- **PFTAC will also participate in the meeting of the "The Friends of Budget Support" (FOBS)** on 22 to 23 November 2016 at the World Bank in Sydney. This meeting will clarify PFM activities being undertaken by development partners in the majority of Pacific countries.

Revenue Administration and Policy

Capacity building in revenue administration is focused in two areas:

- Strengthening revenue administration and governance arrangements; and
- Strengthening core tax administration functions.

Progress towards these initiatives is expected to pay off over time in terms of increased administrative efficiency, increased equity of the revenue system, and improved domestic revenue mobilization.

1. *Strengthening revenue administration management and governance arrangements*

PFTAC continues to support PIC's in adapting their current business models towards a function based approach which incorporates more emphasis on risk management. Considering that these are new concepts good progress is being made with numerous PICs adopting a more functional approach and simultaneously rolling out Compliance Improvement Strategies:

- **Fiji:** A mission to review overall reform progress in Fiji showed strong commitment to reforming revenue administration with many of PFTAC's recommendations implemented or currently being acted upon. A new strategic plan, organizational structure, project management framework and compliance

improvement strategy are important modernization steps plotting the way for FRCA to achieve its vision of becoming world class.

- Samoa:** To improve compliance PFTAC assisted the authorities in the design of a renewed Compliance Improvement Plan (CIP). Key features of the plan include customs in the compliance management framework and a more integrated functional approach in the design of treatments to address top compliance risks. To create a deeper public awareness of the CIP the Ministry publically launched the strategy at a meeting which included the press, the Samoan Chamber of Commerce, the Samoa Institute of Chartered Accountants; Customs Agents and other Government agencies. PFTAC was also invited and requested to deliver a speech on the importance of this initiative and its potential impact of improving voluntary compliance in Samoa. The event, extensively reported in the media, included a front page article and editorial in the *Samoa Observer* on the day of the launch.
- Vanuatu:** In support of Vanuatu's recently announced tax reform PFTAC provided assistance in setting up a governance framework to facilitate reforms, highlighted the importance of coordination and planning between stakeholders and assisted in the design of a Terms of Reference for a Project Manager who will be appointed to oversee the implementation of reforms. A PFTAC proposal for the IMF to assist in the drafting of new tax laws was accepted and supported by a legal mission with draft laws already presented to the authorities.

Box 2: Nauru Taxation Reforms

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

TA provided by PFTAC and DFAT (Australia) has assisted with the introduction of Phase 1 reforms, which included the introduction of a Revenue Administration Act and an Employment & Services Tax Act, both of which became effective 1 October 2014. Further TA, by way of PFTAC funding for a legal draftsman, has seen the introduction of Phase 2 reforms, which



introduced a Business Tax Act (BTA), effective 1 July 2016. The new BTA imposes a business profits tax, small business tax, non-residents tax and an international transportation business tax.

In order to accommodate these reforms, Nauru Revenue Office has been re-structured with the creation of a new Taxation Division. New positions have been created, a recruitment exercise has been undertaken and staff appointed to the positions. Taxation Division staff have benefitted from attendance at PFTAC-funded training workshops on a number of tax administration topics.

Extensive taxpayer education exercises have been undertaken, and a comprehensive registration project has also been conducted. A Compliance Program is being developed with compliance initiatives to be undertaken in the very near future, commensurate with the development of the staff skill base.

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

Terry Greenwood
Deputy Secretary Revenue
Ministry of Finance
Republic of Nauru

2. Strengthening Core Tax Administration Functions

- Samoa:** An Industry Partnership initiative to improve tax compliance across high risk cash economy sectors has been developed. This strategy, based on the practical implementation of the Compliance Model, will target the cash economy and encourage and enable voluntary compliance in small and medium industry sectors. The first project, involving electrical contractors, has uncovered a high number of non-registrants, high debt and a significant number of outstanding returns. A PFTAC mission reviewed the project plan, provided inputs into its refinement and also reviewed a taxpayer perception survey designed specifically for electrical contractors.
- Fiji.** A mission to review core tax functions shows that many of PFTAC's recommendations are under implementation with good results coming through. Achievements include a new debt collection process which is strongly contributing to maintaining debt levels of below 5 percent of total revenue collections. New operating procedures, data cleansing, proactive engagement with new tax registrants before filing dates, and speedy contact with non-filers has resulted in improved filing performance. A new Objections Review Team, motivated by the TADAT, has been created to deal with tax disputes and includes new end-to-end processes to monitor the flow of objection cases.

Legal TA

- Vanuatu:** The authorities requested IMF assistance with the drafting of income tax laws in line with the overall tax reform currently underway. Drafts currently under review by the authorities include an Income Tax Act and Tax Administration Act. A further mission is planned for January, 2017.
- Nauru:** A mission worked with the authorities to undertake a review of the Employment and Services Tax Act, Revenue Administration Act and the Business Tax Act.
- Tonga:** A mission provided assistance in modernizing the Revenue Services Administration Bill and assisted in drafting Regulations and technical notes.

Regional Activities

Box 3: 13th Annual Conference of the Pacific Islands Tax Administrators Association (PITAA)

The 13th PITAA Annual Heads meeting was hosted by the Fiji Revenue and Customs Authority between 14-16 September, 2016. It was attended by 30 delegates from 11 member countries with observers from Fiji, IMF, New Zealand Inland Revenue Department, OECD, PACTAM, IBFD, Global Forum, ADB, DFAT, Sogema Technologies, and delegates from the Autonomous Region of Bougainville.

The meeting was officially opened by Aiyaz Sayed-Khaiyum, Fiji's Attorney General and Minister of the Economy who stressed the importance of collaboration within Pacific Island nations and the importance of tax administrations engaging with their respective governments in tax and customs matters including bilateral agreements.

The meeting featured tax administrations sharing experiences on legal, policy and administration reforms. Delegates benefited from a wide range of presentations which included Domestic Revenue Mobilization, Base Erosion and Profit Shifting (BEPS), Automatic Exchange of Information (AEOI), e-taxation and national payment systems.

PITAA, now a formalized regional association with a newly appointed secretariat in place, is expected to play a key role in improving tax administration across Pacific Island Countries.



Financial Sector Supervision

PFTAC's financial sector capacity building focuses on 3 main objectives:

- Strengthening legal and regulatory frameworks for banks;
- Strengthening bank supervisory processes;
- Strengthening legal frameworks and supervision of non-bank financial institutions.

PFTAC's financial sector supervision activity for the October 2016 quarter focused mainly on strengthening credit union supervision capacity, . Preparation and planning for the commencement of Phase V activities commenced with discussions with PFTAC member countries on Financial Sector Supervision technical assistance priorities for the coming quarters.

Bank Legal and Regulatory Frameworks

- **Tuvalu:** A mission was conducted to assist the Tuvalu authorities with developing an effective supervisory framework for Tuvalu's two banks. Although Tuvalu passed a Banking Commission Act in 2011, providing necessary powers for bank supervision, resource and capacity constraints have prevented its effective implementation. An earlier mission had advised on a legislative amendment to give the Permanent Secretary of Finance the power to act as Banking Commissioner. That has been implemented. The most recent mission focused on how to implement banking supervision, recognizing Tuvalu's capacity constraints.

Credit Union Legislation and Supervision

The credit union program continued this quarter in **Fiji**, **Solomon Islands**, and **Vanuatu**:

- **Fiji:** Responses from the credit union industry on the proposed new Credit Union Act were received by the Reserve Bank of Fiji and preparations were made for the consultation with industry of the proposed standard Credit Union By-laws. The Reserve Bank provided PFTAC with comments from the industry on the new Credit Union Act and their proposed responses. These were sent to the IMF Legal Department for review, as follow-up to the technical assistance provided to develop the new Credit Union Act. Mr Stefanou assisted the Reserve Bank in reviewing and clarifying drafting and intention of provisions in the proposed Standard Credit Union By-laws, in preparation for industry consultation.
- **Solomon Islands:** A technical assistance mission visited Honiara, Solomon Islands, during the period September 28 – October 7, 2016 to provide guidance on the Credit Risk and Operational Risk on-site examination of credit unions. The mission provided the Central Bank of Solomon Islands with a proposed on-site examination framework for credit unions; assisted the Central Bank in the financial assessment of credit unions; and recommended the development of a credit union risk rating and supervisory stance framework, as a means of establishing a framework to deal with high risk credit unions.
- **Vanuatu:** A technical assistance mission visited Port Villa, Vanuatu, during the period October 10 – 19, 2016 to provide guidance to the Reserve Bank of Vanuatu in supervision framework for Credit Unions. The mission reviewed the Credit Union law and made recommendations for drafting a new law, based on the sample law provided by previous PFTAC TA mission. The mission provided the Reserve Bank with a proposed draft licensing framework for credit unions and recommended a suite of prudential guidelines for credit unions, with specified sections to be included. The mission also recommended that the Reserve Bank focus its supervision on obtaining and assessing up to date financial information from the credit unions.

Financial Sector Supervision technical assistance priorities for the coming quarters

Banking Supervision: As banking is a significant component of member countries' financial systems, it is important for the promotion of financial sector stability that there is continuous development and improvement in banking supervision across the region. There are missions currently being planned to provide technical assistance in this area to the Cook Islands, Marshall Islands, Papua New Guinea, Federated States of Micronesia, Samoa and Palau. The missions will provide assistance in reviewing and updating legislation and prudential standards, and provide training in both on-site and off-site supervision.

Credit Union Supervision: The development of credit union supervision capacity continues to be an area of focus for the PFTAC member countries, with Fiji, Vanuatu, Solomon Islands, Timor-Leste, Papua New Guinea and Kiribati all expressing an interest in continued PFTAC Technical Assistance in this area. Assistance going forward will include finalizing legislation; developing prudential standards; assisting in responding to industry on reform; establishing financial accounting frameworks; and developing credit unions supervision frameworks – tools, policies, procedures, practices.

Non-bank Financial Institution Supervision: A number of member countries have requested technical assistance in the supervision of non-bank financial institutions, including insurance and superannuation. Whilst PFTAC has not traditionally provided assistance in these areas, the Phase V program specifically includes a focus

on strengthening the legislative and supervision frameworks for these sectors, in recognition of their importance to financial system stability and financial inclusion.

Supervision Framework Enhancement: A number of member countries have expressed interest in PFTAC undertaking supervision framework diagnostic and enhancement missions. The proposed missions aim to assist the supervisory authorities commence a supervision framework enhancement program by developing a supervision framework enhancement strategy and medium term technical assistance plan. Upon completion of the strategy and plan, PFTAC will assist in implementing the enhancement program, with cooperation and assistance from other development partners where appropriate and available. The mission's main tasks would be to:

- Identify structural weaknesses and gaps in infrastructure i.e. prudential standards covering all key risk areas; risk rating model; supervisory action planning process;
- Assess quality (identify weaknesses) of infrastructure i.e. prudential standards not facilitating proactive supervisory action; risk rating model is only qualitative or does not have a rating characteristic framework/guidance; supervisory action planning is not dynamic;
- Assess ability of supervisory staff to implement framework (skills and experience - training and capacity needs);
- Assess efficiency and effectiveness of the operation of the framework i.e. does a changed risk rating lead to a reassessment of supervisory action; is financial analysis incorporated into an overall risk assessment of institution;
- Develop supervision framework enhancement strategy based on assessment; and
- Establish technical assistance plan based on the assessment.

Macroeconomic Statistics

Over the August-October quarter, macroeconomic statistics TA continued to be provided by one long-term real sector advisor based at PFTAC, focusing mainly on gross domestic product (GDP), supported by short-term contracted experts. This arrangement will continue likely until around January 2017 when we anticipate the arrival of a second long-term advisor at PFTAC, specializing in government finance statistics (GFS). Until then, PFTAC will continue to fund a limited number of GFS and External Sector Statistics (ESS) missions, staffed by short-term experts. While GDP and GFS TA provision will be well covered, only limited funds are currently available for ESS provision under PFTAC's Phase V five-year budget, which commenced in November 2016; discussions are continuing to identify potential broader solutions.

During the quarter, **national accounts** technical assistance on was provided to [Vanuatu](#), [Nauru](#) and [Fiji](#); via contracted short-term experts, assistance on **ESS** was provided to [Nauru](#) and [Tonga](#); and on **GFS** to [Solomon Islands](#), [Palau](#), the [Federated States of Micronesia](#) and the [Marshall Islands](#). Additionally, a sub-regional training course on GDP compilation and forecasting was run jointly with PFTAC's macroeconomic advisor with attendees from [Fiji](#), [Papua New Guinea](#), [Samoa](#), [Solomon Islands](#), [Tonga](#) and [Vanuatu](#).

Macroeconomic statistics assistance work is focused on three broad areas:

- **Methodological improvements:** Data are compiled using the concepts and definitions of the latest manual/guide; data are compiled using appropriate statistical techniques.
- **Source data improvements:** Source data are adequate for compilation purposes.

- **Building capacity:** Staff become more skilled in terms of source data, methods, documentation and dissemination.

These central themes are drawn from the IMF Statistics Division's new Results Based Management (RBM) framework indicator sets for macroeconomic statistics.

1. *Methodological improvements*

Across the region, national approaches to transforming current price estimates into constant price estimates often do not meet best practice and can benefit from TA input. This is a particular problem for the most common measure of GDP by production (GDP(P)), where data on outputs and inputs must be treated separately to derive gross value added (GVA) as a residual. Because output and input prices rarely move together, the ideal approach is to use appropriate, distinct output and input deflators before deriving constant price GVA as their residual. However, commonly only a single output deflator is used on both, which tends to distort constant price GVA by embodying unwanted price movements. As input prices are often unavailable, a second best option that avoids single deflation is to assume that the ratio of constant price inputs to output in the base year holds in the short-run -i.e. that the production function is fixed. This 'IC-to-GO ratio' approach means only an output deflator is required and in most cases will provide much stronger estimates of constant price GVA than single deflation.

- **Nauru:** following an initial mission in June, a two-week follow-up mission was conducted in September to assist the Nauru Bureau of Statistics (NBS) in compiling latest GDP estimates for 2014-15 as well as improving methods and source data (see below). TA work included refining and/or replacing inappropriate CPI deflators and making greater use of the IC-to-GO ratio approach.
- **Fiji:** the Fiji Bureau of Statistics (FBoS) began to develop estimates of quarterly GDP(P) back in 2011, using high-frequency indicators (HFIs). In October, PFTAC reviewed much of the new system and identified a number of key issues and solutions – in particular, the need for secondary quarterly to annual benchmarking - for FBoS to address before it intends to make its first experimental release by end-December 2016.

2. *Source data improvements*

Pacific island countries tend to face geographical and financial constraints that hinder their abilities to collect robust survey information to inform macroeconomic statistics. This places an onus on supplementing or sometimes substituting for weak collections with administrative data, in particular tax records, though obtaining such data can be a challenge. In general, NSOs tend to be small agencies of ministries of finance and often lack good access to key institutional channels to voice their requirements, as well as adequate legislation giving them the right to use other departments' data. In general, while regional attitudes towards data-sharing are improving, inter-departmental cooperation remains limited and, as such, is a common focus for national accounts missions.

- **Nauru:** with PFTAC's assistance, the latest and largely audited company accounts for the main producers on the island were obtained and transformed into **national accounts** production estimates and also into balance of payments estimates during a simultaneous **ESS** mission. Both GDP and ESS benefitted from a third in-country mission being conducted by the Secretariat of the Pacific Community (SPC), which produced new and much improved estimates of trade. In addition, PFTAC produced more comprehensive estimates of the resident population, based on extrapolations from the Nauru census

plus upward adjustments for refugees and asylum seekers who have recently moved into the community as well as long-term expatriate workers.

- **Solomon Islands:** In September, a **GFS** mission worked with the authorities to identify issues pertaining to data sources and compilation for budgetary central government GFS and in particular by addressing and reconciling MOFT budget execution data with GFS.
- **Palau:** In October, a **GFS** mission completed the budgetary central government financial data for financial year (FY) 2015 and metadata with local counterparts. After collection of audited annual financial statements and financial system reports for the rest of the general government an un-consolidated time series of 5 years' data (FY2011-FY2015) were completed.
- **Federated States of Micronesia (FSM):** A **GFS** mission, in October, completed the budgetary central government and four state governments financial data (FY2015) and metadata with local counterparts. After collection of audited annual financial statements and financial system reports for the rest of the general government an un-consolidated time series of 5 years' data (FY11-FY15) were completed.
- **Marshall Islands:** A **GFS** mission, in October, completed the budgetary central government financial data (FY2014) and (FY2015) and metadata with local counterparts. After collection of audited annual financial statements and financial system reports for the rest of the general government an un-consolidated time series of 5 years' data (FY2011-FY2015) were completed.

3. *Building capacity*

Capacity levels at national statistics agencies in the Pacific region are often low and concentrated in one or two individuals. The risk this presents to the regular publication of good-quality economic statistics is all too real, as individuals often change posts without a trained understudy to take their place. This undoes previous training provided and places the onus on PFTAC to provide supplementation when publication deadlines are approaching. Staff recruitment and retention are structural issues that are difficult to address during task-focused visits, but work to build business continuity through encouraging task-sharing and the compilation of desk instructions offer two ways of reducing publication risk and retaining capacity.

- **Vanuatu:** PFTAC was pleased to resume **national accounts** TA provision in August after a hiatus of two and a half years. With the arrival of two brand new compilers in mid-2016, the focus of the latest mission was on providing them with core skills to carry out business as usual by understanding the operation and purpose of the GDP(P) and GDP(E) systems in the context of central 2008 SNA principles.
- **Tonga:** PFTAC funded a mission in October to assist the Tongan Department of Statistics (TDoS) in building local capacity, which is causing delays in the publication of annual balance of payments estimates. Using the current balance of payments system as a foundation, processing sequences were explained to the two local compilers in the context of *BPM6*.

In addition, PFTAC ran a sub-regional training course, on GDP compilation and forecasting, in Suva in mid-October. The course was jointly run by the real sector statistics advisor and the macroeconomic advisor and was attended by 50 staff from the NSOs, ministries of finance, tax offices and central banks of [Fiji](#), [Papua New Guinea](#), [Samoa](#), [Solomon Islands](#), [Tonga](#) and [Vanuatu](#). The new joint format was very successful in building capacity and cooperation across related institutions in an interactive and cost-efficient way. Full details are provided in the box in the 'Macroeconomic Analysis and Forecasting' section.

Updates to the work plan for 2016-17

National accounts work

National accounts missions scheduled for the first half of FY2017 have largely been pushed back to the second half due to the unavailability of suitable short-term experts in the region. The retirement and non-replacement of one long-term national accounts expert end-April placed a new emphasis on employing experts on short-term contracts, but this new demand exceeded supply, with qualified individuals already signed up for topical work with other IMF regional technical assistance centers. Some effort has since gone in to promote PFTAC's new delivery requirements and experts have now largely been secured to carry out the allocated missions between January and April 2017.

A new approach to delivering TA workshops is now being used. The new joint sub-regional workshop held in Fiji allowed PFTAC to pool the statistics and macroeconomic analysis training budgets, which resulted in excellent economies of scale and scope being achieved. Geographical isolation imposes significant constraints on which countries receive training each year, so by combining budgets and topics, we hope to be able reduce the training cost per head arising from travel, accommodation, facilities and catering at the same time as directly fostering synergies between data producers and users in government.

Macroeconomic Analysis and Forecasting

The macroeconomic analysis and forecasting program seeks to achieve three main outcomes:

- The formulation of fiscal and monetary policy is based on empirically-based analysis;
- Countries undertake medium-term projections, fiscal planning and budgeting to ensure policies and debt levels are sustainable;
- Long-term fiscal pressures are identified and addressed.

To achieve these outcomes, activities focus on assisting countries to develop integrated macroeconomic and fiscal frameworks for use in policy analysis, forecasting and debt sustainability analysis; on strengthening inter-agency coordination; and on sharing experience and expertise among policy analysts and advisors across the region.

Having an integrated macroeconomic and fiscal framework is important for medium-term planning. In an integrated framework revenue forecasts are driven by the outlook for the economy and the effects of compliance improvement and risk management strategies by the tax administration. Government expenditure forecasts, on the other hand, are based on past, current and future spending commitments.

The second quarter of FY2017 saw further progress in empirically-based policy analysis and advice in terms of developing tools, applying them in the formulation of policy proposals, and enhancing data.

Developing Analytical Tools

- **Fiji:** The Reserve Bank of Fiji (RBF) organized and hosted a workshop to upgrade the Fiji financial programming (FP) framework, which was one of the first macroeconomic and fiscal frameworks to be developed in the Pacific. Participants from the Fiji Bureau of Statistics (FBOS), the Fiji Revenue and

Customs Authority (FRCA), the Ministry of Economy (MOE), the Ministry of Industry, Trade and Tourism (MITT), and the RBF reviewed the work-in-progress framework and discussed and agreed on next steps and timelines for developing it further. A key challenge is a change in the fiscal year from a calendar year basis to August to July. Annual national accounts and official forecasts by the Macroeconomic Committee are produced on a calendar year basis and workshop participants deliberated on ways for managing the new fiscal year. Participants agreed that forecasts by the Macroeconomic Committee and within the FP framework should continue to be produced on a calendar year basis. Compiling them on a fiscal year basis is difficult because of the limited monthly data that are available. Government transactions data on the other hand are collected and reported on a monthly basis and historical payment patterns (or forecasts if changes are expected) can be used to convert calendar year fiscal forecasts to fiscal year forecasts and vice versa. The main area in the upgraded FP framework that remains to be developed further is the government sector including methodology to map the data between calendar and fiscal years. Once this has been completed a follow-up workshop on practical applications is planned.

Providing Empirically-based Analysis and Advice

- Tax reform is progressing in [Vanuatu](#). In April 2016, the Council of Ministers established the Vanuatu Revenue Review to assess the country's tax and non-tax revenue systems and report back to Government by the end of 2016. In July the Government endorsed public consultation, which commenced in September 2016, on the introduction of personal and corporate income taxes. The proposed reform package that the Revenue Review Committee is currently consulting on was developed by staff at the Ministry of Finance and Economic Management (MFEM) using a national framework for revenue forecasting. The MFEM fiscal framework produces projections consistent with the Model of the Vanuatu Economy (MOVE) that staff at the Reserve Bank of Vanuatu have been developing.

The proposed reform package includes introduction of a progressive personal income tax with a maximum tax rate of 17% at 3.5 million vatu of annual income (about USD 33,000) and a tax free threshold of 750,000 vatu (about USD 7,000). Vanuatu has a large number of people with home produced and consumed goods, about 70% of working persons. People are working but not for pay or profit and the tax free threshold ensures that 'subsistence living' is not subject to income tax. The proposed middle tax rate is 10% and the corporate income tax rate is aligned with the top personal income tax rate at 17%. Fewer fees and charges and reduced import duties are a key feature of the proposed reform package to offset some of the increased tax burden of income tax and to help reduce the cost of living and the cost of doing business. A Consultation Paper detailing the proposed reform package and an Information Paper describing the methodology, assumptions and data used to evaluate various revenue raising options can be found at the Vanuatu Revenue Review website: <http://revenuereview.gov.vu/>.

Enhancing Economic Statistics and Forecasts

GDP is a key macroeconomic statistic and having accurate estimates is crucial. GDP estimates and forecasts are important for sound macroeconomic management and monetary and fiscal policy because GDP underlies the forecasts of inflationary pressures, the balance of payments and tax revenue collections. GDP is also used by lenders as an indicator of a country's ability to repay its debt and it can determine how much and at what

terms countries can borrow to finance essential infrastructure for economic development and improved living standards.

To enhance the quality of GDP estimates and GDP forecasts PFTAC facilitated a new, multi-topic, sub-regional workshop on *Compiling and Forecasting GDP*. This training event brought together GDP compilers from the national statistics offices and main users of economic statistics from the central banks, ministries of finance, and tax offices from [Fiji](#), [Papua New Guinea](#), [Samoa](#), [Solomon Islands](#), [Tonga](#), and [Vanuatu](#). Participants shared their knowledge and expertise on compiling and forecasting GDP. On the last day they presented their new insights into compilation, dissemination and coordination as well as country specific recommendations towards implementing the improvements and solutions found.

The training event was successful in sharing knowledge and skills of GDP compilation and forecasting across the various country agencies involved (Box 4, below). It also helped harmonize PFTAC training and technical assistance to improve the timeliness and reliability of economic statistics and enhance medium-term planning and policy analysis. Building on the positive feedback from participants, similar multi-topic workshops are planned. We will repeat the compiling and forecasting GDP workshop for PFTAC's other members. We will also facilitate workshops that focus on the use of tax administrative data in the compilation of GDP. Use of administrative data can greatly enhance the timeliness and accuracy of GDP estimates but tax data are affected by factors such as tax policy changes, tax expenditures (i.e. tax reliefs, tax subsidies, tax incentives, tax aids, tax concessions), and changes in taxpayer compliance. The effects of these factors need to be taken into account in the compilation of GDP as well as the tax revenue forecasts that underlie countries' national budgets.

Box 4: Inter-Agency Collaboration to Enhance Economic Statistics and Forecasts

Limited inter-disciplinary knowledge and pooling of data and economic and statistical expertise limits the quality of official GDP estimates and subsequent GDP forecasts. To address this gap PFTAC developed a new workshop, which was hosted by the Fiji Revenue and Customs Authority at its Regional Training Centre in Suva. The workshop brought together 50 participants from the national statistics offices, central banks, ministries of finance, and tax offices from Fiji, PNG, Samoa, Solomon Islands, Tonga, and Vanuatu to share their knowledge and expertise and learn from colleagues on the compilation and uses of GDP.



The workshop provided a mix of theoretical training, country presentations, technical exercises and group discussions and was run in an open style to encourage participant feedback and interaction. While the theory covered both compilation and forecasting, the technical exercises centered on compilation and were particularly aimed at increasing the fundamental knowledge of attendees based on practical applications of the theory presented.

The event began with a sharing of country presentations giving an overview of respective compilation and forecasting work, including reporting and dissemination, which is often lacking in the region. Technical training sessions covered the compilation of GDP by production and expenditure; macroeconomic and fiscal forecasting; rebasing GDP; GDP's role in economic, monetary and fiscal policy formulation; measuring the informal sector; and the use of administrative data

in GDP measurement. Country officials also contributed by giving presentations on forecasting, business surveys, measuring output gaps and the independence of statistics offices.

Various technical exercises complemented the PFTAC training sessions that were designed to address directly common issues in GDP compilation and dissemination. The exercises comprised estimating imputed rental via user input cost models; rebasing a simplified, two-sector economy including deflation options; and transforming company accounts into national accounts concepts of output, intermediate consumption and gross value added. Daily group exercises were run, in both country and mixed teams, with the aim of providing practical solutions to common issues. Session topics comprised drafting press briefings; official website peer reviews; the derivation of multi-agency timetables; and the identification of solutions to estimate missing GDP coverage.

Summary of Evaluation Survey Responses

	Strong disagree	Disagree	OK	Agree	Strongly agree
Topics covered were relevant	0%	0%	8%	14%	78%
Discussion times were adequate	0%	0%	2%	50%	48%
Presentation style was suitable	0%	2%	6%	56%	36%
Knowledge gained will be applied at my work place	0%	0%	12%	36%	52%
The language used was easy to understand	0%	2%	8%	38%	52%
I was able to network effectively	0%	2%	8%	40%	50%
Total	0%	1%	7%	39%	53%

Participants reported that they found the topics covered during the workshop to be very relevant as were the discussion times. All participants agreed that the knowledge gained during the workshop will be applied to their work place and nearly all participants said that they were able to network very effectively.

**Annex I: PFTAC Missions
Workshops, Meetings and Training
TA Reports transmitted to Country Authorities**

August-October 2016

Country Technical Assistance

Public Financial Management

Country	Description	Advisor Type	Mission Days	RBM Codes
Nauru	PEFA Assessment	Short-term Expert	12	1.2.1
	PEFA Assessment & PFM roadmap development (with AUSDFAT)	Short-term Expert Resident Advisor	12 5	1.2.1 1.2.1
PNG	Introductory visit	Resident Advisor	3	1.0
Vanuatu	Review of PFM roadmap	Resident Advisor	5	1.2.2

Revenue Policy & Administration

Country	Description	Advisor Type	Mission Days	RBM Codes
Fiji	Review overall reform progress	Resident Advisor	10	1.1
Nauru	Business Tax Regulations	IMF-Legal	10	n.a.
Niue	Review Tax Reform	Short-term Expert	10	1.1
Samoa	Compliance Improvement Strategy launch	Resident Advisor	3	1.5
Tonga	TA in Fiscal Law	IMF-Legal	8	n.a.
Vanuatu	Discussed PFTAC Technical Assistance Package to support legal and administrative reforms	Resident Advisor	3	1.5
	Review Tax Reform	Short-Term Expert	35	1.1
	Income Tax Reform	IMF-Legal	12	n.a.
Regional	PITAA Heads Annual Meeting	Short-term Expert Resident Advisor IMF-Legal	3 3 3	1.2 1.2 1.2

Financial Sector Supervision

Country	Description	Advisor Type	Mission Days	RBM Codes
Solomon Is.	On-site examination program	Resident Advisor Short-term Expert	12 19	3.3.4
Tuvalu	Supervision of the Development Bank and National Bank	Resident Advisor Short-term Expert	5 11	3.3.4
Vanuatu	Credit Union Program and Capacity Building	Resident Advisor Short-term Expert	12 16	3.3.4
Regional	Global Policy Forum	Resident Advisor	3	n.a.

Macroeconomic Statistics

Country	Description	Advisor Type	Mission Days	RBM Codes
Fiji	Quarterly Gross Domestic Product development	Resident Advisor	5	5.1, 12.1
FSM	Government Finance Statistics	Short-term Expert	5	15.1
Marshall Is.	Government Finance Statistics	Short-term Expert	5	15.1
Nauru	National Accounts Statistics	Resident Advisor	12	4.1, 9.1, 11.1
	External Sector Statistics	Short-term Expert	12	15.1
Palau	Government Finance Statistics	Short-term Expert	5	15.1
Solomon Is.	Government Finance Statistics	Short-term Expert	12	5.12
Tonga	External Sector Statistics	Short-term Expert	12	15.1, 3.1
Vanuatu	National Accounts Statistics	Resident Advisor	5	18.1, 3.1

Macroeconomic Analysis and Forecasting

Country	Description	Advisor Type	Mission Days	RBM Codes
Fiji	Facilitate a cross-institution workshop to develop the Fiji financial programming framework	Resident Advisor	3	5.2
Vanuatu	Support preparations for public consultation on tax reform options	Resident Advisor	21	5.2

Meetings, Seminars and Training

TA Sector	Description	Location	Advisor Type	Mission Days	No. of Participants	RBM Codes
Revenue	Pacific Islands Tax Administrators Annual Meeting	Fiji	Short-term Expert	3	35 (F:15; M:20)	1.2
			Resident Advisor	3		1.2
Financial Supervision	Global Policy Forum	Fiji	Resident Advisor	3		n.a.
Macroeconomic Statistics	Gross Domestic Product Forecasting	Fiji	Resident Advisor	5	50 (F:22; M:28)	1.4,3.1, 4.1,5.3, 13.1
Macroeconomics	Gross Domestic Product Forecasting	Fiji	Resident Advisor	5	50 (F:22; M:28)	5.1

TA Reports Transmitted to Country Authorities

TA Sector	Country	Title of Report
Financial Sector Supervision	Solomon Is.	Credit Union Supervision
	Tuvalu	Development of Banking Supervision Program
Macroeconomic Statistics	Cook Islands	National Accounts Statistics Mission
	Kiribati	National Accounts Statistics Mission
	Nauru	National Accounts Statistics Mission
	Solomon Is.	National Accounts Statistics Mission

Annex II: PFTAC Expenditure and Income: FY2017

Table 1: PFTAC Expenditure Second Quarter FY2017
(US\$)

Expenditure Area	FY2016				FY2017	
	Q1-IMF	Q2-IMF	Q3-IMF	Q4-IMF	Q1-PF	Q2-PF
Salaries	533,494	465,369	530,332	559,442	424,451	361,833
Short-term experts	233,390	659,651	399,287	247,692	338,037	305,282
Travel	-58,212	173,779	23,870	198,321	78,220	55,189
Seminars	-54,923	106,326	143,016	394,048	110,295	96,000
Staff TA delivery	13,145	95,244	4,151	4,928	18,553	77,474
Miscellaneous	-46	9,364	11,284	24,776	9,062	11,515
Backstopping	30,550	40,496	52,581	70,867	29,676	55,458
Project management	14,964	13,463	23,758	29,702	15,167	16,656
Total TA Delivery	712,362	1,563,692	1,188,279	1,529,776	1,023,461	980,278
Evaluation	-17,486	42,705	0	0	0	0
Total Trust Funds (7%)	48,641	112,448	83,180	107,084	71,642	68,619
TOTAL	743,521	1,718,845	1,271,455	1,636,860	1,095,103	1,048,898

IMF = IMF data; PF = PFTAC estimate

Table 2: Status of Financial Contributions
As of 31 October 2016
(Currency as indicated)

Phase IV - Signed Agreements	Secured (US\$ dollars)	LOU Status	Contribution Currency	Pledge (Contribution Currency)	Contributions Received (US\$)	Balance (US\$)
ADB	1,000,000	<i>signed 7/29/2011</i>	<i>U.S. dollars</i>	1,000,000	1,000,000	-
EU	1,345,339	<i>signed 07/01/2011</i>	<i>Euros</i>	1,000,000	1,345,339	-
New Zealand NZAID	7,052,475	<i>signed 06/16/2011</i>	<i>NZD</i>	8,900,000	7,052,475	-
Australia DFAT	7,500,000	<i>signed 05/25/2011</i>	<i>U.S. dollars</i>	7,500,000	7,500,000	-
Korea	2,181,029	<i>signed 02/15/2012</i>	<i>W (Korean Won)</i>	2,500,000,000	2,181,029	-
EU (ACP)	1,391,400	<i>signed 10/04/2013</i>	<i>Euros</i>	1,000,000	1,391,400	-
EU (2nd LOU)	4,656,781	<i>signed 12/27/2013</i>	<i>Euros</i>	3,500,000	4,656,781	-
Total	25,127,024				25,127,024	0
FAA transfer of remaining funds:						
New Zealand	165,058	<i>Completed 12/2015</i>	<i>U.S. dollars</i>	165,058	165,058	-
<i>Subtotal</i>	165,058					
Grand Total	25,292,082				25,292,082	0

Annex III: PFTAC Work Plan FY2017 (May 2016 - April 2017)

Public Financial Management

Public Financial Management Work Plan: May 2016-April 2017						
Measurable Outcomes	Country	Progress against Milestones at end-FY2015 ¹	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
1.0 Improved PFM laws and institutions						
1.1 More comprehensive legal frameworks covering all stages of the PFM cycle are enacted						
Fiji		<u>2</u>	Develop amended Financial Instructions based on amended PFM Act	STX:32	IMF RBMF:PFM 1.1.1. Governments approve changes to legal frameworks or financial instructions in order to achieve PFM in line with recognized good international practices	Tentatively planned April 2017, subject to the earlier approval of the amended PFM Act; This will be based on the proposed amendments to the PFM Act which has been submitted by the Ministry of Economy.
Nauru		<u>2</u>	Revise Financial Instructions	STX:32	IMF RBMF:PFM 1.1.1. Governments approve changes to legal frameworks or financial instructions in order to achieve PFM in line with recognized good international practices	Scheduled during November 2016 to January 2017
Solomon Islands		2	Develop Financial Instructions on	STX:18	IMF RBMF:PFM 1.1.1. Governments approve	Tentatively scheduled February 2017; The

¹ Ratings defined as follows: 1= Very limited progress towards objective; 2= Some progress towards objective; 3= Substantial progress towards objective; 4= Objective largely or fully achieved.

Public Financial Management Work Plan: May 2016-April 2017						
Measurable Outcomes	Country	Progress against Milestones at end-FY2015 ¹	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
			Constituency Fund and review of other draft instructions		changes to legal frameworks or financial instructions in order to achieve PFM in line with recognized good international practices	authorities have drafted some of the relevant sections for further review.
1.2 The capacity of ministries of finance to meet the PFM responsibilities are strengthened						
FSM		3	Support to PEFA self-assessment & Roadmap Development	LTX; 32 STX: 21	IMF RBMF:PFM 1.2.1. At least 1 PEFA assessment conducted in each PFTAC country during the funding cycle with significant country staff involvement and ownership involvement and ownership IMF RBMF:PFM 1.2.2 Priority Reform road maps developed with significant involvement and ownership by country officials following each PEFA assessment, including support to high-level dialogue	Scheduled for November 2016. A follow-up TA is planned tentatively during in April 2017 period
Kiribati		1	Support to PEFA self-assessment & Roadmap Development	LTX; 24 STX: 21	IMF RBMF:PFM 1.2.1. At least 1 PEFA assessment conducted in each PFTAC country during the funding cycle with significant country staff involvement and ownership involvement and ownership	Tentatively scheduled for April 2017

Public Financial Management Work Plan: May 2016-April 2017						
Measurable Outcomes	Country	Progress against Milestones at end-FY2015 ¹	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
					IMF RBMF:PFM 1.2.2 Priority Reform road maps developed with significant involvement and ownership by country officials following each PEFA assessment, including support to high-level dialogue	
	Nauru	4	Support to PEFA self-assessment	LTX: 12 STX: 42	IMF RBMF:PFM 1.2.1. At least 1 PEFA assessment conducted in each PFTAC country during the funding cycle with significant country staff involvement and ownership involvement and ownership	PEFA assessment was conducted in mid of August, 2016. This was done in conjunction with the Assessment of National Systems by DFAT of Australia. A follow-up TA request is anticipated during the January to April 2017 period.
	PNG	4	Familiarization visit to update on progress of PFM reforms	LTX:3	IMF RBMF:PFM 1.2.2 Priority Reform road maps developed with significant involvement and ownership by country officials following each PEFA assessment, including support to high-level dialogue	PFM Roadmap was developed in September 2015. A new PFM adviser was recruited, and familiarization visit on October 24-26, 2016 provided updates and new TA plans for PNG.
	Vanuatu	3	Review PFM Reform Roadmap	LTX: 5	IMF RBMF:PFM 1.2.2 Priority Reform road maps developed with significant involvement	Initial TA in reform planning was provided in April, 2016. Follow-up

Public Financial Management Work Plan: May 2016-April 2017						
Measurable Outcomes	Country	Progress against Milestones at end-FY2015 ¹	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
					and ownership by country officials following each PEFA assessment, including support to high-level dialogue	visit in October, 2016 reviewed the proposed action plans to complete the PFM Roadmap.
Regional			Support to Steering Committee meeting	LTX:12	IMF RBMF 1.2.3 Strengthened regional coordination	This is an annual activity.
Regional		3	Strengthen regional coordination	LTX: 3	IMF RBMF 1.2.3 Strengthened regional coordination	This is a continuing activity PFTAC advisers participated in the World Bank workshop on Fiduciary Management held in Sydney on May 22-25, 2016; and an EU workshop on October 28, 2016.
Regional		4	Workshop for PFM advisers	LTX: 5	Strengthened coordination with IMF departments, and periodic sharing of ideas and experiences with other PFM advisers, as well as enhanced knowledge of new PFM toolkits.	This activity was organized by Fiscal Affairs Department of IMF Headquarters, which was held from June 26 to July 1, 2016.
2.0 Budget preparation becomes more comprehensive, credible and policy oriented						
2.1 A more credible medium-term macro-fiscal framework is included in budget documentation						
<i>[Note: No activities currently planned in this area]</i>						

Public Financial Management Work Plan: May 2016-April 2017						
Measurable Outcomes	Country	Progress against Milestones at end-FY2015 ¹	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
2.2 A more comprehensive and unified annual budget is published						
	Fiji	3	Continued refinement of budget documents and process	LTX:5	IMF RBMF:PFM 2.3.1 Budget process shows evidence of a multi-year perspective in fiscal planning, expenditure policy and budgeting.	Improvements sustained in the 2016 budget document. Continuation of mentoring; TA to be planned as soon as the new LTX report tentatively in October 2016.
2.3 A more credible medium-term budget framework is integrated with the annual budget						
RMI		2	Support for Development of 2017 Budget & Medium-term Estimates (with Macro Advisor)	LTX: 18	IMF RBMF:PFM 2.3.1 Budget process shows evidence of a multi-year perspective in fiscal planning, expenditure policy and budgeting.	TA conducted in May to June 2016 where a fiscal model and template for appropriation schedules were developed. Follow-up TA was requested and to be planned during January to April 2017 period, subject to availability of resources.
Regional		2	Sub-regional workshop on incorporating demographic changes into budget processes (with Macro Advisor)- North Pacific	LTX: 7	IMF RBMF:PFM 2.3.1 Budget process shows evidence of a multi-year perspective in fiscal planning, expenditure policy and budgeting.	A presentation on expenditure forecasting was done during the pension workshop in late April 2016. A follow-up workshop is tentatively scheduled for the Nov 2016 - April 2017 period.

Public Financial Management Work Plan: May 2016-April 2017

Measurable Outcomes	Country	Progress against Milestones at end-FY2015 ¹	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
Regional			Sub-regional workshop on incorporating demographic changes into budget processes (with Macro Advisor)- South Pacific	LTX: 7	IMF RBMF:PFM 2.3.1 Budget process shows evidence of a multi-year perspective in fiscal planning, expenditure policy and budgeting.	Tentatively scheduled for the Nov 2016 - April 2017 period.
2.4 Information on resources and performance by program is included in budget documentation						
No activities planned						
3.0 Improved budget execution and control						
No activities planned						
3.1 Controls over expenditure commitments and payments are strengthened						
Cook Islands		1	Support planning for IFMIS change	LTX:14 STX:18	IMF RBMF:PFM 3.1.1 Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations	Tentatively planned January 2017; PFTAC support focuses on the development of functional design framework.
Kiribati		1	Support planning for IFMIS change	STX:20	IMF RBMF:PFM 3.1.1. Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations	Tentatively planned April 2017; PFTAC support focuses on the development of functional design framework.
PNG		4	Review/support IFMS implementation enhancements progress	STX:23	IMF RBMF:PFM 3.1.1 Comprehensive expenditure commitment controls are in	A mission was carried out in early May, 2016 to assist in evaluation of

Public Financial Management Work Plan: May 2016-April 2017						
Measurable Outcomes	Country	Progress against Milestones at end-FY2015 ¹	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
					place and effectively limit commitments to actual cash availability and approved budget allocations	proposals for the data center services and other implementation issues on the completion of IFMIS roll-out. Ongoing is the roll-out to provinces and district offices. IFMIS roll-out to central government agencies has been completed.
RMI			Develop strategy to improve design of treasury business processes	STX:25	IMF RBMF:PFM 3.1.1 Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations	Tentatively planned April 2017.subject to the result of FMIS scoping mission by World Bank.
Tonga		4	Participation in Development Partners Forum on PFM Reforms in Tonga	3	IMF RBMF:PFM 3.1.1 Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations	This is a periodic meeting of development partners with the government. Most recent forum was held on July 20-22.
3.2 Risk-based internal audit functions are established in central government						
Vanuatu		3	Follow-up TA to improve risk-based auditing	STX:18	IMF RBMF:PFM 3.2.1. Internal Audit is operational covering major central government entities, and generally meets international standards	Initial TA was provided in 2014 and 2015, and there has been good progress. Follow-up is scheduled in November 2016.

Public Financial Management Work Plan: May 2016-April 2017						
Measurable Outcomes	Country	Progress against Milestones at end-FY2015 ¹	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
Regional		2	Workshop to strengthen coordination with PASAI on improving internal and external audit	LTX:6	IMF RBMF:PFM 3.2.1. Internal Audit is operational covering major central government entities, and generally meets international standards	PFTAC will participate in this joint PFTAC/PASAI-sponsored workshop scheduled for December 5-9, 2016
3.3 Planning, appraisal, selection, and implementation of public investments is improved						
Timor-Leste		2	Diagnostic of Public Investment Management	LTX:16 STX: 66	IMF RBMF: PFM 3.3.1 The total cost and physical progress of major investment projects are monitored during implementation by the implementing government unit. There is a high level of compliance with the standard procedures and rules for project implementation that have been put in place. Information on the implementation of major investment projects is published in the budget documents or in other reports annually.	This was carried out by IMF Headquarters (IMF HQ) in July 2016

Public Financial Management Work Plan: May 2016-April 2017						
Measurable Outcomes	Country	Progress against Milestones at end-FY2015 ¹	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
4.0 Improved coverage and quality of fiscal reporting						
4.1 The chart-of-accounts is aligned with international financial reporting standards						
Fiji		1	Improve the Chart of Accounts	STX:21	IMF RBMF:PFM 4.1.1. A consolidated government financial statement is prepared annually according to internationally acceptable standards; submitted to external audit within 6 months of fiscal year end, and includes full information on revenue, expenditure and financial assets/liabilities.	TA scheduled in February 2017
Regional			Workshop to improve fiscal reporting and Chart of Accounts	LTX:7 STX:12	IMF RBMF:PFM 4.1.1. A consolidated government financial statement is prepared annually according to internationally acceptable standards; submitted to external audit within 6 months of fiscal year end, and includes full information on revenue, expenditure and financial assets/liabilities.	Scheduled on February 2017.
4.2 Comprehensiveness and quality of fiscal reports is enhanced						
Fiji		4	Improve financial statements presentation according to IPSAS-cash basis	LTX: 8	IMF RBM 4.2.1. A consolidated government financial statement is prepared annually according to internationally acceptable	A review of the draft 2015 financial statements was carried out by PFTAC in July 2016. As of the 2015

Public Financial Management Work Plan: May 2016-April 2017						
Measurable Outcomes	Country	Progress against Milestones at end-FY2015 ¹	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
					standards; submitted to external audit within 6 months of fiscal year end, and includes full information on revenue, expenditure and financial assets/liabilities.	draft financial statements, Fiji has fully complied with IPSAS-cash requirements.
	Fiji	3	Develop accounting policies	LTX:32	IMF RBMF:PFM 4.2.1. A consolidated government financial statement is prepared annually according to internationally acceptable standards; submitted to external audit within 6 months of fiscal year end, and includes full information on revenue, expenditure and financial assets/liabilities.	Accounting policies are prerequisites before moving from cash basis to accrual accounting. The first one is a General Government Accounting Framework which was developed during July 2016. Three accounting policies (expense, revenue, and financial assets) were developed during August to October 2016. TA will continue during January to April 2017.
	Samoa	3	Improve accounting and reporting frameworks	LTX:10	IMF RBMF:PFM 4.2.1. A consolidated government financial statement is prepared annually according to internationally acceptable standards; submitted to external audit within 6 months of fiscal year end, and includes full information	Initial TA was provided in March, 2016, where an accounting reform strategy and transition plan was developed. First follow-up TA was conducted in July 2016 to review the draft template of the 2015-16 financial statements. A

Public Financial Management Work Plan: May 2016-April 2017						
Measurable Outcomes	Country	Progress against Milestones at end-FY2015 ¹	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
					on revenue, expenditure and financial assets/liabilities.	general accounting framework was drafted in August 2016.
	Tonga	2	Improve accounting and reporting frameworks	LTX:8	IMF RBMF:PFM 4.2.1. A consolidated government financial statement is prepared annually according to internationally acceptable standards; submitted to external audit within 6 months of fiscal year end, and includes full information on revenue, expenditure and financial assets/liabilities.	Initial TA was completed in February 2016 where an accounting reform strategy was formulated. A follow-up TA was completed in June 2016 where a general accounting policy framework was drafted.
	Tonga	1	Improve the Chart of Accounts	19	IMF RBM 4.1.1. The chart of accounts is aligned with international financial reporting standards	Tentatively planned for March 2017.
4.3 Audited annual financial statements are published and scrutinized by parliament						
	Regional	4	Strengthen regional coordination with PASAI		IMF RBMF: PFM 4.3.1 Audited financial statements are published within 12 months after reference fiscal year.	PFTAC adviser participated in a PASAI workshop on Strategy Framework for SAIs in Auckland, New Zealand from June 15-17, 2016.

Public Financial Management Work Plan: May 2016-April 2017						
Measurable Outcomes	Country	Progress against Milestones at end-FY2015 ¹	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
5.0 Improved Integration of Asset & Liability Management						
5.1 More central government revenues & expenditures are deposited and disbursed through a Treasury Single Account						
	Solomon Islands		Develop strategy and policy to improve cash management	LTX: 14 STX:18	IMF RBMF: PFM 5.1.1 All bank and cash balances are consolidated on a daily basis.	Scheduled for November 2016
5.2 Cash flow forecasts for all central government are more accurate and timely						
	PNG	2	Follow-up TA to improve cash management	STX:34	IMF RBMF:PFM 5.2.1 Ministries are provided good cash flow information on the periodic availability of funds for commitment of expenditures	Initial TA was provided in 2015 and authorities adopted a new cash management strategy; Initial activities have been carried out.; Tentatively planned April 2017.
	Samoa	4	Follow-up TA to improve cash management	STX:7	IMF RBMF:PFM 5.2.1 Ministries are provided good cash flow information on the periodic availability of funds for commitment of expenditures	Initial TA was provided in 2015 and authorities adopted a new cash management strategy. Initial activities have been carried out. Additional support was provided in July to September 2016 to improve the Cash Management manual and train the cash management staff.

Public Financial Management Work Plan: May 2016-April 2017

Measurable Outcomes	Country	Progress against Milestones at end-FY2015 ¹	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
5.3 Cash and debt management are better integrated						
No activities planned						
5.4 Disclosure and management of state assets is improved						
Regional		4	Strengthen regional coordination workshop on asset management	LTX: 2	IMF RBMF: PFM 5.4.1 The government maintains a register of its holdings of fixed assets, land, and (where relevant) subsoil assets, including information on their usage and age, which is published at least annually.	PFTAC Adviser participated in a PICPA-sponsored regional workshop held on May 30-31, 2016.
6.0 Strengthened Identification, Monitoring, and Management of Fiscal Risks						
6.1 Central fiscal oversight and analysis of sub-national governments is strengthened						
No activities planned						
6.2 Central fiscal oversight and analysis of public corporations is strengthened						
Fiji		1	Develop SOEs fiscal risk assessment framework	LTX:14	IMF RBMF:PFM 6.2.1. Fiscal Policy includes AGAs, SOEs, and SNGs; performance and fiscal risks are monitored and reported, at least on annual basis;	This is tentatively planned during April 2017.
Samoa		3	Mentoring on fiscal oversight of SOEs	LTX: 5	IMF RBMF:PFM 6.2.1. Fiscal Policy includes AGAs, SOEs, and SNGs; performance and fiscal risks are monitored and	Initial TA provided in September 2015 where a reform strategy was developed and adopted by authorities. Follow-up

Public Financial Management Work Plan: May 2016-April 2017						
Measurable Outcomes	Country	Progress against Milestones at end-FY2015 ¹	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
					reported, at least on annual basis;	TA was provided in February, 2016 to improve planning and reporting requirements for SOEs. Second follow-up TA was in July 2016 for an introductory seminar on fiscal risk assessment where a model risk assessment was presented. Mentoring will continue during January to April 2017 period.
6.3 Disclosure and management of contingent liabilities and other specific fiscal risks is more comprehensive						
No activities currently planned; Disclosure of fiscal risks is integrated into the TA for accounting and reporting reforms.						

Revenue Administration

Revenue Administration Work Plan: May 2016-April 2017						
Mission code	Country	Progress against Milestones at end-FY2015 ¹	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
1. Strengthened revenue administration management and governance arrangements						
1.1 Reform strategy and implementation governance framework adopted and institutionalized						
	Fiji	3	Review reform progress	10	Facilitate implementation of PFTAC recommendations	RBM 1.1 (LTX) (17FA01201)
	Kiribati	2	Review reform progress	8	Facilitate implementation of PFTAC recommendations	RBM 1.1 (LTX) (17FA01203)
	Marshall Islands	2	Review reform progress	12	Facilitate implementation of PFTAC recommendations	RBM 1.1 (LTX) (17FA01204)
	Federated States of Micronesia	2	Review reform progress	10	Facilitate implementation of PFTAC recommendations	RBM 1.1 (LTX) (17FA001205)
	Palau	2	Review reform progress	10	Facilitate implementation of PFTAC recommendations	RBM 1.1 (LTX) (17FA01207)
	Tuvalu	2	Review reform progress	7	Facilitate implementation of PFTAC recommendations	RBM 1.1 (LTX) (17 FA01210)
1.2 Organizational arrangements enable more effective delivery of strategy and reforms						
	Regional	-	Develop a strategic plan for the Pacific Island Tax Administration Association (PITAA)	11	A PITAA strategic plan that provides a foundation to achieve its vision	RBM 1.2 (LTX) (17FAM9500)
	Regional	-	PITAA Annual Conference	3	Improved awareness of regional development needs to stimulate reforms	RBM 1.2 (LTX) (17FA001206)
	Palau	2	Facilitate implementation of the new structure and governance arrangements	16	Clear organization structure along functional lines	RBM 1.2 (STX) (16FAY1300)

¹ Ratings defined as follows: 1= Very limited progress towards objective; 2= Some progress towards objective; 3= Substantial progress towards objective; 4= Objective largely or fully achieved.

Revenue Administration Work Plan: May 2016-April 2017						
Mission code	Country	Progress against Milestones at end-FY2015 ¹	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
	Samoa	2	Develop a new strategic plan	14	Strategic Plan and annual business plans adopted	RBM 1.1 (STX) (17FAA2600)
	Tuvalu	2	Implement a new organizational structure	14	Clear organizational structure along functional lines	RBM 1.2 (STX) (17FAA2700)
	Vanuatu	2	Review organizational structure and governance arrangements	18	Clear organization structure along functional lines	RBM 1.2 (STX) (17FA69200)
			Facilitate implementation of the new structure and governance arrangements	35	Clear organizational structure along functional lines	RBM 1.2 (STX) (17FA86600)
			Meet with the authorities to discuss reforms and TA needs	3	TA needs identified and agreed to	RBM 1.1 (LTX) (17FA01215)
1.3 Support functions enable more effective delivery of strategy and reforms						
	Solomon Islands	2	Develop a new IT strategic plan	17	Improved IT strategies and systems to support tax administration	RBM 1.3 (STX) (17FA01100)
	Vanuatu	2	Conduct due diligence on IT upgrade	12	Improved IT strategies and systems to support tax administration	RBM 1.3 (STX) 17FA99500)
1.4 Transparency and accountability more effectively supported by independent external oversight and internal controls						
No activities planned						
1.5 Corporate priorities and compliance better managed through effective risk management						
	Fiji	3	Review implementation of the PFTAC facilitated Compliance Improvement Strategy	16	Compliance improvement strategy in place to mitigate identified risks	RBM 1.5 (STX) (17FA36900)
		3	Introduce a High Net Worth compliance strategy	14	A strategy improving compliance in the HNWI segment	RBM 1.5 (STX) (17FA93900)

Revenue Administration Work Plan: May 2016-April 2017

Mission code	Country	Progress against Milestones at end-FY2015 ¹	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
	Federated States of Micronesia	1	Review implementation of the PFTAC facilitated Compliance Improvement Strategy	16	Compliance improvement strategy in place to mitigate identified risks	RBM 1.5 (STX) (17FA37400)
	Regional	-	Assist PICs develop a compliance improvement strategy for the tourism sector	13	A strategy to assist PICs improve compliance in the tourism sector	RBM 1.5 (STX) (15FAF1200)
	Regional (Tuvalu)	2	Participate in OCO conference	5	Improve linkages between customs and tax to improve risk management	RBM 1.5 (LTX) (17FA01211)
	Vanuatu	2	Review implementation of PFTAC facilitated Compliance Improvement Strategy	14	Compliance improvement strategy in place to mitigate identified risks	RBM 1.5 (LTX) (17FA01212)
1.7 More independent, accessible, effective and timely dispute resolution mechanisms in place – No activities planned						
	Fiji	2	Introduce a rulings program	14	Independent, workable and graduated Dispute resolution process available	RBM 1.7 (LTX) (17FA4700)
2. Strengthened core tax functions evidenced by an accurate taxpayer base, taxpayer services supporting voluntary compliance, improvements in filing, payment and audit activities						
2.1 Integrity of the registered taxpayer base strengthened						
	Fiji	3	Strengthen the audit function	14	An effective risk based audit program	RBM 2.5 (STX) (17FA36600)
	Niue	1	Review core tax functions	10	Strengthen core tax administration functions	RBM 2.1-2.5 (LTX) (17FA01216)
	Papua New Guinea	2	Review core tax functions	12	Strengthen core tax administration functions	RBM 2.1–2.5 (LTX) (17FA60407)
	Vanuatu	2	Strengthen core tax functions	12	Strengthen core tax administration functions	RBM 2.1-2.5 (STX) (17FAA2800)

Revenue Administration Work Plan: May 2016-April 2017

Mission code	Country	Progress against Milestones at end-FY2015 ¹	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
2.2 Taxpayer Services initiatives to support voluntary compliance strengthened						
	Marshall Islands	1	Develop a taxpayer services strategy to improve voluntary compliance	18	Accessibility of information, service performance standards and improved taxpayer perceptions	RBM 2.2 (STX) (17FA37000)
	Tonga	3	Conduct a review of the taxpayer services function	16	Accessibility of information, service performance standards and improved taxpayer perceptions	RBM 2.2 (STX) (16FAY1100)
2.3 Larger proportion of taxpayers meet their filing obligations as required by law						
	Marshall Islands	1	Strengthen filing and payment ratios	16	Increased on-time filing and payment ratios	RBM 2.3 – 2.4 (STX) (17FA37100)
	Federated States of Micronesia	1	Strengthen filing and payment ratios	16	Increased on-time filing and payment ratios	RBM 2.3 – 2.4 (STX) (16FAY5400)
2.4 Larger proportion of taxpayers meet their payment obligations as required by the law						
	Marshall Islands	1	Strengthen arrears and returns management	16	Increased on-time filing and payment ratios	RBM 2.4 – 2.3 (STX) (17FA37100)
	Federated States of Micronesia	1	Strengthen filing and payment ratios	16	Increased on-time filing and payment ratios	RBM 2.4 – 2.3 (STX) (16FAY5400 17FA37300)
2.5 Audit and other verification programs more effectively ensure completeness and accuracy of reporting						
	Fiji	3	Strengthen audit and other verification programs	16	Appropriate range of tax audits used to detect and deter inaccurate reporting	RBM 2.5 (STX) - 17FA36600
	Kiribati	2	Strengthen audit and other verification programs	28	Appropriate range of tax audits used to detect and deter inaccurate reporting	RBM 2.5 (STX) (16FAB4900 17FA36800)
	Samoa	3	Strengthen audit and other verification programs	18	Appropriate range of tax audits used to detect and deter inaccurate reporting	RBM 2.5 (STX) - 17FA37600

Financial Sector Supervision

Financial Supervision Work Plan: May 2016-April 2017						
Mission Code	Country	Progress against Milestones at end-FY2015 ¹	Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
3.1	<i>Regulatory and Prudential Framework: Strengthened financial sector oversight through upgrading of regulatory framework in line with international standards</i>					
3.1.1	Supervisors and regulations require banks to apply sound policies and processes to identify, measure, monitor and control their financial risks on a timely basis and assess their capital adequacy in relation to their risk profile. No activities planned					
3.1.2	Supervisors require banks to have robust governance policies and processes covering among others effective board and senior management oversight and sound control environment					
	Regional	2	PFTAC Workshop AFSPC	10	Natural Disaster Preparedness Guidelines developed	AFSPC Meeting Palau June 2016
3.1.3	Supervisors monitor banking groups and their prudential ratios on consolidated basis					
	No activities planned					
3.1.4	Legal/regulatory frameworks underpinning the Licensing regime lay out key steps and criteria for granting (and withdrawing) a license and imposing prudential conditions where appropriate					
	No activities planned					
3.1.5	Legal and regulatory framework equips supervisors with an adequate range of tools to bring about timely corrective actions for banks' problem and weaknesses. –					
	No activities planned					
3.1.6	Supervisors have the necessary capacity to upgrade banking regulations and effectively apply them					
	No activities planned					

¹ Ratings defined as follows: 1= Very limited progress towards objective; 2= Some progress towards objective; 3= Substantial progress towards objective; 4= Objective largely or fully achieved.

Financial Supervision Work Plan: May 2016-April 2017						
Mission Code	Country	Progress against Milestones at end-FY2015 ¹	Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
3.2	<i>Financial Sector Law (Legal Department:) Promote financial stability by strengthening the financial sector's legal and regulatory framework</i>					
3.2.1	New or amended laws adopted or regulations or other legal or policy instruments (e.g., memorandum of understanding, interagency cooperation arrangements) issued					
	Timor-Leste	2	PFTAC Drafting Credit Union Act	20	Credit Union Act drafting completed	Support LEG
3.3	<i>Risk Based Supervision & other Supervisory Processes: More efficient use of supervisory resources to better oversee key risks in the banking system</i>					
3.3.1	Clear supervisory process to review licensing applications, on a timely basis, and ensuring that it meets required criteria, implemented					
	No activities planned					
3.3.2	Amended legal/regulatory frameworks underpinning the implementation of risk-based supervision implemented					
	Samoa	2	PFTAC Review Prudential Statements	15	Prudential statement updated	To support new F.I. Act. (LEG)
3.3.3	Bank risk assessment frameworks strengthened: (a) Quality and timeliness of regulatory data enhanced; and (b) Flexibility of reporting system improved					
	Regional North	2	PFTAC Workshop Off-site supervision	12	Advanced data & Ratio analysis	Palau – FSM – Marshall Is
3.3.4	Strengthened institutional structure and operational and procedures for RBS implementation					
	Cook Islands	2	PFTAC On-site examination program	16	Examination report issued	(LTX)
	Micronesia	2	PFTAC On-site examination program	20	Examination report issued	(STX) + Update manual
	PNG	1	PFTAC Credit Union Reform Program	12	C.U. Financial reporting implemented	(LTX)
	Samoa	3	PFTAC On-site examination program	20	Examination report issued	(STX) + Update manual
	Solomon Is	2	PFTAC On-site examination program	16	Examination report issued	(LTX)

Financial Supervision Work Plan: May 2016-April 2017						
Mission Code	Country	Progress against Milestones at end-FY2015 ¹	Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
	Timor-Leste (1)	2	PFTAC On-site examination program	20	Examination Manual updating	(STX) Updated Manual
	Tuvalu	1	PFTAC On-site examination program	12	Examination report issued	(STX)
	Vanuatu (1)	2	PFTAC On-site examination program	16	Examination report issued	(LTX)
	Vanuatu (2)	2	PFTAC On-site examination program	12	C.U. Financial reporting implemented	(LTX)
3.3.5	Supervisors timely address unsafe and unsound practices or activities that could pose risks to banks or to the banking system - <i>None</i>					
3.3.6	Supervisors have sufficient capacity to effectively implement risk-based supervision and other supervisory processes					

Macroeconomic Statistics

Macroeconomic Statistics Work Plan: May 2016-April 2017						
Measurable Outcomes	Country	Progress against Milestones at end-FY2015 ¹	Activity May 2016-October 2017	Person days	Relevant Milestone	Comments
4.1 <i>Compilation methodologies in line with international standards are in place for national accounts and government finance statistics</i>						
Strengthening methodologies-in line with international standards used for the compilation of gross domestic product (GDP) estimates by production						
	Kiribati (17STA2400; 17STB0400)	3	Further improve annual estimates of GDP by production alongside expenditure developments	STX 12	Deviations from 2008 SNA are reduced and/or eliminated [RBM NA 4.1]	Expected November; April 2017
	Sub-regional workshop (16ST31411)	-	Delivery of training to compilers from FSM, Palau and RMI	LTX 5 STX 5	Deviations from 2008 SNA are reduced and/or eliminated [RBM NA 4.1]	Expected April 2017
	Joint sub-regional workshop (16ST31407)	-	Delivery of training to compilers from Fiji, PNG, Samoa, Solomon Islands, Tonga and Vanuatu	LTX 5 LTX 5	Deviations from 2008 SNA are reduced and/or eliminated [RBM NA 1.4; 3.1; 4.1; 5.3; 13.1]	Completed in expanded format – was originally intended as LTX/STX delivery to PNG, Solomon Islands and Vanuatu only.
Increasing the scope of national accounts estimates by developing expenditure measures						
	Fiji (17STB0200)	4	Refine expenditure estimates within the Supply and Use framework	LTX 5	Additional accounts/aggregates are developed to meet national data requirements and ISWGNA minimum requirements and/or recommended tables and accounts [RBM NA 5.1]	Expected March 2017
	Kiribati 17STA2400; 17STB0400)	2	Further improve annual estimates of GDP by expenditure alongside production developments	STX 12	Additional accounts/aggregates are developed to meet national data requirements and ISWGNA minimum requirements and/or recommended tables and accounts [RBM NA 5.1]	Expected November; April 2017
	Fiji (15STN8442)	2	Assist in the development of quarterly GDP estimates	LTX 5	Frequency of national accounts compilation and/or dissemination	Mission completed. Further TA required

¹ Ratings defined as follows: 1= Very limited progress against milestone; 2= Some progress against milestone; 3= Substantial progress against milestone; 4= large progress against milestone.

Macroeconomic Statistics Work Plan: May 2016–April 2017

Measurable Outcomes	Country	Progress against Milestones at end-FY2015 ¹	Activity May 2016–October 2017	Person days	Relevant Milestone	Comments
					improves from annual to quarterly, or from quarterly to monthly [RBM NA 12.1]	
Improving the coverage and quality of Government Finance Statistics (GFS). GFS data should cover the whole of general government (budgetary government and extra-budgetary units). Debt data should cover the entirety of the public sector (general government activity plus quasi-government units and public corporations)						
	Nauru (17STA8500)	1	Initial GFS mission following their joining the IMF	STX 12	The institutional scope of GFS includes all significant central government institutional units [RBM GO 5.7]	Expected March 2017
	Solomon Is. (17ST91800)	2	Carry out general government consolidation	STX 12	The institutional scope includes all significant general government (and/or public sector) institutional units [RBM GO 5.12]	Mission completed
	Timor-Leste (17STA8400)	3	Improve GFS scope and quality	STX 12	The institutional scope includes all significant general government (and/or public sector) institutional units [RBM GO 5.12]	Expected April 2017
	Vanuatu (17STA8300)	3	“	STX 17	The institutional scope includes all significant general government (and/or public sector) institutional units [RBM GO 5.12]	Expected January 2017
Improving the frequency of GFS by developing quarterly measures						
	Cook Islands (17ST91600)	2	Explore of options for preparing sub-annual GFS statistics at the general government level will be delineated	STX 12	GFS for general government operations are compiled and disseminated on a quarterly basis [RBM GO 12.3]	Mission completed
4.2 Accurate and reliable macroeconomic statistics are available						
Strengthening the accuracy and reliability of GDP estimates by making full use of administrative data supplemented by surveys where needed.						
	PNG (17STB0100)	2	Develop estimates of GDP by production, based on tax data	STX 12	Improvements to source data used for periodic benchmark estimates and/or annual estimates are made [RBM NA 9.1; 9.2]	Expected February 2017

Macroeconomic Statistics Work Plan: May 2016–April 2017

Measurable Outcomes	Country	Progress against Milestones at end-FY2015 ¹	Activity May 2016–October 2017	Person days	Relevant Milestone	Comments
	Tonga (16ST31414)	3	Develop estimates of GDP by production, based on tax data	STX 12	Improvements to source data used for periodic benchmark estimates and/or annual estimates are made [RBM NA 9.1; 9.2]	Mission completed. Further TA required
Strengthening of GDP estimates by improving compilation procedures and source data analysis						
	Nauru (15STN8330; 16ST31409)	2	Review various aspects of production methodology while producing latest estimates	LTX 5	Improvements are made to the compilation system [RBM NA 9.2; 11.1; 4.1]	Completed
Improving the usefulness of national accounts with timely rebasing						
	Cook Islands (17ST99300)	2	Rebase GDP by production	STX 19	Improvements to source data used for periodic benchmark estimates are made [RBM NA 9.1]	Expected March 2017
	Samoa (16ST31405)	3	Assist with rebasing GDP from 2009 to 2013	LTX 12	Improvements to source data used for periodic benchmark estimates are made [RBM NA 9.1]	Expected November 2017. Repurposed, was originally requested to develop estimates of GDP by expenditure and move towards publication readiness on an annual basis
	Solomon Is. (16ST31402; 17STB0300)	2	Rebase GDP by production and expenditure and conduct benchmarking	STX 24	Improvements to source data used for periodic benchmark estimates are made [RBM NA 9.1]	Missions completed. Some further TA still required
Improving the coverage, quality and timeliness of data sources for GFS.						
	Fiji (17ST91700)	3	Complete and consolidate local government data sets	STX 12	Source data for general government (public sector) are complete and enable the compilation of GFS [RBM GO 10.3]	Completed
4.3 Timely and consistent data are produced. They are readily available, presented clearly and well-documented						
<i>Ensuring the national accounts data are disseminated in a timely manner and are consistent with other datasets such as GFS and External Sector Statistics</i>						
	Cook Islands (17ST92000)	1	Improvements to BOP current account	STX 12	The BOP and/or IIP are consistent or reconcilable with the national accounts [RBM BP 15.1]	Expected January 2017

Macroeconomic Statistics Work Plan: May 2016–April 2017

Measurable Outcomes	Country	Progress against Milestones at end-FY2015 ¹	Activity May 2016–October 2017	Person days	Relevant Milestone	Comments
	FSM (17ST91900)	2	Mission to improve and update annual and quarterly estimates up to general government level	STX 5	GFS for general government are consistent or reconcilable with national accounts statistics for the general government sector [RBM GO 15.1]	Mission completed
	Nauru (17ST91500)	2	Improve BOP coverage and methodology	STX 12	The BOP and/or IIP are consistent or reconcilable with the national accounts [RBM BP 15.1]	Mission completed
	(15STN8330; 16ST31409)	2	Provide supplementation to produce latest estimates of GDP by production	LTX 10	New national accounts statistics, as set out in the latest System of National Accounts (2008) manual, are available [RBM NA 18]	Mission completed
	Niue (17STA2500)	3	Provide supplementation to produce latest estimates of GDP by production	STX 12	New national accounts statistics, as set out in the latest System of National Accounts (2008) manual, are available [RBM NA 18]	Expected February 2017
	Palau (17STA1000)	2	Mission to improve and update annual and quarterly estimates up to general government level	STX 5	GFS for general government are consistent or reconcilable with national accounts statistics for the general government sector [RBM GO 15.1]	Mission completed
	PNG (17ST85900)	1	Mission to improve external debt statistics	STX 12	The BOP and/or IIP are consistent or reconcilable with the national accounts [RBM BP 15.1]	Expected February 2017
	RMI (17STA0900)	2	Mission to improve and update annual and quarterly estimates up to general government level	STX 5	GFS for general government are consistent or reconcilable with national accounts statistics for the general government sector [RBM GO 15.1]	Mission completed
	Tonga (17STA0200)	2	Assist in production of latest estimates and train local staff	STX 12	The BOP and/or IIP are consistent or reconcilable with the national accounts [RBM BP 15.1; 3.1]	Mission completed

Macroeconomic Statistics Work Plan: May 2016-April 2017						
Measurable Outcomes	Country	Progress against Milestones at end-FY2015 ¹	Activity May 2016-October 2017	Person days	Relevant Milestone	Comments
	Tuvalu (17STA2600)	2	Provide supplementation to produce latest estimates of GDP by production	STX 12	New national accounts statistics, as set out in the latest System of National Accounts (2008) manual, are available [RBM NA 18]	Expected January 2017
	Vanuatu (16ST31415)	1	Assist with latest year's compilation and train new GDP compilers to produce GDP(P) and GDP(E)	LTX 5	Improvements to source data used for periodic benchmark estimates are made [RBM NA 18.1; 3.1]	Repurposed – was intended to assist further with rebasing. Mission completed.
Ensuring the national accounts metadata is available and up to date.						
	Regional (16ST31406)	2	Participation in the Pacific Statistics Steering Committee which coordinates TA in the region	LTX 4	More metadata have been compiled and/or made available to users to support data analysis [RBM NA 20]	Mission completed November; unable to attend May meeting; now moving to annual meetings so February meeting postponed until November 2017
Ensuring the GFS data are disseminated in a timely manner and are consistent over time						
No activity planned						
Ensuring the GFS data are available to users and adequately documented						
No activity planned						

Macroeconomic Analysis and Forecasting

Macroeconomic Analysis Work Plan: May 2016-April 2017						
Measurable Outcomes	Country	Progress against Milestones at end-FY2016 ¹	Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
5.1 Enhanced monitoring, forecasting and policy analysis tools						
<i>Consistent macroeconomic and fiscal frameworks are used for policy analysis</i>						
1 (15APR3277)	Fiji	2	Develop a macroeconomic and fiscal framework with the Ministry of Finance and the Reserve Bank of Fiji.		A consistent macroeconomic and fiscal framework is used to produce economic and fiscal projections.	On-going
2 (17APW2800)	Kiribati	1	Develop a macroeconomic and fiscal framework.	STX 18	A consistent macroeconomic and fiscal framework is used in budget preparations and analysis.	
2 (15APR3259)	PNG	2	Continue developing a macroeconomic and fiscal framework.	LTX 16	A consistent framework is used to support monitoring and projection activities.	The development of a macroeconomic and fiscal framework requires resources and support from management.
1 (15APR3257)	Vanuatu	3	Support the analysis of tax reform options.	LTX 14	The framework for revenue forecasting within the Model Of the Vanuatu Economy (MOVE) is used to evaluate tax reform options. The effects of reform options are quantified and reported.	Completed
1 (15APR3256)	Vanuatu	3	Support preparations for public consultation on tax reform options	LTX 21	A consultation paper and other material (e.g. tax calculator, frequently asked questions and answers) are prepared. Reform options are consulted on.	Completed

¹ Ratings defined as follows: 1= Very limited progress against milestone; 2= Some progress against milestone; 3= Substantial progress against milestone; 4= large progress against milestone.

Macroeconomic Analysis Work Plan: May 2016-April 2017

Measurable Outcomes	Country	Progress against Milestones at end-FY2016 ¹	Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
2 (PT_MAC_PFT_2017_05)	Vanuatu	3	Support the analysis of submissions from the public on tax reform options; contribute to a report documenting the MOVE.	LTX 14	Public submissions on tax reform are analyzed using the national framework for revenue forecasting and findings are incorporated into the final report to Government. A report documenting the MOVE is drafted and presented to the Macroeconomic Committee (MEC). The MEC endorses the use of the MOVE to produce real and nominal GDP forecasts.	
2 (15APR3268)	Regional		Workshop on using financial programming (FP) frameworks for policy analysis	LTX 6	Collaboration between central banks and ministries of finance is strengthened in the development of policy tools. Capacity is increased to undertake empirical based policy analysis. Peer learning takes place and professional networks are formed in the region.	The workshop will likely be shifted to FY2018.
1 (OTM_PFT_PFT002)	Regional		Workshop on compiling and forecasting GDP		Inter-disciplinary knowledge and pooled use of data and economic and statistical expertise are increased. The quality of the measurement of GDP and GDP forecasts is enhanced.	Completed. The workshop was organized in collaboration with PFTAC's Real Sector Statistics Advisor.
<i>Forecasting tools and methodologies are developed for (i) key sectors of the economy (e.g. tourism, natural resource extraction); (ii) economic variables of importance for monetary and fiscal policy (e.g. inflation, GDP, government expenditure and revenue); and (iii) other defining aspects of countries (e.g. remittances)</i>						
1 (15APR3250)	Fiji		Facilitate a cross institution workshop (Fiji Bureau of Statistics, Fiji Revenue and Customs Authority, Ministry of Finance, Reserve Bank of Fiji) on forecasting and sharing data.		An action plan for improving forecasting and data sharing is agreed and implemented.	Completed.

Macroeconomic Analysis Work Plan: May 2016-April 2017

Measurable Outcomes	Country	Progress against Milestones at end-FY2016 ¹	Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
1, 2 (15APR3262)	Fiji	2	Support and advise on econometric estimations, including of a measure of the output gap, and empirical analysis.		A range of statistical and econometric tools are used in empirical analysis. Policy advice is empirical based.	On-going
2 (15APR3281)	Fiji	1	Support and advise on quantifying tax expenditures.		A tax expenditures report is produced.	
2 (17APW2500)	PNG	2	Review and enhance methodology for constructing a trimmed mean measure of consumer price inflation.	STX 10	An unbiased trimmed mean measure of inflation is constructed.	
2 (15APR3245)	Samoa		Facilitate a cross institution (Ministry of Finance, Ministry for Revenue, Central Bank of Samoa, Samoa Bureau of Statistics) workshop on forecasting and sharing data.	LTX 7	An action plan for improving forecasting and data sharing is agreed and implemented.	The establishment of a forecasting committee will be discussed at the workshop.
2 (15APR3261)	Solomon Islands		Facilitate a cross institution workshop (Ministry of Finance and Treasury, Central Bank of Solomon Islands, Solomon Islands National Statistics Office) on forecasting and sharing data.	LTX 7	An action plan for improving forecasting and data sharing is agreed and implemented.	
1 (15APR3258)	Solomon Islands	3	Enhance revenue and expenditure forecasting methodologies.	LTX 7	Forecasts are consistent.	
2 (15APR3247)	Tonga	3	Continue developing the Ministry of Revenue and Customs revenue forecasting tool.	LTX 7	Discrepancies between tax collection estimates and actual collections are reduced.	

Macroeconomic Analysis Work Plan: May 2016-April 2017

Measurable Outcomes	Country	Progress against Milestones at end-FY2016 ¹	Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
2 (15APR3272)	FSM, Palau, RMI	1	Sub-regional workshop on GDP and tax revenue forecasting.	LTX 12	Tax revenue forecasts are based on economic projections.	The workshop will be organized in collaboration with PFTAC's Real Sector Statistics and Revenue Policy and Administration Advisors and the Graduate School. Staff from the national statistics offices, ministries of finance, the tax offices and social security administrations will be invited to participate.
<i>A Pacific Islands Macroeconomic Analysis and Modeling Association is established</i>						
2 (PT_MAC_PFT_2017_05)	Regional		Consult on establishing a Pacific Islands Macroeconomic Analysis and Modeling Association.	LTX 7	A proposal is presented at the South Pacific Central Banks Governors' Meeting.	
5.2 Strengthened capacity to develop sustainable policies, including to incorporate medium-term trends and risks into forecasting and policy analysis						
<i>Consistent macroeconomic and fiscal frameworks are regularly used in budgeting and planning processes and policy decisions</i>						
1 (15APR3278)	RMI	1	Enhance the usability of the RMI Financial Management Model (FMM).	LTX 14	Fiscal forecasts are consistent with economic forecasts produced by the Graduate School. Government expenditure forecasts incorporate spending commitments. The FMM is used for policy analysis.	Completed. Technical assistance was provided with PFTAC's PFM Advisor.
2 (15APR3249)	RMI	2	Continue developing the Marshall Islands Fiscal Model (MI-FM)	LTX 14	Fiscal forecasts are consistent with economic forecasts produced by the Graduate School. Government expenditure forecasts incorporate spending commitments. The MI-FM is used for policy analysis.	

Macroeconomic Analysis Work Plan: May 2016-April 2017

Measurable Outcomes	Country	Progress against Milestones at end-FY2016 ¹	Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
1 (15APR3248)	Vanuatu	3	Support the use of the MOVE in preparations for the IMF Article IV.	LTX 7	The MOVE is used to inform IMF Article IV consultations.	Completed
<i>Long-term revenue and expenditure pressures (e.g. due to demographic changes and the rising incidence of non-communicable diseases) are taken into account in fiscal policy</i>						
2 (15APR3251)	FSM, Palau, RMI		Sub-regional workshop on incorporating demographic changes into budget processes.	LTX 9	Fiscal provisions are made for demographic changes.	The workshop will be organized in collaboration with PFTAC's PFM Advisor. Population projections by the Secretariat of the Pacific Community will be used. The workshop will likely be shifted to FY2018.
2 (17APU990) (15APR3268)	Regional		Workshop on incorporating demographic changes into budget processes.	LTX 6 STX 14	Fiscal provisions are made for demographic changes.	The workshop will be organized in collaboration with PFTAC's PFM Advisor. Population projections by the Secretariat of the Pacific Community will be used. The workshop will likely be shifted to FY2018.
<i>Debt dynamics are incorporated into macroeconomic and fiscal frameworks</i>						
2 (15APR3279)	Fiji	2	Use the macroeconomic and fiscal framework to undertake debt sustainability scenarios.		The sustainability of policy scenarios is evaluated.	Required public debt data need to be compiled.
2 (15APR3250)	Samoa	3	Develop the Samoa Economic and Revenue Forecasting (SERF) Model to undertake debt sustainability analysis and monitor cash and foreign reserves.	LTX 7	The impact of economic shocks on target variables is assessed and appropriate policy responses are implemented. The sustainability of policy scenarios is evaluated.	

Macroeconomic Analysis Work Plan: May 2016-April 2017

Measurable Outcomes	Country	Progress against Milestones at end-FY2016 ¹	Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
2 (15APR3253)	Solomon Islands	3	Develop the fiscal sector of the Solomon Islands FP framework to undertake debt sustainability scenarios.	LTX 7	The sustainability of policy scenarios is evaluated.	Required public debt data need to be compiled.
<i>Fiscal risks due to contingent liabilities are explicitly accounted for in fiscal planning</i>						
No activity planned						
5.3 Strengthened capacity to build greater resilience to shocks, including to manage the fiscal consequences of significant shocks (including natural disasters)						
<i>Enhanced formulation of fiscal and monetary policy reduces economic fluctuations</i>						
2 (17APV0000)	Samoa	2	Develop a debt analysis tool.	STX 11	Better provision for debt servicing payments and management of exchange rate risks reduce fiscal volatility.	
2 (17APW2600)	Solomon Islands	2	Develop a debt analysis tool.	STX 11	Better provision for debt servicing payments and management of exchange rate risks reduce fiscal volatility.	Required public debt data need to be compiled.
2 (17APW2700)	Tonga	3	Develop a debt analysis tool.	STX 11	Better provision for debt servicing payments and management of exchange rate risks reduce fiscal volatility.	
2 (17APV4400)	Vanuatu	2	Develop a debt analysis tool.	STX 11	Better provision for debt servicing payments and management of exchange rate risks reduce fiscal volatility.	Required public debt data need to be compiled.
<i>Governments have fiscal resources to respond to shocks</i>						
No activity planned						