

PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTRE

QUARTERLY REPORT



September 2014

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I. Introduction

In this Quarterly Report we have somewhat modified the content from the first report, taking into account the views of our members. As in the previous report, one of the basic purposes of the report is to provide a fairly up-to-date financial accounting. This is partly intended to help donors who have financial years significantly different than the IMF's, but also helps to monitor whether our work program is on track.

A second objective is to provide our members with a description of our major activities. The monthly report lists these, and often provides briefings on particular TA projects or issues, as well as brief reports on specific workshops and conferences, but does not try to cover the broad range of our activities. In this report we try to provide a broader picture of our activities. A key innovation, in response to member requests, has been to include a forward-looking discussion of our work program. The work program is presented for the period through to end-January 2015 (Q3 FY15).

Included in our discussion of the work program reporting is an improvement of the Results-Based Management (RBM) reporting. This involves setting standardized milestones or benchmarks against which to rate progress towards the various objectives in the PFTAC program. This helps to provide intermediate objectives or targets for our TA, and will also help to gauge how effective the TA has been over time.

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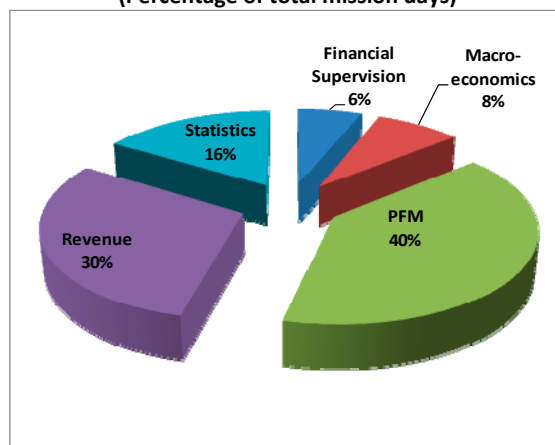
II. PFTAC Activity and Finances in the May-July Quarter of FY2015

Overview

During the May-July 2014 trimester—the first quarter of the 2015 financial year, PFTAC was involved in 42 technical assistance (TA) missions, including 8 workshops and meetings, for a total of 334 person days. Of the missions, 29 (69%) were conducted by PFTAC staff, with the remainder carried out by short-term experts and HQ-based staff. A detailed listing of missions and workshops is provided in Annex 1.

In terms of person days, 57% of mission days were conducted by PFTAC advisors, with 43%—all in the areas of Public Financial Management (PFM) and revenue

Sectoral distribution of PFTAC missions for May-July 2014
(Percentage of total mission days)



administration—carried out by short-term experts and HQ-based staff.

The large majority of the technical assistance (TA) provided during the quarter (in terms of person days) was on Public Financial Management (PFM) and tax administration (Figure 1). On the PFM side, this partly reflected lengthy missions to PNG, to assist with a review of its Financial Management Information System (FMIS). On the revenue side major activities during the quarter included the annual meeting of the Pacific Islands Tax Administrators’ Association (PITAA) and a PITAA workshop on capacity building and support frameworks.

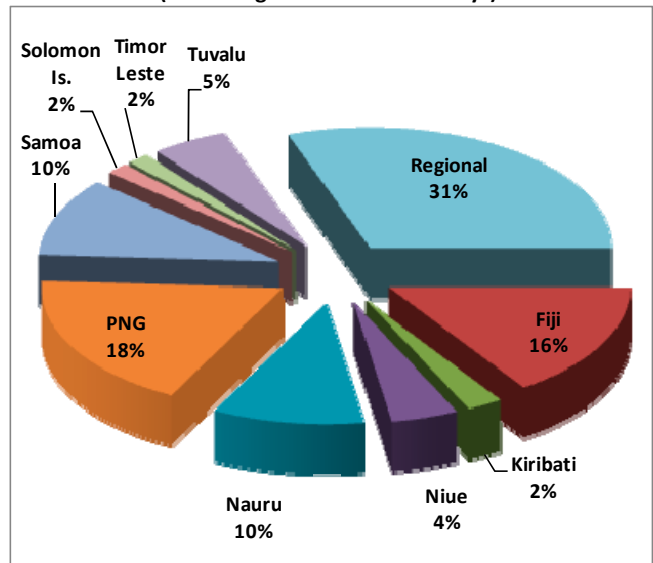
The geographical distribution of TA activity reflected the large number of workshops held during the quarter. Regional activities amounted to nearly a third of the total. So far as bilateral TA is concerned, PNG, Fiji, Samoa, and Nauru were the major recipients.

In PNG’s case, FMIS project was the major focus of TA, while in Fiji, TA missions included assistance with PFM roadmap development, and reviews of tax authority corporate strategy and IT systems. In Samoa, the main missions were to wrap up the Non-Tax Revenue reform project, and a mission to assist with medium-term fiscal projections and planning. Nauru, not normally a major recipient of PFTAC TA, received TA on valuation of public fixed assets, tax reforms, and tax laws.

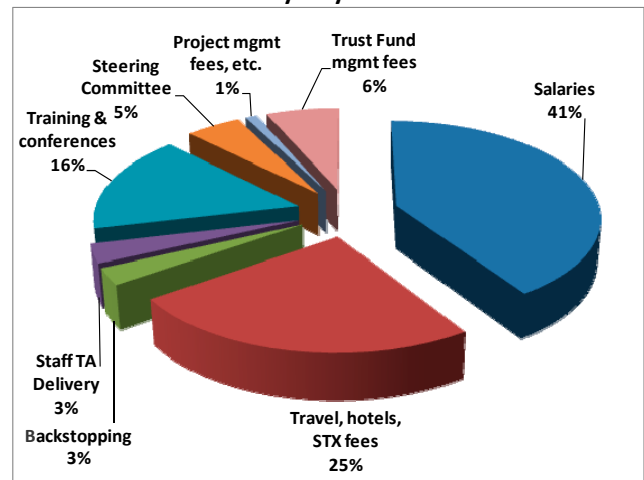
The total donor cost of PFTAC operations during the quarter is estimated at US\$ 1.13 million.¹ The largest component, amounting to US\$ 0.46 million, was for salaries of the long-term experts. Travel and hotel costs, together with remuneration of short-term experts amounted to US\$ 0.28 million. Training and conference costs (including participant travel and accommodation costs, and conference arrangements) came to US\$ 0.18 million while the Steering Committee meeting came to US\$ 0.06 million. Other costs, including HQ staff missions & backstopping, project management, and Trust Fund management fees added up to US\$ 0.15 million.

The estimated costs are higher than the total expenditure figure of US\$ 0.81 million recorded by the IMF for this period, as shown in Annex 2. The discrepancy arises from the lag in processing of costs relating to PFTAC missions, workshops and so on. The higher figures recorded by PFTAC are likely to be reflected in the HQ

Geographic distribution of PFTAC missions for May-July 2014
(Percentage of total mission days)



PFTAC Operational Costs
May-July 2014



¹ PFTAC’s donors are Australia, New Zealand, the European Union, Korea, and the Asian Development Bank. The Reserve Bank of Fiji provides office space for PFTAC, and the IMF covers salaries for the Coordinator and local staff, as well as various administrative costs.

figures for the August-October quarter. These costs were in line with the budget projections presented at the Steering Committee in July.

On the income side, there have been no additional inflows to the Trust Fund in the May-July period. As a result the total income position is the same as was presented at the Steering Committee in July (See Annex 2).

III. Sectoral Technical Assistance Developments and Prospects

In this section, the advisors provide a discussion of key TA projects and work streams in recent months together with planned TA over the period to January 2015. 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, as opposed to the version presented at the July Steering Committee Meeting. Over the course of the year, the work program is progressively up-dated as missions are added, extended, delayed or canceled. An important change to highlight in the work program is the program that has been set up to use short-term experts to scale up PFTAC TA in revenue administration, particularly with regard to tax compliance. We are confident that the program developed and now being implemented will help meet the strong demand for TA, and takes into account both the strengths and weaknesses of using short-term experts in providing such TA.

Annex 2 provides a more detailed look at the work program over the 6 months to January 2015. The annex takes forward PFTAC's efforts to strengthen its Results-Based Management (RBM) framework. The main feature to highlight is the development and use of simple benchmark milestones to gauge progress towards each of the objectives in the TA program. For each objective, the advisors have set up a short list of observable indicators of progress toward fulfillment of the objective. These essentially define the main competencies or sequence of steps towards achievement of the objective, and serve as milestones for TA. Countries are then assessed as to where they stand against each indicator, using a very simple scale from 1 to 4. The aim is not to have a precise calibration, but something that can be used to assess TA needs as well as progress being made.

In some cases the assessments are made using existing databases. For example, some of the assessments in the PFM area are based on averages of relevant PEFA scores. In the area of revenue administration, data from the recent Baseline Assessment are used. These assessments provide a rough summary of the context in which TA missions are being conducted. The annex briefly describes the planned mission and also the milestone towards which the TA is intended to help reach. Essentially, these milestones serve as short- to medium-term objectives. The indicators and milestones being used are not set in stone. They will need to be reviewed from time to time, and refined as appropriate. But we believe that they should be helpful both in gauging progress and in focusing TA.

Public Financial Management

A mainstay of PFTAC's work on PFM issues is to assist members with conducting Public Expenditure and Financial Accountability (PEFA) assessments and drawing on these to develop PFM Roadmaps to guide reforms. Because PFTAC's approach to conducting PEFA's and preparing Roadmaps emphasizes the importance of country staff participation in the development of these products, preparation efforts have generally involved multiple missions spread out over an extended period. Current practice is for PFTAC Advisors, along with PIC officials that have successfully completed their own PEFA's/Roadmaps, to visit a country to mentor staff; leave for a few weeks while staff gather documentation and write drafts; and then return for consultations on drafts. These cycles are

repeated until the country staff have a final product. While this process takes longer, it promotes country ownership – something often lacking in earlier approaches.

In recent months and coming month TA with regard to PEFA includes:

- In PNG, PEFA self-assessment training started in March. Follow-up visits to review staff progress occurred in May and August. An additional follow-up and quality check on the self-assessment may occur in October. A formal assessment is likely to start in March.
- In Tokelau, a self-assessment was commenced in March and will likely be completed around February 2015, with a formal assessment tentatively beginning soon thereafter.
- In Samoa, PFTAC has been working over the past several months with Samoan authorities and the PEFA Secretariat to finalize the recent PEFA assessment. It is expected that the PEFA Secretariat will issue their quality assurance certificate shortly.
- Cook Islands requested that the start of their self-assessment coincide with a PIFS Peer Review in December 2013. Their formal assessment will begin in November 2014.
- Tonga, which started developing a PFM Roadmap in 2012, decided this year that as part of finalizing their Roadmap a PEFA Self-Assessment would be informative. That activity occurred in August/September, and Tonga anticipates starting a formal PEFA assessment in July 2015.

PFTAC has also been assisting with PFM Roadmap development:

- PFTAC has conducted multiple missions to both Fiji and the Solomon Islands to assist authorities in preparing their PFM Roadmaps. The Solomon Islands' Roadmap was approved by Cabinet in July, and Fiji's is near completion. Both countries, however, have indicated a need for follow-up assistance in developing detailed implementation and communication strategies.
- Additional assistance will be provided to Niue starting in early October for more detailed Roadmap development following on a 2012 effort to draft their first Roadmap. Vanuatu's requested assistance to begin developing a reform roadmap is expected to start soon.

In addition to assisting members with evaluation of PFM frameworks and planning of reform roadmaps, PFTAC is also providing TA to implement various aspects of reforms. These include:

PFM legal reforms

- PFTAC is assisting Fiji and Tuvalu with updating their PFM legal frameworks. Upcoming assistance to Fiji will examine changes needed in its Financial Management Act, and follow-up efforts are likely to concentrate on implementing instructions. Efforts in Tuvalu are focused on revising their Financial Instructions and Circulars. The Tuvalu work started with an August mission to prepare first drafts of changes needed. After a short period for country officials to review the drafts, a further mission will assist authorities in preparing final versions for adoption.

Non-Tax Revenue Reviews

- In June the project to review Samoa's non-tax revenue reforms (in cooperation with the Australian Department of Finance) was completed. The success of this project has spurred interest in other member countries including Fiji, Solomon Islands and Vanuatu. A scoping mission for review of Solomon Islands non-tax revenues was conducted in June 2014, and a similar mission is anticipated for Vanuatu in November. Fiji

also has plans for a review of their non-tax revenues. In Solomon Islands, Vanuatu, and Fiji additional missions on this important topic are anticipated to begin in early 2015.

Pension/Social Security Reform

- Pension or social security policies have been identified in many countries as major challenges to fiscal sustainability. PFTAC (in cooperation with the IMF's Expenditure Policy Division) has worked with RMI and FSM in reviewing their current or proposed systems and anticipates future follow-up missions in both countries during the next 6-12 months.

Integrating Planning/Budgeting-MTB

- Unfortunately, the legacy of organizational separation between "planning" and "budgeting" in most PICs has been dysfunctional – yielding many un-costed, poorly integrated plans not connected to budget reality. Consequently, implementation of medium-term budgeting has not progressed much in the region. PFTAC assistance to Fiji, Tuvalu, Niue and Nauru has shown how budget documents can be improved by adding more policy content with a medium-term focus to replace myriad disconnected national strategic plans, corporate plans, annual plans, and sector plans.

Asset Valuation/Management

- Asset management has been identified as a significant problem in many PICs. PFTAC has recently assisted Nauru in carrying out an asset valuation effort to prepare its financial statements. In Niue and Tuvalu (as part of missions focused primarily on medium-term budgeting), PFTAC also demonstrated to MOF budget staff how information from asset registers could be used to develop simple procedures for estimating annual funding requirements for asset repair/replacement.

FMIS Review/Upgrade Planning & Oversight

- Some PICs and donor partners within the last decade have made significant investments in Financial Management Information Systems (FMIS). Some have worked well, while others have experienced significant implementation delays. PFTAC's multi-mission project with PNG assisted in diagnosing the problems, developing a plan for solving the problems, and will participate in the early stages of change oversight.

Accounting/Financial Reporting Reform

- Fiji's goal of implementing accrual accounting has been supported by PFTAC over the past few years. Support is expected to continue during early 2015 as Fiji moves to implement its PFM Reform Roadmap. Regionally, training sponsored jointly by PASAI and PFTAC in July brought together regional audit staff and MOF officials for training on accounting and financial reporting standards.

Revenue Administration and Policy

Over the last six months PFTAC continued to assist members with the design of tax policy reforms and associated changes in legislation, strengthening key elements of tax administration, and with strengthening organization and accountability. Guidance and oversight of reforms played a key role, supported by missions where hands-on assistance with implementation was provided. Good progress was made with much of the tax policy and legal work completed. Below are some highlights of the technical assistance provided:

- In Palau, a technical assistance mission was carried out to strengthen political and community support for VAT. This mission included providing technical support to Congress and administrators, ensuring that the legal provisions of the Bill were adequately understood and capable of effective administration.

- In the Cook Islands, natural resources legislation was drafted and endorsed by Cabinet, and transfer pricing regulations to support sea bed mining tax provisions were drafted.
- In Fiji PFTAC provided advice to the Fiji Revenue and Customs Agency (FRCA) on the implementation of a new IT system and assisted in the development of user requirements. PFTAC assisted with the design of a new Corporate Strategy for 2014-2018. A new employment tax system was introduced in Fiji - the system has simplified administration and made it easier for employees to comply by removing their filing obligations. In addition, work continues on a new Income Tax decree which should be promulgated in 2015.
- In Nauru, assistance was provided with the development of two tax bills, the Employment and Services Tax Act and Revenue Administration Act, which have recently been passed by Parliament.
- In Tonga, a new simplified tax regime for small business was developed which will make compliance and administration much easier and will also generate considerably more tax revenue from the small business sector than previously collected (Presumptive Tax). PFTAC also supported Tonga with preparation of deep sea mining regime legislation, which has just recently been enacted by Parliament.

At the regional level, PFTAC has also been actively engaged on a number of issues:

- PFTAC has continued to support the Pacific Island Tax Administration Association (PITAA) to become a standalone regional tax association. Major progress was made during this period which included the decision to launch a PITAA website, to appoint permanent staff to the secretariat, formalize the constitution and collect fees from members. PFTAC also assisted in the design of a training needs analysis which provided a comprehensive overview of regional training priorities and a training plan for 2014-2015.
- Donor coordination: A close working relationship has been established with DFAT who provides funding for revenue advisors through bi-lateral assistance in the Federated States of Micronesia, Kiribati, Nauru, Republic of the Marshall Islands, Tonga, Tuvalu and Vanuatu and via multi-lateral aid in Samoa. PFTAC has assisted in the recruitment process of DFAT advisors and ensured that reform plans are aligned to achieve good outcomes.
- Information Technology continues to be a big issue for all PICs. PFTAC has continued to provide TA to develop IT strategies and provide high level advice on the implementation of new IT applications and systems. A regional models approach, in collaboration with the Pacific Island Tax Administration Association (PITAA), is being developed that will assist PICs in the development of IT strategies and disaster recovery.

As discussed in the PFTAC Annual Report and in the Steering Committee Meeting, the intention in the period ahead is to place greater emphasis on assisting revenue administrations to improve their operational capabilities. This will include a focus on improving voluntary compliance through the implementation of Compliance Improvement Strategies. This approach could potentially generate much needed extra revenues for governments and contribute towards a reduction in the tax gap.

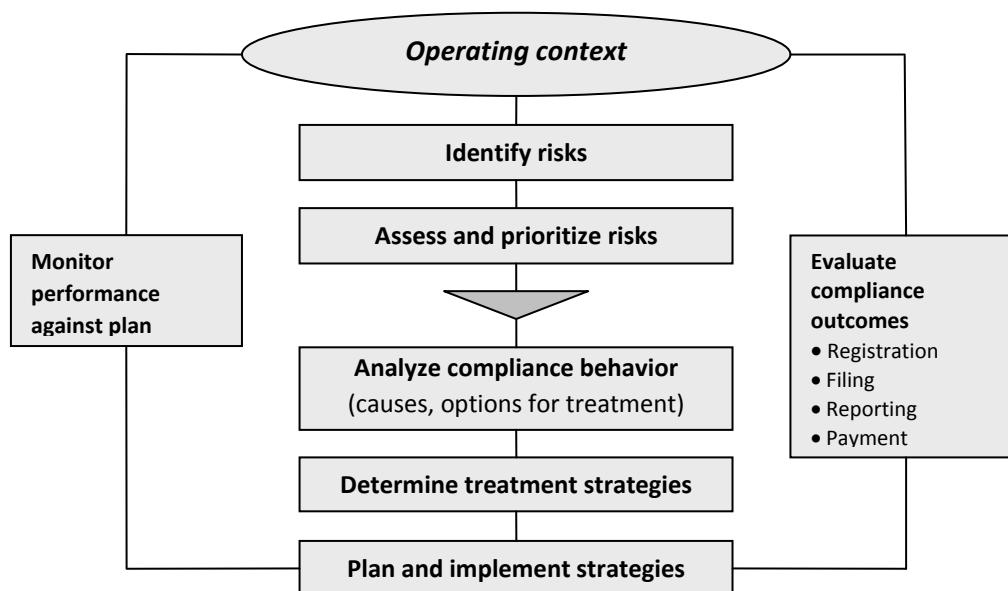
To support this approach, a technical assistance plan involving an expanded short term expert program has been developed in close consultation with member countries. Securing the services of experienced consultants has commenced, with most already confirming planned missions which will focus on:

- Compliance Risk Management strategies. This will include reviewing registration, filing and payment processes and making recommendations to improve on-time filing and payment rates;
- Self assessment;
- IT- Disaster recovery and development of IT strategies;

- Organization and operations structures;
- Tax Policy and Legal issues.

A key PFTAC focus will be to assist revenue administrations develop compliance improvement strategies that set out in broad detail of how the agency intends to respond to the most significant tax risks. Most countries in the region have invested very little effort in this area whilst others are at varying stages of maturity in both the application of the Compliance Risk Management Model (Figure 1) and the development of targeted risk treatments. The importance of this issue, and acknowledgment that improving compliance is a long term effort, is accepted by most administrations who have requested assistance in this area.

The OECD Risk Management Process Model



Implementing this strategy will assist PICs at mitigating major compliance risks. PFTAC technical assistance will provide comprehensive guidance on how to develop a compliance strategy through identifying, assessing, and prioritizing major compliance risks and then determining treatment actions that would strike the optimal balance between: (1) traditional enforcement activities; (2) innovative taxpayer services and compliance marketing activities; and (3) fine tuning of laws and regulations to improve clarity, etc. Efforts would aim to achieve wide impact within the taxpayer population by understanding the reasons for non-compliance and then positively influencing taxpayer behaviors, using whatever treatment option (or combination thereof) that can best achieve taxpayer compliance.

The recommended concept is very similar to the marketing techniques that are applied by commercial business to increase their market share. This is markedly different from the approach that was used by most tax administrations just a few years ago where risk analyses were undertaken mainly to identify single audit cases. Today, modern tax administrations increasingly assess risks at a taxpayer segment level to develop compliance intervention strategies (e.g. marketing, service, audit or enforcement) that impact on taxpayer compliance behaviors across a wider taxpayer population (e.g. certain industry groups). Through this they ensure the highest

possible level of voluntary compliance and are achieving the smallest possible tax gap. Through the above process, revenue administrations will find answers to the following questions:

- The make-up of their key compliance problems;
- Which groups of taxpayers risks relate to;
- Major compliance problems caused by weaknesses in law or the capacity of the administration;
- How the risks should be treated to achieve the best possible outcomes;
- How resources should be allocated across various functions to achieve the best possible compliance outcomes.

Delivering the technical assistance plan will include expanding the role of short-term experts that will enable the long-term advisor to divide his time between direct technical assistance, management and oversight of short-term expert TA delivery and support for regional training through the PITAA.

The current technical assistance delivery model is structured on the basis of delivering a quality product and to facilitate the sustainability of the reforms. To ensure the success of PFTAC technical assistance, members have been requested to delegate staff to exclusively work alongside PFTAC experts and to take ownership of project implementation. This will allow for the development of staff, contribute to the success of projects and provide PFTAC experts with the assurance that implementation capacity is provided. Engaging a bigger team of topic-specific short-term experts is aimed at achieving better outcomes through best practice and hands-on implementation assistance.

PFTAC has been working closely with PITAA and assisted in drafting a project plan to further strengthen the organization by introducing a permanent secretariat, staffing of the organization and setting up a budget. PITAA is fast becoming a recognized regional training provider with continued support from PFTAC. Six training initiatives have been planned which include a workshop on managing modern tax Administration, improving core tax functions, a risk based approach to compliance management and addressing tax risks in specific industries. This training plan is based on the findings of a training needs analysis conducted by PITAA and PFTAC. PFTAC has secured the services of experts to deliver this training.

All countries have been encouraged to complete the Revenue Administration Fiscal Information Tool (RAFIT) which will enable countries to record their qualitative and quantitative data through a web-based IMF application. In addition to providing a valuable source of information for revenue administrations, donors will also be able to use the information to make informed decisions regarding future technical assistance.

PIC tax administrations are largely different in their make-up which necessitates careful planning around technical assistance and acceptance that a one-size-fits-all approach will not work. This requires a broad and comprehensive understanding of their current unique problems and what steps are necessary to elevate performance to the next level.

Financial Sector Supervision

During the February to July period, TA in the area of financial sector supervision included a number of country missions and regional workshops. The credit union reform program was launched and a number of countries are already signed up. In addition, the financial supervision advisor attended the World Council of Credit Union Annual Conference, a regional financial sector private donor network meeting, and the PFTAC Steering Committee meeting.

The work program was dominated by assistance in on-site supervision, strengthening of Risk Based Banking Supervision, and providing advice on examination preparedness and mentoring examination and report writing (RBM objectives 3.4, 3.5). Our new credit union component got off the ground during this period (RBM objective 3.9) and the technical advisor attended a number of events under the outreach program (RBM objective 3.10).

Financial institutions reporting was monitored this quarter, following the deployment at the Central Bank of Solomon Islands' prudential return Financial Sector Information System (FSIS) developed by the RBNZ for managing data (RBM objectives 3.2). The technical advisor monitored the initial deployment and followed-up on the pilot. The CBSI reported this quarter that the deployment was successful and the financial analysts were able to extract information from the FSIS data base and produced reports on a monthly basis. PFTAC is now discussing with the RBNZ the planned rolling out the FSIS to other countries.

The technical advisor presented a new reporting tool to the supervisors of this region during the Association of Financial Supervisors of Pacific Country (AFSPC) annual meeting to be held in PNG this September. This template will gather statistical information and core ratio results prepared by the financial analysts, based on information in the monthly prudential returns submitted by commercial banks. The report will be for internal use by the Supervisor and submitted to senior management as a guide as to the health of the sector. The intention is to design, in cooperation with the association members, a document that will provide at one glance an overview of a bank's financial position, as well as a consolidation overview of the sector. The implementation of this tool is expected in the fourth quarter.

The on-site examination program is the most comprehensive component of PFTAC's Financial Supervision technical support (RBM objective 3.4). During the period in review the technical advisor performed a mission to Tonga aimed at preparing the Supervisory team for its upcoming examination of a commercial bank. The task involved performing an off-site review of the bank's financial position based on information gathered during the previous months, a detailed ratio analysis and the issuance of an engagement letter outlining the requirements the bank must adhere to prior to the examination. The preparedness program was implemented in August during the actual on-site examination of the commercial bank.

The Technical Advisor will be expanding the delivery of banking supervisory technical assistance to the region based on feedback at the PFTAC steering Committee meeting. Emphasis will be on developing a program that will provide additional assistance in performing on-site examination of financial institutions. The intent of the program will be to have a number of short-term experts paired with one or two Supervisory agencies who would agree to support a mentorship program for its staff over a period of two years. The short-term expert would provide advisory support to countries, based on an agreed program, and be available to answer queries during the term of the engagement. This approach will enable PFTAC to provide targeted technical support. The regional workshop

program will continue, providing TA and training on more specific topics and, if possible, in cooperation with other development partners who are involved in the region.

Representative from the Banking Commissions of Palau, Micronesia and Marshall Islands gathered in Guam for the first Northern region banking supervision workshop. The AFTSPC had requested during its last annual meeting that PFTAC consider providing sub-regional programs for its members. The response to the 5-day program was very positive. The technical advisor presented a series of case studies that generated candid discussions on a number of components related to risk based banking supervision and the oversight of credit unions. This event also provided a networking opportunity, allowing participants to interact and exchange on topics of mutual interest. (Objectives 3.4, 3.5, 3.9)

The Credit Union sector is the new entrant on our list of technical support and it was unveiled for the first time in February during a mission to review the status of the financial sector in Timor-Leste (objective 3.9). The need for support in this sector was put forward during the 2013 Annual Meeting of the Pacific Congress of Credit Unions and a number of jurisdictions have expressed a desire to receive assistance in updating laws, providing capacity building and the eventual transitioning of the sector's oversight to a Supervisory Authority. Timor-Leste included the transition of credit unions' oversight from the Ministry of Commerce to the Central Bank in its financial sector plan and as such is eager to receive support. A follow up mission in June included meetings and discussions with representatives from the sector and the Ministry of Commerce, who subsequently issued a letter to PFTAC requesting technical assistance. A short mission was held in August to meet with the Central Bank to discuss an implementation strategy, to be followed by a longer mission this December to introduce the program to the sector and perform a workshop on financial reporting.

PFTAC's coordinator also received official requests for technical assistance from Palau, Micronesia and Marshall Islands. As a result of this increased demand for technical support, including the need to draft or amend credit union legislation, the IMF Legal Department appointed a Consulting Counsel to support this program.

The Credit Union Reform Program will have three components;

- Credit Union Legal Reform. The premise is to modernize the sector by drafting a standalone credit union Act, supporting Regulations, Guidelines and Bylaws, that will be structured to be under the oversight of a Banking Supervisory Authority, may they be a Central Bank, Reserve Bank or Banking Commission.
- Credit Union Sector Capacity Building. The sector will require technical assistance in upgrading its accounting, financial statements, equity reporting and governance in order to comply with best practices and the requirements that will be outlined in the new Act. There will also be a need to develop an appropriate prudential reporting system.
- Supervision capacity building. There will be a need to provide technical assistance to oversight authorities on how to adequately supervise and examine credit unions.

In an ideal situation all three components would move forward in parallel resulting in all three merging at the same time which would allow the credit union sector to be ready, operational and compliant with the requirements of the new Act when enacted and the oversight authority ready to manage the sector. However it is possible to break down the deployment further based on specific constraints.

This is designed as a long term program that will require up to three years to fully implement, based on absorption capacity and the length of the legislative process. Each country will agree on an implementation time line that will require a number of missions and workshops to achieve the end result. PFTAC and the Technical Advisor will undertake to accomplish the expected result with the assistance of the IMF Legal Department and other short term experts.

Currently, Timor-Leste, Palau, Micronesia and Marshall Islands have officially asked for technical assistance and plans are in place to hold a workshop on drafting credit union legislation, with the assistance of the IMF Legal Department. Tonga, Samoa and Fiji have expressed an interest in moving forward with this program.

Under our outreach component the technical advisor accepted an invitation to attend and moderate a session on anti money laundering during the annual World Council of Credit Unions Conference held in Brisbane this July (RBM Objective 3.10). The conference saw the gathering of over 1800 delegates, who had the opportunity to exchange and learn on a multitude of topics relevant to that sector.

Macroeconomic Statistics

Over the last 6 months, the statistics work has focused on a number of themes. The first of these, (under RBM codes 4.1, 4.2 and 4.5) was improving access to administrative data in order to enhance the quality of national accounts and related estimates. New data sources have been accessed, and training provided on the use of annual financial account data in Cook Islands, Kiribati, Niue, Papua New Guinea, Solomon Islands and Vanuatu. Gaining access to new data sources is always a challenge usually involving negotiations at the managerial level.

A second major theme in the work program has been the introduction of methodological improvements (RBM 4.5), which was the focus of work done in Kiribati and Papua New Guinea, and source data analysis. The results of recent household income and expenditure surveys in Nauru, the Solomon Islands, and Vanuatu were analyzed during mission work and these will be incorporated in the national accounts estimates. These new data sources will enable the constant price national accounts to be rebased (RBM code 4.2) which is the next phase of the work being undertaken in the Cook Islands, the Solomon Islands, and Vanuatu.

Support was provided to Fiji to expand their gross domestic product (GDP) measures to include GDP estimates by expenditures and by income (RBM 4.1) with the aim of publishing these by August 2015 and also in developing a producer price index (RBM 4.8).

GDP estimates were completed in Kiribati and the Solomon Islands, and updated balance of payments estimates (RBM 4.9) were prepared in Niue with an emphasis on improved timeliness. A second sub-regional national accounts training course was delivered to compilers from the Micronesia, Palau, and the Marshall Islands, with the aim of simplifying their national accounts compilation procedures and improving their data sources.

Looking ahead, the primary milestones being targeted over the next 6 months are methodology improvements (RBM 4.5) in the Cook Islands, Kiribati, Marshall Islands, Nauru, Niue, Tuvalu, and Papua New Guinea, and the development of methodology for quarterly measures of GDP (RBM 4.4) is targeted for completion in Fiji which will also continue processing additional data sources for the development of expenditure and income GDP measures (RBM 4.1).

The Cook Islands and Vanuatu will complete the processing of input data and update their compilation systems as they rebase the constant price accounts (RBM 4.2) and PFTAC plans to engage short-term experts to providing assistance in prices (RBM 4.8) by analyzing the source data and rebasing the consumer price index in the Solomon Islands and Vanuatu and assisting with the further development of producer price indexes in Fiji.

Three sub-regional training courses will also be conducted. The Vanuatu course will focus on the processing of household survey data and those in Fiji and Palau will aim implementing improved national accounts methodology.

Macroeconomic Analysis and Forecasting

During the May–July period, the PFTAC macroeconomics advisor conducted three TA missions to Papua New Guinea, Samoa, and the Solomon Islands. These missions focused on multi-year fiscal planning and debt sustainability analysis, and financial programming and macroeconomic projections. In the period to January 2015, these will continue to be key themes, together with analysis of fiscal sustainability.

Technical assistance in Samoa focused on developing the multi-year fiscal planning process and building capacity to assess debt sustainability (RBM objectives 5.2 and 5.3). Assistance over the past year has been centered on enhancing the Samoa Economic and Revenue Forecasting (SERF) model used by the Economic Projection and Planning Division (EPPD) in the Ministry of Finance. During a mission in May the fiscal accounting aspect of the SERF model was modified to be consistent with the GFS 2001 reporting format recently adopted by the Budget Division. This modification enables EPPD staff to easily incorporate budget projections into the SERF model. Debt dynamics were incorporated into the model and the projection horizon was extended from three to six years. The SERF model can now be used to generate a debt profile based on a coherent macroeconomic / fiscal framework. This innovation improves the ability of EPPD staff to assess the government’s intention to reduce public debt from around 64 percent of GDP in FY2014 to 50 percent by 2020.

The mission also served to identify weaknesses in the budget planning process. In particular, the process mainly focuses on revenue and expenditure projections over the coming fiscal year; little attention is paid to the second and third year of the projection horizon. For example, public capital expenditure projections are based on projects that have already been appropriated. By excluding projects that are likely to get appropriated over the coming two years, the projection methodology tends to underestimate expenditures, resulting in downward bias in public sector borrowing requirements. The SERF model has been used to illustrate how more plausible expenditure projections affect the debt profile over the medium term.

Further assistance is planned to develop the debt accumulation accounting aspect of the model. The model can then be used to generate debt projections consistent with public debt reports produced by the Aid Coordination and Debt Management (ACDM) Division. This will enable EPPD and ACDM staff to conduct debt sustainability assessments (DSAs) based on an integrated macroeconomic / fiscal framework.

Technical assistance has continued to train staff in PNG and the Solomon Islands on how to use financial programming methods effectively (RBM objective 5.1). In PNG this entailed working with staff to enhance the financial programming (FP) framework that was developed during previous missions. An important aspect of the training process is to give staff hands-on experience using the framework to develop familiarity with the basic concepts, while introducing complexity at a measured pace. The training exercises were designed to help staff use

the framework in their day-to-day monitoring and projection activities. Generating a baseline projection scenario proved to be a very effective exercise in this regard. The discussions served to highlight issues that play a central role in the Monetary Policy Statement.

Assistance in the Solomon Islands centered on developing a financial programming framework to meet the needs of staff at the Central Bank of the Solomon Islands (CBSI). Staff at the Ministry of Finance conducts their analysis using the Solomon Islands Macroeconomic Model (SIMM), which is essentially the FP framework that was developed in coordination with PFTAC. Most of CBSI staff has taken training courses on financial programming but have not used the FP framework because it is overly complicated. A mission in July focused on developing a simplified version of the FP framework and training staff on how to use it effectively.

Further assistance is planned to continue training staff and developing their financial programming frameworks. In PNG automating the updating aspect of the model would greatly improve the efficiency of the monitoring process. In addition, there is a need to modify the analysis of impending inflationary pressures following a major revision to the CPI survey. In the Solomon Islands, the priority is to develop the fiscal sector of simplified version of the FB framework and continue training CBSI staff on how to use the framework effectively.

In the Federated States of Micronesia (FSM), Palau, and the Republic of the Marshall Islands (RMI) assistance will focus on long-term fiscal planning. With compact grants set to expire in 2023, policy makers in those countries face the difficult challenge of putting in place long-term fiscal plans to ensure that public expenditures can be funded on a sustained basis. PFTAC plans to play a prominent role in developing long-term planning frameworks to analyze fiscal adjustment scenarios, and training staff to how to use the frameworks.

More generally, a sub-regional workshop is planned to give staff in several countries more experience in using coherent macroeconomic frameworks to identify key risks facing the medium-term outlook by generating alternative projection scenarios. Recent experience has shown the importance of tailoring such workshops to meet the diverse capacity levels of staff.

Incorporating natural disaster risks into the fiscal planning process will play a more prominent role in the work program over the coming year. Sub-regional forums will provide a forum for participants to share experiences on the fiscal impact of natural disasters and devise best practices.

Annex 1: PFTAC Missions, Workshops, Meetings and Training (November 2013-January 2014)

PFTAC Missions (May-July 2014)

Public Financial Management

Country	Description	Advisor Type	Mission Days	RBM Codes
Fiji	Mentoring MOF staff to prepare a PFM Reform Roadmap and Internal Consensus Building - Phase 2	Short-Term Expert	15	1.2
Kiribati	CV review for EU-funded Accountant General advisor position in Kiribati	Resident Advisor	1	1.7
Nauru	Fixed Assets Valuation	Short-Term Expert	12	1.8
Niue	Medium-term budgeting at line agencies	Resident Advisor	15	1.6
Papua New Guinea	Review PNG FMIS/ICT issues and PEFA Progress	Resident Advisor	5	1.1
	Financial Management System (FMIS) and Information Communication Technology Review	Short-Term Expert	44	1.7
Tuvalu	Development of medium-term budgeting	Resident Advisor	15	1.6
Samoa	Wrap-up of Review of NTR review	Resident Advisor	19	1.6
Regional	PFTAC Steering Committee Meeting	Resident Advisors	6	n.a.
	PFTAC Steering Committee Meeting	Short-Term Expert	3	n.a.
	Deep Sea Minerals workshop: Financial Aspects	Short-Term Expert	7	1.5

Revenue Policy and Administration

Country	Description	Advisor Type	Mission Days	RBM Codes
Fiji	Scoping Options for Replacement of Current IT System: Phase 2	Short-Term Expert	12	2.8
	FRCA Corporate Strategy Review	Short-Term Expert	19	2.8
Kiribati	Compliance Improvement	Resident Advisor	3	2.1-2.9
Nauru	Develop Tax Reform Agenda	Resident Advisor	10	2.3
	Fiscal Law: Tax Procedures	Short-Term Expert	12	2.2,2.3
Tuvalu	Revenue Administration Review	Resident Advisor	2	2.1
Regional	Capacity building and support frameworks workshop	Resident Advisor	5	2.1
	Capacity building and support frameworks workshop	Resident Advisor	2	2.1
	Capacity building and support frameworks workshop	HQ-based staff	6	2.1
	Capacity building and support frameworks workshop	Short-Term Expert	6	2.1
	PITAA Annual Meeting	Resident Advisor	5	2.1
	PITAA Annual Meeting	HQ-based staff	3	2.1
	PITAA Annual Meeting	HQ-based staff	4	2.1

Deep Sea Minerals Workshop: Financial Aspects	HQ-based staff	4	2.1
Deep Sea Minerals Workshop: Financial Aspects	Short-Term Expert	4	2.1
Installation of new Revenue Advisor	HQ-based staff	3	2.1
PFTAC Steering Committee Meeting	Resident Advisor	3	n.a.

Financial Sector Supervision

Country	Description	Advisor Type	Mission Days	RBM Codes
Timor Leste	Credit Union legislation and oversight mission	Resident Advisor	5	3.9
Samoa	Mission to Central Bank of Samoa (IMF Staff visit)	Resident Advisor	6	n.a.
Regional	World Council of Credit Unions Conference	Resident Advisor	4	3.9
	Northern region Annual Banking Supervision workshop	Resident Advisor	5	3.3,3.4,3.5, 3.6,3.7
	PFTAC Steering Committee Meeting	Resident Advisor	3	3.10

Macroeconomic Statistics

Country	Description	Advisor Type	Mission Days	RBM Codes
Fiji	National Accounts – Strengthening Annual Methodology (1)	Resident Advisor	2	4.3,4.4,4.5, 4.7,4.9
	National Accounts and PPI	Resident Advisor	2	4.3,4.4,4.5, 4.7,4.9
	National Accounts and PPI	Resident Advisor	2	4.3,4.4,4.5, 4.7,4.9
Kiribati	National accounts production	Resident Advisor	4	4.3,4.4,4.5, 4.7,4.9
Regional	National Accounts GDP Compilation Workshop - Guam	Resident Advisor	13	4.3,4.5,4.6, 4.8
	National Accounts GDP Compilation Workshop - Guam	Resident Advisor	13	4.3,4.5,4.6, 4.8
	Pacific Statistics Steering Committee	Resident Advisor	4	4.5,4.9
	Pacific Statistics Steering Committee	Resident Advisor	4	4.5,4.9
	SPC Workshop on HIES	Resident Advisor	5	4.6
	SPC Workshop on HIES	Resident Advisor	5	4.6
	PFTAC Steering Committee Meeting	Resident Advisor	3	n.a.
	PFTAC Steering Committee Meeting	Resident Advisor	3	n.a.

Macroeconomic Analysis & Forecasting

Country	Description	Advisor Type	Mission Days	RBM Codes
Papua New Guinea	Macroeconomic monitoring & projection framework	Resident Advisor	12	5.3
Samoa	Medium-term fiscal planning	Resident Advisor	10	5.3-5.4
Solomon Is.	Macroeconomic monitoring & projection framework	Resident Advisor	5	5.1
Regional	PFTAC Steering Committee Meeting	Resident Advisor	3	n.a.

Meetings, Seminars and Training (May-July 2014)

Topic	Location	Number of Participants
Deep Sea Mineral Financial Aspects Workshop	Cook Islands	78
National Accounts GDP Compilation Workshop	Guam	6
Northern Region Annual Banking Supervision Workshop	Guam	9
Capacity building and support frameworks Workshop	Fiji	16
International Accounting Standards Workshop	Fiji	48
Pacific Islands Tax Administrators Association Annual Meeting	Fiji	38
PFTAC Steering Committee Meeting	Fiji	60

Annex 2: PFTAC Expenditure and Income in May-July 2014

International Monetary Fund
Pacific Financial Technical Assistance Center
Table 1: PFTAC Expenditure FY14Q2 - FY15Q1
(US\$ millions)

Expenditure area	FY2014			FY2015		Total (IMF) FY14Q2-FY15Q1
	Q2 IMF	Q3 IMF	Q4 IMF	Q1 IMF	Q2 PFTAC	
Long-term experts	493,032	518,130	580,191	458,553	458,553	2,049,906
Short-term experts	162,547	178,241	150,090	113,466	153,283	604,344
Travel	135,879	181,425	275,252	77,084	132,635	669,640
Seminars	71,809	55,756	187,485	27,715	228,492	342,765
Staff TA delivery	10,020	55,243	19,175	35,196	35,196	119,634
Miscellaneous	3,869	12,138	35,779	1,035	1,035	52,821
Backstopping	38,207	33,395	30,315	31,386	31,386	133,303
Project management	10,003	17,331	13,026	8,582	8,582	48,942
Total TA Delivery	925,366	1,051,659	1,291,313	753,017	1,049,162	4,021,355
Evaluation	-	-	29,157	1,789	1,789	30,946
Trust fund management (7%)	64,776	73,616	92,433	52,836	73,567	283,661
TOTAL*	990,142	1,125,275	1,412,903	807,642	1,124,518	4,335,962

*Host Country and IMF contribution is not included

International Monetary Fund
Pacific Financial Technical Assistance Center
Fourth Funding Cycle (Phase IV) June 2012 - April 2016
Table 2. Status of Financial Contributions
as of April 30, 2014
(units 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 07/29/2011</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	7,343,983	<i>signed 06/16/2011</i>	<i>NZD</i>	8,900,000	5,781,826	1,562,157
Australia DFAT	7,500,000	<i>signed 05/25/2011</i>	<i>U.S. dollars</i>	7,500,000	7,500,000	-
Korea	2,337,870	<i>signed 02/15/2012</i>	<i>W (Korean Won)</i>	2,500,000,000	1,124,390	1,213,480
EU (ACP)	1,391,400	<i>signed 10/04/2013</i>	<i>Euros</i>	1,000,000	1,391,400	-
EU (2nd LOU)	4,754,295	<i>signed 12/27/2013</i>	<i>Euros</i>	3,500,000	4,281,795	472,500
Total	25,672,887				22,424,750	3,248,137

Annex 3: PFTAC Work plan August 2014-January 2015

Public Financial Management Work Plan: August 2014-January 2015 (FY15 Q2-Q3)

Measurable Outcomes	Country	Progress against Milestones at end-FY2014 ¹	Planned activity August 2014-January 2015	Person days	Relevant Milestone	Comments
1.1 At least 1 PEFA assessment conducted in each PFTAC country during the funding cycle.						
	Cook Islands	3	Dec 2014 (Marzan/Mayes/Narube): Team will work with CI officials to complete a PEFA formal assessment	42	RBM Milestone # 2: Number of formal PEFA assessments conducted with significant country staff involvement	Self-assessment conducted Dec 2013; formal PEFA expected to be complete by end-FY2015.
	PNG	3 (self-assessment: started 2014)	Aug & Oct 2014 (Hackett): Review progress on PEFA self-assessment and provide checks for proper interpretation of PEFA rating standards	10	RBM Milestone #1: Number of self-assessments conducted	
	Tokelau	3 (self-assess started: 2014)	Jan 2015 (Mayes/Betley): Team will work with country staff to complete the self assessment, then move on to the formal PEFA	20	RBM Milestone #1: Number of self-assessments conducted; RBM Milestone #2: Number of formal PEFA assessments conducted with significant country staff involvement	
	Tonga	2 (self-assessment: started FY2015)	Aug/Sept (Hackett/Narube/Mafi/Vakalaloma): Team will work with Tonga officials to complete a PEFA self-assessment	55	RBM Milestone #1: Number of self-assessments conducted	
1.2 Reform road maps developed following each PEFA assessment.						
	Fiji	4	Hackett (periodic): Review and comment on MOF drafts of PFM Roadmap	5	RBM Milestone #3: Number of PFM reform roadmaps developed	
	Niue	4	October 2014 (Prakesh): Assist Niue officials in adding detail to a draft 2012 PFM Reform Roadmap	20	RBM Milestone #3: Number of PFM reform roadmaps developed	
	Solomon Islands	4	Narube (Oct 2014): Assist the SI MOF in developing a communication strategy for implementation of the PFM Roadmap	10	RBM Milestone #3: Number of PFM reform roadmaps developed	

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.

Measurable Outcomes	Country	Progress against Milestones at end-FY2014 ¹	Planned activity August 2014-January 2015	Person days	Relevant Milestone	Comments
1.3 Modernized legal frameworks and financial Instructions implemented						
	Fiji	3	Sept/Oct 2014 (Emery): Assist Fiji MOF officials in identifying changes in current Financial Management Act for improved PFM and compliance with new Constitution.	30	RBM Milestone #4: Number of countries with identified legal obstacles (in law or financial instructions) to implementing good PFM practice (as reflected in PFTAC's RBM outcomes 1.4 – 1.9) who were provided TA for improvements	
	Tuvalu		Sept/Oct (Beak): Assist Tuvalu MOF officials with a re-write of their Financial Instructions to better reflect operations since implementation of their FMIS, and other improvements in PFM	30	RBM Milestone #4: Number of countries with identified legal obstacles (in law or financial instructions) to implementing good PFM practice (as reflected in PFTAC's RBM outcomes 1.4 – 1.9) who were provided TA for improvements	
1.4 Budget Credibility Improves (PEFA Indicators 1-4)						
<i>Note: the rating given each country is an arithmetic average of the ratings for the relevant PEFA indicators from each country's most recent PEFA review</i>						
No missions planned during this period						
1.5 Budget Comprehensiveness and Transparency Progresses Toward International Standards (PEFA Indicators 5-10)						
<i>Note: the rating given each country is an arithmetic average of the ratings for the relevant PEFA indicators from each country's most recent PEFA review</i>						
	Fiji	2	Hackett (Periodic during Aug - Oct 2014): Assist with redesign of budget document content including improved medium-term focus with greater policy/strategy content at the program/activity level; and review drafts	5	RBM Milestone #12: Budget documentation presented for each line ministry should integrate information at the program level on medium-term objectives, issues, strategies, and finances for <u>all</u> funds (recurrent and development, including any funds "off-budget")	

1.6 Budgeting Becomes More Policy Focused with a Medium-term Orientation (PEFA Indicators 11-12)

Note: the rating given each country is an arithmetic average of the ratings for the relevant PEFA indicators from each country's most recent PEFA review

Fiji	2	Hackett (Periodic during Aug - Oct 2014): Assist with redesign of budget document content including improved medium-term focus with greater policy/strategy content at the program/activity level; and review drafts	5	RBM Milestone #16: Budget documents clearly explain the policies and strategies driving funding changes; #17: Budget process focuses on a medium-term time-frame at the program/sub-program level.
Niue	1	Prakesh (Oct 2014): Assist with the integration of various current separate budget and planning documents to create a budget document with a medium-term focus and greater policy/strategy content at the program/activity level	10	RBM Milestone #16: To enable a more strategic focus on the government's policy intentions and priorities...budget documents clearly explain the policies and strategies driving funding changes; #17: Budget process focuses on a medium-term time-frame at the program/sub-program level.

1.7 Budget Execution Progresses Toward International Standards (PEFA Indicators 16-21)

Note: the rating given each country is an arithmetic average of the ratings for the relevant PEFA indicators from each country's most recent PEFA review

PNG	2	Aug & Oct (Ramsey); Aug (Hackett): Review/planning of IFMS restructuring	30	Effective operation of an IFMS has implications for many milestones within both this outcome group, as well as outcome group 1.8 (accounting, recording, and reporting). Most important for outcome group 1.7 is: RBM Milestone #22: Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations
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1.8 Accounting, Recording and Reporting Improves in line with international standards (PEFA indicators 22-25)

Note: the rating given each country is an arithmetic average of the ratings for the relevant PEFA indicators from each country's most recent PEFA review

Vanuatu	3	Oct (Mayes & Prceovich): TA to improve standards and operations of Internal Audit	20	RBM Milestone #23: Action by management on internal audit findings is prompt and comprehensive across central government entities
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Revenue Administration Work Plan: August 2014-January 2015 (FY15 Q2-Q3)

Measurable Outcomes	Country	Progress against Milestones at end-FY2014 ¹	Planned activity August 2014-January 2015	Person days	Relevant Milestone	Comments
2.1 Modern tax policy frameworks are adopted						
No missions planned during this period						
2.2 Appropriate legislation and regulations for effective policy implementation are adopted						
	Nauru	3	Draft legislation	10	Preparing legislation for new taxation laws	STX: Draft legislation necessary to implement employment and non-resident withholding taxes, and revenue administration act and legislation for business tax and small business presumptive tax
2.3 Modern and integrated processes are adopted to verify & maintain taxpayer information & compliance obligations						
	Regional		Managing modern tax administration workshop	7	Improve management capability	STX mission: Training attended by the largest 6 PIC Revenue Administrations
	FSM	2	Review overall reform progress	3	Review modernization progress - identify TA needs	LTX mission to review strategic and operational progress
			Review overall reform progress	5	Review modernization progress	LTX mission to review strategic and operational progress
	Kiribati	2	Review overall reform program	4	Review modernization progress - identify TA needs	LTX mission to review strategic and operational progress
		2	Develop processes for registration, filing and payment	10	Modernize core tax functions	STX mission - design new processes for the registration, filing and payment of employment and non-resident withholding tax
	Palau	2	Review overall reform program	5	Review modernization progress - identify TA needs	LTX mission to review strategic and operational progress

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.

Measurable Outcomes	Country	Progress against Milestones at end-FY2014 ¹	Planned activity August 2014-January 2015	Person days	Relevant Milestone	Comments
	RMI	2	Review overall reform program	3	Review modernization progress - identify TA needs	LTX mission to review strategic and operational progress
	Tonga	3	Review overall reform progress	5	Review modernization progress - identify TA needs	LTX mission to review strategic and operational progress
	Tuvalu	3	Review overall reform progress	5	Review modernization progress - identify TA needs	LTX mission to review strategic and operational progress
	Vanuatu	3	Review overall reform progress	5	Review modernization progress - identify TA needs	LTX mission to review strategic and operational progress
2.4 Business systems & processes are based on risk-management principles						
	Regional		Taxpayer Services Management workshop	10	Improve management of taxpayer services function	STX mission
	Fiji	2	Improve risk management and develop self assessment systems	10	Identify, assess and address priority revenue risks	LTX mission
	Fiji	2	Improving core tax functions, taxpayer services, audit and tax arrears	10	Improve management of core tax functions leading to improved compliance	LTX mission
	Fiji	2	Improve risk management	10	Identify, assess and address priority revenue risks	STX mission
	Tonga	3	Implement self assessment and compliance risk management	10	Modernize business systems and improve compliance management	STX mission - overlap with 2.5 (Compliance management)
2.5 Compliance improvement strategies use a mixture of service and enforcement approaches						
	FSM	2	Improve compliance, introduce risk management and conduct a business process review	10	Enhance compliance improvement strategies	STX mission - overlap with 2.4 (Risk Management)
	Fiji	1	Develop compliance improvement plans	10	Enhance compliance improvement strategies	LTX mission
	Kiribati	1	Improve compliance, introduce risk management	10	Enhance compliance and risk management capability	LTX mission - overlap with 2.4 (Risk Management)
	RMI	1	Improve compliance, introduce risk management and conduct a business process review	10	Enhance compliance and risk management capability	STX mission - overlap with 2.4 (Risk Management)
	Samoa	3	Introduce modern compliance management.	10	Enhance compliance improvement strategies	STX mission
2.6 Modern IT operating systems and infrastructure are in place and operate effectively.						
	Regional		Disaster recovery and IT strategy	5	Enhance IT management	STX mission - creating awareness and building a regional implementation model

Measurable Outcomes	Country	Progress against Milestones at end-FY2014 ¹	Planned activity August 2014-January 2015	Person days	Relevant Milestone	Comments
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2.7 Organizational and operating structures are relevant to the business and allow for the effective use of resources.

No missions planned during this period

2.8 Good corporate strategies, business planning processes and management information reports are adopted, implemented and updated regularly.

Fiji	3	Implementation of strategic objectives	5	Develop roll-out plan for implementation of strategic objectives	LTX mission (Strategic plan designed - implementation to follow)
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2.9 The organization is transparent and accountable with adequate dispute resolution processes.

No missions planned during this period

Financial Supervision Work Plan: August 2014-January 2015 (FY15 Q2-Q3)

Measurable Outcomes	Country	Progress against Milestones at end-FY2014 ¹	Planned activity August 2014-January 2015	Person days	Relevant Milestone	Comments
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3.1 Development and Implementation of Prudential Returns

Completed. No further missions planned

3.2 Implementation of Financial Sector Information System (FSIS)

Cook Islands	1	Deployment of the FSIS Program	10	Hardware and software installed. Training completed	Based on RBNZ schedule
Solomon Islands	4	Follow-up and installation of any upgrade versions	5	CBSI Producing reports	Based on RBNZ schedule

3.3 Strengthened Off-site Supervision

Regional	4	AFSPC Annual Workshop	5	Discussion on level of off-site Supervision and training requirements	FSM, Fiji, Palau, PNG, RMI, Samoa, Solomon Islands,
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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.

Measurable Outcomes	Country	Progress against Milestones at end-FY2014 ¹	Planned activity August 2014-January 2015	Person days	Relevant Milestone	Comments
	Fiji	1	Workshop on Consolidated Supervision		Participants are able to perform a financial review of a consolidated conglomerates	Tonga, Vanuatu. A STX will deliver a three day workshop sponsored by PFTAC.
	Timor-Leste	1	Review of the off-site supervision department		The department is producing reports based on information provided by banks	
3.4 Strengthened On-site Examination						
	Regional (1)		AFSPC Annual workshop	5	On-site Supervision	FSM, Fiji, Palau, PNG, RMI, Samoa, Solomon Islands, Tonga, Vanuatu.
	Regional (2)		Workshop Northern Region held in Guam	5	On-site Supervision	FSM, Palau, RMI
	Regional (3)		Workshop Southern Region held in Samoa	5	On-site Supervision	Fiji, PNG, Samoa, Tonga, Solomon Islands Vanuatu.
	Palau	2	On-site examination TA	10	Examination report issued	
	Timor-Leste	1	On-site examination TA	10	Examination report issued	
	Tonga	3	On site examination TA	20	Examination report issued	On-site examination TA ANZ, PICB and Dev Bank
	Tuvalu	1	On site examination TA	10	Examination report issued	Waiting for engagement letter
	Vanuatu	2	On-site examination TA	10	Examination report issued	On-site Examination of a commercial bank
3.5 Development of Standardized Examination Reports						
	Regional	4	AFSPC Annual workshop	5	Drafting reports	FSM, Fiji, Palau, PNG, RMI, Samoa, Solomon Islands, Tonga, Vanuatu.
	Tonga	3	Additional mission to develop report templates	10	Templates are developed and implemented.	On-site examination TA
3.6 Implementation of Sound Examination Policy and Procedures						
No missions planned during this period						
3.7 Financial Statement Analysis and Templates Developed						
No missions planned during this period						
3.8 Modernized Legal Framework						
	FSM	1	Drafting CU Act	5	Draft completed and reviewed by the relevant authority	IMF Legal Department support

Measurable Outcomes	Country	Progress against Milestones at end-FY2014 ¹	Planned activity August 2014-January 2015	Person days	Relevant Milestone	Comments
	Fiji	3	Drafting CU Act	10	Draft completed and reviewed by the relevant authority	IMF Legal Department support
	Palau	1	Drafting CU Act	5	Draft completed and reviewed by the relevant authority	IMF Legal Department support
	RMI	1	Drafting CU Act	5	Draft completed and reviewed by the relevant authority	IMF Legal Department support
	Samoa	3	Drafting CU Act	10	Draft completed and reviewed by the relevant authority	IMF Legal Department support
	Timor-Leste	2	Drafting CU Act	10	Draft completed and reviewed by the relevant authority	IMF Legal Department support
	Tonga	4	Prudential Guidelines	10	Prudential Guidelines adapted to the new Act	TA to update Prudential Guidelines following new Banking and Financial Institution Act
3.9 Non-banks, Credit unions, and Microfinance institutions have Strengthened Legal, Supervisory and Operational Frameworks						
	FSM	1	Workshop: Capacity building credit union	5	Implementation of standard Financial and Statutory Reporting templates	FSM and PFTAC to implement a CU reform Program
	Fiji	3	Planning The deployment of a CU Reform program	20	TOR Implementation of comprehensive CU reform program	PFTAC to implement a CU reform program - Include Sector capacity building and supervisory oversight regime
	Palau	2	Workshop: Capacity building credit union	5	Implementation of standard Financial and Statutory Reporting templates	Palau and PFTAC to implement a CU Reform Program
	RMI	1	Workshop: Capacity building credit union	5	Implementation of standard Financial and Statutory Reporting templates	RMI and PFTAC to implement a CU Reform Program
	Timor-Leste	1	Mission: Development of a CU Capacity building program	20	Deployment of program Sector capacity building	Timor-Leste and PFTAC to implement a CU reform program.
3.10 Effective Outreach on Financial Sector Issues						
	Regional (1)		Regional Partners' meeting	3	Partners meeting	Auckland NZ October
	Regional (2)		Annual AFSPC meeting	5	Workshop : How to manage a supervisory department	PNG
	Fiji	4	Credit Union Congress Governor's meeting	5		Suva - November
	Fiji	4	South Pacific Central Bank Governors' meeting	5		Nadi - December

Macroeconomic Statistics Work Plan: August 2014-January 2015 (FY15 Q2-Q3)

Measurable Outcomes	Country	Progress against Milestones at end-FY2014 ¹	Planned activity August 2014-January 2015	Person days	Relevant Milestone	Comments
4.1 At least 8 countries compile at least two independent measures of GDP						
	Fiji	2	Staff will review draft GDP estimates by expenditure and income	4	Good quality estimates compiled using sound methodologies	Experimental estimates expected in early 2015
	Kiribati	2	Staff will review progress made on development of methodologies for the compilation of final consumption expenditure estimates	4	Sound methods in place.	Further TA on this development work will be conditional on the strict completion of benchmark tasks
4.2 Constant price GDP estimates are rebased at least every 10 years						
	Regional Cook Islands	1	Sub-regional training course in HIES. Staff will undertake admin data collection.	10	Sound methods in place. Surveys conducted at least every 10 years.	Also includes 4.8 CPI rebase. Focus changing from 4.4 to 4.2.
	Solomon Islands	1	Plan for the GDP rebase scheduled during the second quarter of 2015	0.5	Plans developed.	Remote TA.
	Vanuatu	2	Staff will undertake admin data collection.		Surveys conducted at least every 10 years.	Has a number of RBM codes.
4.3 At least 8 member countries compile regular annual GNI, GNDI, saving and net lending/borrowing aggregates						
	Kiribati	4	Focus on improving timeliness	0.5	GNI and GNDI published	
4.4 At least 4 countries compile quarterly national accounts						
	Cook Islands	4	Focus on improving timeliness	5	Quarterly series available within 90 days and benchmarked against annual.	Rebase will improve annual estimates.
	Fiji	2	Review draft QNA methodology	5	Methodologies developed.	Sept and December missions. Split between methodology and sources.
4.5 Data sources are adequate and methodologies are sound						
	Regional (1)		Regional training course in national accounts.	10	Sound methods in place.	Suva course. HQ assistance.

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.

Measurable Outcomes	Country	Progress against Milestones at end-FY2014 ¹	Planned activity August 2014-January 2015	Person days	Relevant Milestone	Comments
	Regional (2)		Sub-regional training course in national accounts.	10	Sound methods in place.	For North Pacific countries. Palau.
	Fiji	3	Review QNA data sources.	5	Quarterly data assessed.	
	Fiji	2	Review draft expenditure data sources.	3	Available independent data assessed.	
	Kiribati	2	Improve national accounts methodology. Staff training.	0.5	Sound methods in place.	
	Nauru	2	Improve national accounts methodology. Staff training.	8.5	Sound methods in place.	Taken over from SPC.
	Niue	2	Collect admin data. Staff training.	10	Sound methods in place.	Taken over from SPC. Has a number of RBM codes. Remote TA
	Palau	3	Improve national accounts data sources. Staff training.	1	Sound methods in place.	
	PNG	1	Improve national accounts methodology. Staff training.	10	Sound methods in place.	
	RMI	3	Improve national accounts methodology. Staff training.	18	Sound methods in place.	NA compiled by external consultants. Need improved value added inputs. 2nd mission to be confirmed. Taken over from SPC.
	Tuvalu	2	Improve national accounts methodology. Staff training.	10	Sound methods in place.	
	Vanuatu	3	Improve national accounts methodology. Staff training.	8	Sound methods in place.	Secondary RBM code.
4.6 National accounts statistics are consistent with other statistics including balance of payments and government finance statistics						
	Nauru	1	Reconcile with (new) BOP data.	0.5	Datasets and methodologies consistent.	Mission on national accounts and BoP overlapped during September to ensure consistency
	Niue	2	Reconcile with (new) BOP data.		Datasets consistent.	Taken over from SPC.
4.7 National accounts statistics and associated metadata are readily available.						
	Cook Islands	Joined GDDS	Complete metadata and post on GDDS website.		Metadata published	Assisted by IMF HQ GDDS project. Remote TA
	Kiribati	2	Review GDP estimates.	2	2013 GDP published	
	Nauru	2	Assist in compiling GDP estimates for publication	1	2014 GDP published	
	RMI	3	Write up methodology as part of staff training.		Metadata published	Secondary RBM code.
	Samoa Solomon Islands	3	Review GDP estimates.	1	2013 GDP published	Remote TA

Measurable Outcomes	Country	Progress against Milestones at end-FY2014 ¹	Planned activity August 2014-January 2015	Person days	Relevant Milestone	Comments
	Vanuatu	2	Write up methodology as part of staff training.		Metadata published	Secondary RBM code.
4.8 Price statistics are of good quality and base years up to date.						
	Fiji	2	Develop PPI and review work to date.	10	Price data properly collected.	Manufacturing PPI nearly complete. Services and Agriculture to be developed. STX will be used.
	Solomon Islands	1	Update CPI base year.	10	HIESs conducted, processed, analyzed.	HIES complete. STX will be used.
	Vanuatu	2	Update CPI base year.	10	HIESs conducted, processed, analyzed.	HIES complete. STX will be used.
4.9 Improvement in the coverage, quality and timeliness of balance of payments estimates.						
	Cook Islands	2	Data collection. Training in BOP methodology.	5	Data assessed, data collected.	
	Nauru	1	Data collection. Training in BOP methodology.	8	Data assessed, data collected.	STX mission
	Niue	3	Data collection. Training in BOP methodology.		Data assessed, data collected.	

Macroeconomic Analysis Work Plan: August 2014-January 2015 (FY15 Q2-Q3)

Measurable Outcomes	Country	Progress against Milestones at end-FY2014 ¹	Planned activity August 2014-January 2015	Person days	Relevant Milestone	Comments
5.1 Development of integrated macroeconomic monitoring / projection frameworks						
	PNG	2	Mission in Aug / another planned in Nov-Jan (tentative)	5	Tailor FP framework to meet diverse needs of individual countries and capacity levels of staff.	Simultaneous with RBM 5.2 & 5.3 objectives

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.

Measurable Outcomes	Country	Progress against Milestones at end-FY2014 ¹	Planned activity August 2014-January 2015	Person days	Relevant Milestone	Comments
	Samoa	2	Mission in Sept / another planned in Nov-Jan (tentative)	5	Monitoring / projection activities conducted within an integrated framework.	Simultaneous with RBM 5.2 & 5.3 objectives
	Solomon Islands	3	Mission in Oct / another planned in Nov-Jan (tentative)	5	Tailor FP framework to meet diverse needs of individual countries and capacity levels of staff.	Simultaneous with RBM 5.2 & 5.3 objectives
	Tonga	2	Mission in Sept / another planned in Nov-Jan (tentative)	5	Monitoring / projection activities conducted within an integrated framework.	Simultaneous with RBM 5.2 & 5.3 objectives
	Vanuatu	2	Mission in Oct / another planned in Nov-Jan (tentative)	5	Tailor FP framework to meet diverse needs of individual countries and capacity levels of staff.	Simultaneous with RBM 5.2 & 5.3 objectives
5.2 Development of multi-year fiscal planning processes						
	FSM	2		5	Develop long-term fiscal planning frameworks for Palau, FSM and RMI to facilitate fiscal adjustment in response to expiry of Compact grants.	Nov symposium in Palau will provide opportunity to engage authorities in follow-up TA
	Palau	2	Present long-term fiscal planning framework at symposium in Nov	5	Develop long-term fiscal planning frameworks for Palau, FSM and RMI to facilitate fiscal adjustment in response to expiry of Compact grants.	Nov symposium in Palau will provide opportunity to engage authorities in follow-up TA
	PNG	2	Mission in Aug / another planned in Nov-Jan (tentative)	5		Simultaneous with RBM 5.1 & 5.3 objectives
	RMI	2		5	Develop long-term fiscal planning frameworks for Palau, FSM and RMI to facilitate fiscal adjustment in response to expiry of Compact grants.	Nov symposium in Palau will provide opportunity to engage authorities in follow-up TA
	Samoa	2	Mission in Sept / another planned in Nov-Jan (tentative)	5	Continue to develop integrated macro-fiscal frameworks and provide training so that staff can use effectively	Simultaneous with RBM 5.1 & 5.3 objectives
	Solomon Islands	3	Mission in Oct / another planned in Nov-Jan (tentative)	5	Continue to develop integrated macro-fiscal frameworks and provide training so that staff can use effectively	Simultaneous with RBM 5.1 & 5.3 objectives
	Tonga	2	Mission in Sept / another planned in Nov-Jan (tentative)	5	Continue to develop integrated macro-fiscal frameworks and provide training so that staff can use effectively	Simultaneous with RBM 5.1 & 5.3 objectives
	Vanuatu	2	Mission in Oct / another planned in Nov-Jan (tentative)	5	Continue to develop integrated macro-fiscal frameworks and provide training so that staff can use effectively	Simultaneous with RBM 5.1 & 5.3 objectives

Measurable Outcomes	Country	Progress against Milestones at end-FY2014 ¹	Planned activity August 2014-January 2015	Person days	Relevant Milestone	Comments
5.3 Develop ability to assess debt sustainability						
	Fiji	3	Missions planned for Nov-Jan (tentative)	5	Incorporate debt dynamics into integrated macro-fiscal frameworks. / Countries able to prepare their own DSAs, with alternative scenarios designed to address key risks.	Simultaneous with RBM 5.1 & 5.2 objectives
	PNG	1	Mission in Aug / another planned in Nov-Jan (tentative)	5	Incorporate debt dynamics into integrated macro-fiscal frameworks. / Countries able to prepare their own DSAs, with alternative scenarios designed to address key risks.	Simultaneous with RBM 5.1 & 5.2 objectives
	Samoa	2	Mission in Sept / another planned in Nov-Jan (tentative)	7	Incorporate debt dynamics into integrated macro-fiscal frameworks. / Countries able to prepare their own DSAs, with alternative scenarios designed to address key risks.	Develop integration of SERF model with quarterly debt reports prepared by debt management office
	Solomon Islands	3	Mission in Oct / another planned in Nov-Jan (tentative)	5	Incorporate debt dynamics into integrated macro-fiscal frameworks. / Countries able to prepare their own DSAs, with alternative scenarios designed to address key risks.	Simultaneous with RBM 5.1 & 5.2 objectives
	Tonga	2	Mission in Sept / another planned in Nov-Jan (tentative)	5	Incorporate debt dynamics into integrated macro-fiscal frameworks. / Countries able to prepare their own DSAs, with alternative scenarios designed to address key risks.	Simultaneous with RBM 5.1 & 5.2 objectives
	Vanuatu	2	Mission in Oct / another planned in Nov-Jan (tentative)	5	Incorporate debt dynamics into integrated macro-fiscal frameworks. / Countries able to prepare their own DSAs, with alternative scenarios designed to address key risks.	Simultaneous with RBM 5.1 & 5.2 objectives
5.4 Development of contingency plan to provide financing in the event of a natural disaster						
	Regional (1)		Workshop planned for Nov-Jan (tentative)	5	Provide estimates to countries on the amount of contingency reserves required to support immediate response effort in the event of a natural disaster.	

Measurable Outcomes	Country	Progress against Milestones at end-FY2014 ¹	Planned activity August 2014-January 2015	Person days	Relevant Milestone	Comments
	Regional (2)		Workshop planned for Nov-Jan (tentative)	5	Provide guidance on how countries can take into account fiscal risks associated with natural disasters when assessing debt sustainability.	