

# PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTRE

## QUARTERLY REPORT



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### I. Introduction<sup>1</sup>

This report covers PFTAC activities and finances in the May-July 2015 period (FY2016 Q1), as well as planned activities in the period from through to the end of January 2016. During the May-July period, PFTAC technical assistance (TA) activity slowed to a pace consistent with the FY2016 budget. About half of the TA continues to be provided by resident advisors, and half by short-term experts. Vanuatu, Papua New Guinea (PNG), Fiji, and Tonga were the major recipients of TA. A highlight in the quarter was the workshop/conference on strengthening fiscal frameworks and resilience to natural disasters, held in Nadi in June. PFTAC and the IMF worked together to put on the program, which was jointly hosted by the Fijian government and funded by the Australian government.

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Looking forward, the schedule of activity is expected to pick up through the next several months. The 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 the end October (see Annex 3). Although some of the extensive assistance provided to PNG with its public sector financial information and cash management systems are expected to be scaled down, PFTAC's region-wide programs to assist with improving tax compliance and with on-site bank examination are still being ramped up. In the short term, TA in the area of macroeconomic statistics is likely to be delayed by the departure of one of our two resident advisors, Greg Legoff.

### II. PFTAC Developments

#### Workshop on Strengthening Fiscal Frameworks and High-Level Dialogue on Enhancing Resilience to Natural Disasters in Pacific Islands<sup>2</sup>

In June, PFTAC worked with IMF staff to develop and present a regional workshop and high level dialogue, focused on strengthening fiscal frameworks and enhancing resilience to natural disasters. The workshop and high level dialogue, held on 22-25 June, were co-hosted by the Government of Fiji and the IMF and funded by the Australian government.

The main theme of the workshop and high level dialogue was to consider how Pacific island countries (PICs) can strengthen their fiscal frameworks to be able to effectively manage significant challenges likely to affect

<sup>1</sup> PFTAC's activities are funded by 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.

<sup>2</sup> See also the IMF website: <http://www.imf.org/external/np/seminars/eng/2015/fiji/>, and coverage of the workshop in the August 2015 *Asia and Pacific Small States Monitor*: <http://www.imf.org/external/np/apd/ssm/2015/0821.pdf>



them in the years ahead. These include the exposure of many countries in the region to cyclones—highlighted most recently by the impact of cyclone Pam on Vanuatu, Solomon Islands and Tuvalu; and of typhoon Maysak on the Marshall Islands—as well as population aging and the rapid increase in the incidence of non-communicable diseases, especially type-2 diabetes.

The workshop included lectures and hands-on exercises on:

- Macro-fiscal linkages and indicators (led by Lorenzo Forni, IMF Fiscal Affairs Department (FAD));
- Revenue forecasting (led by Evan Tanner, IMF Institute for Capacity Development (ICD));
- Expenditure forecasting (led by Eliko Pedastsaar, FAD);
- Debt dynamics assessment (Lorenzo Forni (FAD) & Evan Tanner (ICD));
- Natural disaster risk, fiscal policy, and budgeting (Doug Hostland, PFTAC consultant);
- Public expenditure, monitoring & accountability (Ron Hackett & Chita Marzan, PFTAC).

Key takeaways from the workshop included:

- The importance of strengthening medium-term fiscal and budgeting frameworks to be able to address medium- and long-term fiscal risks stemming from recurrent natural disasters, demographic and health trends;
- The need to strengthen medium-term expenditure and revenue forecasting, and monitoring of public and external debt;
- The importance of building fiscal space or buffers to be able to absorb fiscal shocks, as well as the need to promote high quality public and private investment to strengthen infrastructure resilience to natural disasters.

The high level dialogue on 25 June picked up on these themes, with panel discussions focusing on:

- Building macro-fiscal resilience;
- Aligning monetary policy to enhancing resilience and supporting growth;
- Growth and vulnerability to debt distress;
- Enhancing risk management and the role of development partners.

As follow-up to the dialogue, PFTAC will be working with development partners to undertake a number of initiatives on several of the issues discussed, with the aim of making tangible progress towards enhancing resilience over the coming year. With regard to the workshop, PFTAC is already working with its membership on many of the issues involved, and will continue to do in the months ahead.

In addition, the PFTAC Phase V Program, which will guide PFTAC's technical assistance strategy over the period 2016-2022, will seek to address members with building the kinds of skills and technical capacities identified during the workshop and dialogue as essential for governments in the region to address the macroeconomic and financial risks associated with natural disasters and other long-term threats to fiscal sustainability.

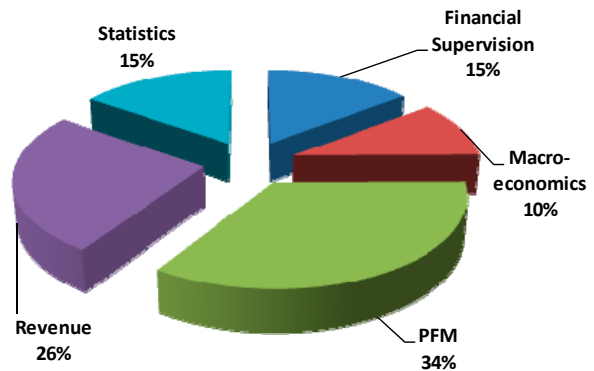
### III. PFTAC Activity and Finances in the May - July Quarter of FY2015

#### Overview

In the first quarter of PFTAC’s financial year (May-July), the pace of activity eased somewhat.

During the period, PFTAC staff managed or carried out 37 technical assistance (TA) missions, down from 45 in the previous quarter. The missions included 31 country missions and 6 regional workshops and seminars, including the Nadi workshop and high-level dialogue discussed in Section II. As in the previous quarter, short-term experts (STX) accounted for about half the total of 486 mission days in the quarter, but only about one-third of the missions, reflecting the fact that their missions are typically longer than those of the resident advisors (LTX). Use of STX remained heavy in the PFM and revenue sectors, and has increased in delivering TA on financial sector oversight. Annex 1 provides a detailed listing of missions and workshops during the May-July period.

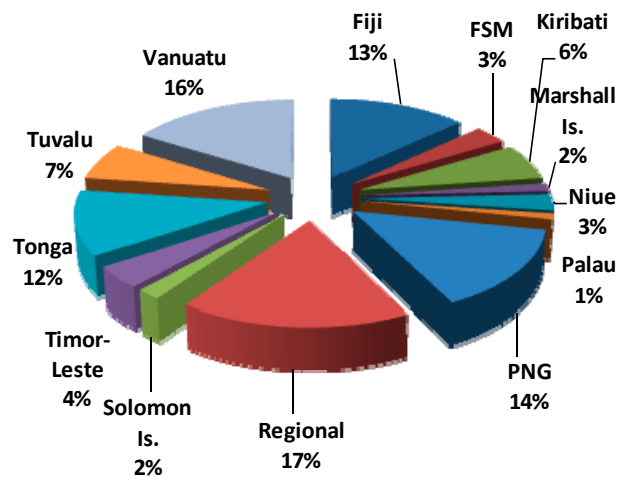
Sectoral distribution of PFTAC missions for May-July 2015 (Percentage of total mission days)



Vanuatu was the largest recipient of TA during the quarter, while Papua New Guinea (PNG), Fiji and Tonga remained significant recipients.

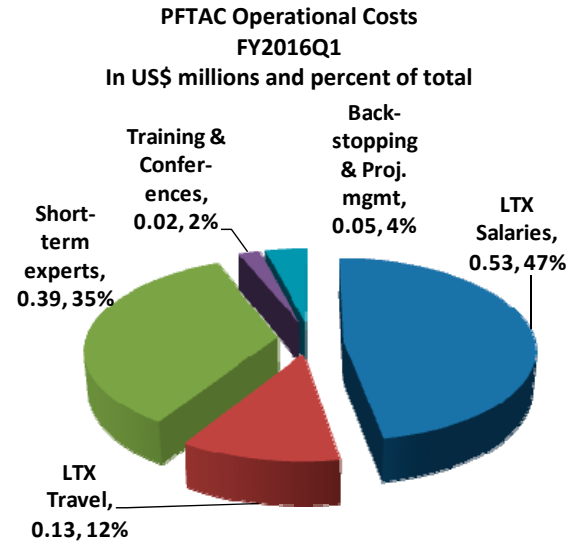
In the case of Vanuatu, TA included assistance with its PEFA self-assessment and the PFM roadmap, tax compliance and macroeconomic forecasting. In PNG, further STX support was provided for the roll-out of the Integrated Financial Management System (IFMS); as well as for cash management; and a training course on national accounts compilation was provided. In Fiji, most of the TA focused on tax revenue issues, including tax audit and compliance management, while in Tonga, TA was spread across several areas including bank prudential regulation and on-site examination; tax compliance; and macroeconomic modeling.

Geographic distribution of PFTAC missions for May-July 2015 (Percentage of total mission days)



The total donor cost of PFTAC operations during the quarter is estimated at US\$ 1.2 million, significantly less than during the previous quarter (See Annex 2, Table 1). A number of costs, including training and conference costs, as well as headquarters costs, were unusually low. These are likely to be reversed in coming months, but the overall expenditure picture is in line with experience through most of FY2015, and is consistent with the FY2016 budget projection of \$5.2 million.

On the income side, total contributions received to date amount to \$24.3 million. At this point, remaining contribution pledges come to a little under \$1 million. Details of donor contributions to PFTAC are shown in Annex 2, Table 2.



#### IV. Sectoral Technical Assistance Developments and Prospects

In this section, the advisors provide a discussion of key TA projects and work streams in the first quarter of FY2016 (May-July 2016) 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 very similar to that presented at the PFTAC Steering Committee meeting in March. Over the course of the year, the work program is progressively up-dated as missions are added, extended, delayed or canceled. Details of the work program through to the end of January 2016 are shown in Annex 3, 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. These can be grouped into three basic areas of assistance: (i) PFM assessment and reform planning; (ii) fiscal strategy and budget management; and (iii) budget execution, monitoring, and accountability:

##### *PFM assessment and reform planning*

- **PEFA<sup>3</sup> assessments & PFM Reform Roadmaps:** PFTAC's work on PEFA's and Roadmaps during the quarter was concentrated on PNG (finalizing the external assessment and assisting with the preparation of a Reform Roadmap), Vanuatu (assisting officials to conduct a self-assessment as a prelude to beginning roadmap development), and Tuvalu (in coordination with Australia's Assessment of National Systems, assisting officials to conduct a self-assessment to inform roadmap updates). In the August-October quarter additional TA (in coordination with IMF-HQ) is planned in

<sup>3</sup> PEFA: Public Expenditure and Financial Accountability

PNG to further efforts in completing their PFM Roadmap. Further support to Tuvalu and Vanuatu in reform planning is expected during the current fiscal year.

- **Legal Framework Revisions:** Technical assistance to the [Cook Islands](#) is planned to commence during the August-October quarter to review and revise their Financial Management Act (FMA). Support to [Fiji](#) in revising their Financial Instructions is expected during the fiscal year after revisions to their FMA are adopted.

#### ***Fiscal strategy and budget management***

- **IFMS Design/Management:** During the May-July quarter PNG received further technical assistance from a PFTAC short-term advisor to restructure the operation of its Integrated Financial Management System (IFMS). The TA has enabled expansion of the system to 5 additional departments (compared to the 3 connected when assistance commenced last year) and an additional 10 departments are currently scheduled to come on-line by the end of December. Assistance to PNG is scheduled to continue in the August-October quarter.
- **Fiscal Oversight of Public Enterprises (PEs):** This TA was conceptualized in response to emerging demands from countries. The first to request was [Samoa](#), and a mission is ongoing in time for the establishment of a new Ministry of Public Enterprises (MPE). The mission covers (i) improving fiscal risks management, (ii) enhancing fiscal transparency, and (iii) clarifying financial expectations, and accountabilities. Coordination between MOF and MPE including other oversight agencies will also be reviewed.
- **Non-Tax Revenue Reviews:** Work conducted jointly by PFTAC and the Australian Department of Finance to review [Samoa's](#) non-tax revenues has generated interest by other PICs. Other countries where PFTAC assistance in this area was provided earlier and work is in progress include [Vanuatu](#), [Solomon Islands](#), and [Fiji](#). During the May-July quarter Fiji requested a Q&A session with PFTAC to address issues budget analysts were encountering with NTR reviews as part of their preparations for the 2016 budget. Additional training is anticipated in the coming months for Fiji, and a sub-regional workshop is tentatively planned for early 2016 for other interested PICs.

#### ***Budget execution, monitoring, and accountability***

- **Cash management:** This TA program covers the review of cash balances consolidation, banking arrangements, payment and collection procedures, cash flow planning and forecasting, cash allocation, and cash monitoring. In a PFTAC diagnostics mission to [PNG](#) in February, an improved cash management strategy was formulated and adopted by the authorities. A follow-up mission in June-July developed standard procedures on bank reconciliation, and conducted training to the staff. Upon recommendation by PFTAC, a Cash Management Unit was created within the Department of Finance. A second follow-up mission is ongoing to assist in developing procedures for the cash pooling/sweeping scheme as an initial stage of establishing a Treasury Single Account system in PNG.
- A mission to [Samoa](#) is also scheduled in November 2016 on improving cash management.
- The mission to [Solomon Islands](#) was postponed due to other priorities of the Ministry of Finance.

- **Accounting and Reporting:** TA in this area includes review of accounting policies, chart of accounts, reconciliation procedures, consolidation, and transparency of reporting. The TA for [Fiji](#) on accounting reform started in a diagnostic mission in December 2013 and a progress review in March 2015. As a result of the review, an updated reform plan for the rest of 2015 and 2016 was adopted by the Ministry of Finance. A number of staff mentoring sessions by the PFTAC advisor were conducted on how to improve the 2014 financial statements. These improvements resulted to greater fiscal transparency and full compliance to IPSAS-cash basis of financial reporting. Among the key improvements made were:
  - Improving liability accounting, including: further disaggregation of the information on liabilities by class of creditor; disclosing undrawn balances of external loans; reclassifying loan proceeds as liabilities, not borrowing revenue; and disclosing details of contingent liabilities.
  - Comparing actual with original budget according to the budget document, and disclosing explanation of material deviations;
  - Presenting the amount of third party payments such as direct payments made by donors;
  - Disclosing gains or losses from currency conversion, and the basis for such conversion at the beginning and ending cash balances; and
  - Presenting financial statements of Trading and Manufacturing Activities and Trust Funds, as a form of segment reporting.

Assistance to Fiji is expected to continue in improving its accounting policies, and staff mentoring.

- Missions on improving accounting and reporting in [Tonga](#) and [Samoa](#), will also take place in September-October 2015, and March 2016, respectively.
- Likewise, preparatory work to a joint PFTAC-PASAI workshop in November, 2015 for government accountants and auditors is ongoing. The workshop aims to enhance capacity and better coordination in planning and implementing accounting and auditing reforms.
- **Internal Audit:** TA on internal audit focuses on improving capacity in conducting risk-based audit. An initial mission to [Vanuatu](#) in October 2014 provided training to the staff on international standards, and in using the Teammate software for audit planning. This led to some improvements of the internal audit function as indicated by an improved PEFA rating in 2014 (from D+ to C+). The number of internal audits has increased and audit reports have been issued more regularly and there has been slight improvement in the management responses to internal audit recommendations. A follow-up mission is scheduled in October 2015 to further train the IA Unit in risk-based auditing and maximizing use of the software, as well as in formulating a risk-focused audit strategy framework.

### Workshops and Seminars

PFTAC PFM advisors are involved in regional workshops and seminars. During the May-July quarter the main workshop was focused on PFM Fiscal Frameworks. It explored several aspects of macro-economic forecasting, medium-term fiscal planning, and building buffers to reduce vulnerability to unexpected events. Most PICS participated along with several donors.

During the August-October quarter PFTAC will collaborate with the Secretariat of the Pacific Community to host a workshop on fiscal issues related to managing revenues from Deep Sea Mineral mining.

## Revenue Administration and Policy

The May-July 2015 quarter continued with PFTAC's strategy to strengthen key elements of tax administration. This includes TA in 3 main areas: (i) management and governance; (ii) tax compliance management; (iii) and tax administration support functions. Below are some of the highlights of technical assistance provided during this period:

### *Tax Policy and Legal*

- **Fiji:** PFTAC provided assistance to the Fiji Revenue and Customs Authority (FRCA) in finalizing the Income Tax Bill for submission to the August Cabinet meeting. This included consultations with various stakeholders whose inputs were taken into account in preparing the final draft. While this initiative has been largely a rewrite project, FRCA has used the opportunity to make policy changes in relation to capital gains, fringe benefits, PAYE final and self-assessment, which have been separately enacted with PFTAC assistance in advance of the new income tax law.

### *Management and governance strategies*

- **Regional:** A workshop highlighted to Pacific Island Tax Administrations (PICs) the importance of performance measurement and its impact on measuring and analyzing overall compliance gaps. The workshop provided an overview of international good practice and also introduced an awareness of new performance tools developed by the IMF. These tools, instrumental in assisting countries use their own data to address compliance problems, can play a major role in using performance data to improve tax administration and gain a better understanding of compliance issues. This activity was well aligned to PFTAC's regional strategy geared towards improving PIC capability in the design and implementation of compliance improvement strategies.
- **Fiji:** The Tax Administration Diagnostic Assessment Tool (TADAT) identified some crucial tax administration issues that have been taken on board by FRCA. The extent of these recommendations are wide and to facilitate their introduction, FRCA's CEO approved the introduction of a governance and project management structure to ensure that recommendations are thought through and implemented in a project management environment. This includes the creation of the Project Reforms Team which oversees, coordinates, and monitors issues raised by the TADAT and all other PFTAC recommendations and has the added responsibility of managing FRCA's broader transformation journey.
- **Marshall Islands:** Although the Division of Customs, Treasury, Revenue and Taxation is a small organization, developing a strategic plan has assisted in reinforcing a sense of direction and will be useful for guiding day-to-day decisions. Two strategic priorities were identified for 2015-2016: (a) promote voluntary compliance; and (b) improve internal processes to sharpen compliance management. To action these objectives the mission provided further assistance in drafting an operational plan which includes a focus on: (a) the collection of tax arrears and outstanding tax returns; (b) improving the audit function; and (c) implementing customs reforms.



### *Tax compliance management*

- **Federated States of Micronesia:** A mission to evaluate a PFTAC-facilitated Compliance Improvement Strategy (CIS) pilot project was carried out to identify the strengths and weaknesses of the project and the possibility of expanding the concept which initially focused on cigarettes, fuel and alcohol. Overall the pilot showed some positive results, including the identification of 25 new tax registrants and significant increases in tax revenues compared with the same period in 2014:

- an increase of 63 percent in national cigarette tax;
- initial findings show an increase of 60 percent in the national fuel tax;
- an increase in import duty of 11 percent achieved through an increase in container inspections which also identified nineteen smuggled cargoes;
- sales tax and excise on cigarettes and alcohol increased by 28 percent; and

Despite these positive findings the project identified weaknesses in reporting, an issue currently being addressed. Another highlight of the project was an assessment of \$200,000 raised on an importer of smuggled goods, details of which were published in a local newspaper.

- **Vanuatu:** The development of a renewed VAT Compliance Improvement Strategy (CIS) was facilitated by PFTAC. The Department of Customs and Inland Revenue recently conducted a risk analysis exercise where key compliance risks were identified. PFTAC further assisted in the interrogation of this information and through work sessions facilitated the development of an eighteen month CIS (1 July 2015 – 31 December, 2016) that includes:

- a new audit plan;
- an arrears collection plan;
- a plan to reduce the number of outstanding returns; and
- initiatives aimed at delivering a wider range of taxpayer services. In addition, an Industry Partnership approach to improve tax compliance in three high risk industry sectors showing poor compliance trends was designed with a risk treatment plan for each.

- **Palau:** The authorities have accepted PFTAC recommendations arising from the February 2-5 Aide Memoire “Review Reform Progress”. Discussions were held with the Minister of Finance, the Director of the Bureau of Revenue, Customs and Tax (BRCT) and senior staff member where PFTAC recommendations and a way forward to facilitate their implementation was discussed. The following approach was agreed to:

- develop a new strategic plan which highlights the most important strategic objectives which should be the key focus over the next three years;
- implement a new streamlined function based organizational structure to follow through on PFTAC recommendations to improve core tax functions; and
- implement a renewed compliance improvement strategy.

A Technical Assistance program has already being designed with implementation underway.

- **Samoa and Tonga:** PFTAC continues to assist both these countries with the design and implementation of Compliance Improvement Strategies.



## Financial Sector Supervision

PFTAC's financial sector TA covers 2 main areas: (i) banking supervision; and (ii) non-bank oversight. In the February-April quarter, PFTAC's TA focused on banking supervision issues, particularly in the area of on-site examination, and non-bank oversight, focusing on credit union reforms:

### *Bank supervision*

**On-site bank examination:** This quarter saw the continued implementation of PFTAC's on-site examination. Members of the Association of Financial Supervisors of Pacific Countries (AFSPC) had agreed during the 2014 annual congress held in PNG that an emphasis on targeted programs would be the most effective use of PFTAC's resources. Most agreed that examiners currently operating in the region had very limited commercial bank work experience and few supervisors had been involved with on-site examinations. A highlight during the quarter was the roll-out of the on-site examination program with workshops in the Northern region and Timor-Leste:

- **Northern Region:** An on-site examination preparedness workshop was held Guam for Banking Commission staff from [Palau](#), [Micronesia](#) and [Marshall Islands](#) on how to adequately prepare for the on-site examination of a commercial bank. during the quarter. The workshop was run by one of the short-term experts (STX) recruited last quarter, supported by the PFTAC advisor;
- **Timor-Leste:** A second STX held a similar workshop for examiners from the Central Bank of [Timor-Leste](#).

Participants in both workshops are now poised to plan and execute on-site examinations of a commercial bank with the support of the STX. The scheduling of those examinations was confirmed and each STX has arranged to deliver on the next component of the program later this year.

- **Tonga:** The National Reserve Bank of Tonga continued its on-site examination program with the examination of the Development Bank with the support of the RTA. The planning and scoping of the mission was completed prior to the arrival on location. The team was able to adequately review the operation of the Development Bank and eventually submit a comprehensive report of their findings and recommendations based on the format prepared during the preparedness workshop held earlier this year.

**Bank supervision legislation:** PFTAC provided legal support to the National Reserve Bank of [Tonga](#) with the revision and drafting of existing and new sets of Prudential Returns as required. The Bank had received technical assistance with the amendments of its banking and financial institutions Act. There was therefore a need to ensure that supporting Prudential Statements, Regulations and Guidelines were compatible with the amended Acts. .

### *Other*

The PFTAC financial sector advisor also carried out a short fact finding mission to [Vanuatu](#) to assess the financial system's resilience to hurricane Pam. The intention was to hear firsthand how all the disaster preparedness and recovery plans fared before, during and after the passing of the Hurricane. Needless to say a number of plans failed but overall the sector fared very well and was up and running within 48 to 72 hours. There are numerous lessons to be learned from Vanuatu's experience, which PFTAC will help share across the region.

## Macroeconomic Statistics

Over the last quarter, the work of the statistics advisors has continued to focus on two or three main themes. The first of these was the introduction of **methodological and data improvements** which was the focus of work done in the [Papua New Guinea \(PNG\)](#), and [Niue](#). The second was **expanding data sources and data analysis**, with TA provided in Niue, Fiji, and PNG, as well as at the regional level. The third area of activity involved **staff training**:

### *Methodological and data improvements*

- In [PNG](#)—which has become an important focus of PFTAC support, we are working in coordination with the Australian Bureau of Statistics (ABS) on a project to reform the national statistics office. A technical assistance mission by both of the PFTAC Real Sector Advisors followed up on the work initiated during a January mission which had developed a detailed work plan for the National Statistics Office (NSO) to produce estimates of gross domestic product for the first time in many years. The mission recommended that the new estimates maximize the use of data available from the tax office. New legislation has recently been passed which allows the NSO access to GST unit record data and annual business returns as long as confidentiality can be maintained. Following the mission we combined with the ABS in providing a workshop focusing on training the NSO staff on practical compilation techniques and the use of tax data and household income and expenditure survey (HIES) data as inputs to producing national accounts.
- The assistance in [Niue](#) was aimed at updating the national accounts estimates and improving the underlying methodology. This was supported by detailed methodology notes which will assist both the ease and consistency of future compilation work.

### *Expanding data sources and data analysis*

- In [Fiji](#) PFTAC assisted with final balancing of supply-use tables which have been compiled by the local staff. Balancing such tables requires a detailed knowledge of the strengths and weaknesses of all data sources and also the techniques for allocating taxes and trade and transport margins to each product. When this exercise is undertaken in a workshop environment—as it was in this case—it provides an excellent opportunity for training staff in new analytical techniques. The final balancing will be undertaken with an auto-balancing tool provided by IMF headquarters via PFTAC. The completion of fully balanced supply-use tables is a major achievement which ensures consistency between the production, income, and expenditure measures of gross domestic product and also consistency with other data such as balance of payments and government finance statistics. These are target objectives of the national accounts work.
- The introduction of new data sources were also part of the developments undertaken in [PNG](#) and [Niue](#).
- **Regional:** Both PFTAC advisors also combined with the Secretariat of the Pacific Community (SPC) as members of the [HIES Technical Working Group](#) and met with 25 participants from around the Pacific and within SPC to assist with standardizing the content and structure of the HIES outputs. The PFTAC focus was on the use of HIES data as an input into informal sector production and household final consumption in the national accounts and how the HIES can be tailored to better meet these needs. Examples were taken from recent HIESs in the [Solomon Islands](#), [Nauru](#) and the [Federated States of Micronesia](#). This coordinated approach helps ensure that the HIESs are fully and consistently utilized in national accounts estimates.

## Macroeconomic Analysis and Forecasting

The key elements of the program in macroeconomic analysis and forecasting include assistance to strengthen the capacity of central banks and finance ministries to conduct analysis for: (i) macroeconomic forecasting; (ii) maintaining fiscal sustainability; and (iii) addressing long-term fiscal pressures. During the May-July quarter, PFTAC TA focused on:

### *Macroeconomic forecasting*

- **Vanuatu:** Economists from the Reserve Bank of Vanuatu, the Department of Finance and Treasury, and the Vanuatu National Statistics Office collaborated during an eight-day workshop, facilitated by PFTAC, to develop a financial programming (FP) framework designed for the Vanuatu economy, based specifically on Vanuatu's key economic data and typical processes for forecasting and monitoring. The framework captures the main linkages of the economy and produces medium-term macroeconomic forecasts. It also allows users to create scenarios to assess the impact of changes in the economy, and it can be used to analyze the effects of policy proposals. In practical applications of the framework, participants considered two policy scenarios. The first scenario analyzed the effects of increasing the value added tax (VAT) rate, and the second scenario assessed the impact of introducing an income tax in Vanuatu. The income tax was designed to improve the efficiency and fairness of the tax system and the analysis showed that it would provide an important source of funding for public services.
- **Tonga:** An action plan was developed with the Ministry of Finance and National Planning, the National Reserve Bank of Tonga and the Tonga Department of Statistics to construct a FP framework for the Tonga economy. Technical assistance (TA) is provided jointly by PFTAC and a secondee from the Reserve Bank of New Zealand, who was recruited by PFTAC and is funded by the Asian Development Bank. The first six months of the TA focused on developing forecasting processes and procedures and a key output was the development of a forecasting model for real gross domestic product (GDP). The next step is to build a quantitative tool to analyze macroeconomic developments and its construction commenced prior to a PFTAC TA mission in July.
- **Kiribati:** In May, PFTAC conducted a TA mission to support authorities in [Kiribati](#) during the 2015 IMF Article IV consultation. The mission provided an opportunity to discuss with authorities priorities and needs and identified areas for PFTAC TA and training going forward.

### *Maintaining fiscal sustainability*

- **Solomon Islands:** Progress was made on incorporating public debt into the Solomon Islands FP framework. This will allow performing debt sustainability analysis, which is an important tool for evaluating and assessing the long-run impact of government policies. Offsite support was also provided to assist in the construction of quarterly GDP and an output gap measure that may be used to gauge inflationary pressures in the economy.
- Planning has commenced for [two regional workshops](#) to be held in November in Fiji on revenue and expenditure forecasting. The two workshops will follow on from the high-level dialogue that was co-hosted by the IMF and the Government of Fiji in June on "Enhancing Macroeconomic Resilience to Natural Disasters in the Pacific Islands" and a three-day workshop organized with funding from the Australian Government on "Strengthening Fiscal Frameworks in the Pacific Islands". The revenue and expenditure forecasting workshops will focus on improving medium-term budgeting and fiscal planning.

## Annex 1: PFTAC Missions, Workshops, Meetings and Training May-July, 2015

### Country Technical Assistance

#### Public Financial Management

Country	Description	Advisor Type	Mission Days	RBM Codes
Fiji	Review of operations for Fiji National Provident Fund (Phase 1)	Short term Expert	5	1.3
	Improve budget document in line with international standards	Resident Advisor	3	1.8
	Staff mentoring on accounting based IPSAS	Resident Advisor	2	1.8
Papua New Guinea	Follow-up on IFMS transformation	Short-term Expert	39	1.7
	Improve cash management	Short-term Expert	19	1.7
	PEFA follow-up	Resident Advisor	12	1.1,1.2
Solomon Is.	Support to APD's 5 <sup>th</sup> ECF Review in the Solomon Islands	Resident Advisor	3	1.6
Tuvalu	PEFA Self Assessment with Aus DFAT Assessment of National Systems	Short term Expert	17	1.1,1.2
		Resident Advisor	7	1.1,1.2
	Tuvalu PEFA Self-Assessment Facilitation	Resident Advisors	12	1.1,1.2
Vanuatu	PEFA Self assessment & PFM Roadmap start	Resident Advisor	12	1.1,1.2
		Short term Experts	30	1.1,1.2
Regional	Workshop on Fiscal Frameworks	Resident Advisors	10	1.6

#### Revenue Policy & Administration

Country	Description	Advisor Type	Mission Days	RBM Codes
Fiji	Compliance Risk Management (1)	Short-term Expert	12	2.4,2.5
	Improving the audit function	Short-term Expert	20	2.4
	Implementation of strategic objectives	Resident Advisor	5	2.5
	Finalizing the Income Tax Bill	Short-term Expert	5	2.2
FSM	Review overall reform progress	Resident Advisor	4	2.4,2.5
	Compliance Risk Management (1)	Short-term Expert	12	2.4,2.5
Kiribati	Assist in the implementation of a new organization structure	Short-term Expert	20	2.7
Palau	Review overall progress and determine future TA needs	Resident Advisor	8	2.4,2.5
Tonga	Self Assessment and Compliance Risk Management (Mission 1)	Short-term Expert	15	2.4,2.5
Vanuatu	Compliance Risk Management Improve Strategy	Resident Advisor	16	2.5
Regional	Attend the Annual Oceania Customs Organization Meeting	Resident Advisor	3	2.4,2.5

### Financial Sector Supervision

Country	Description	Advisor Type	Mission Days	RBM Codes
Timor-Leste	Examination Preparedness Workshop Sourcing Central Bank data collection system to support the Banking Supervision Function	Short-term Expert	11	3.3,3.4,3.5
		Resident Advisor	8	3.3,3.4,3.5
Tonga	Review of Prudential Guidelines/desk review On-site examination of a commercial bank	Short-term Expert	12	3.3,3.4,3.5
		Resident Advisor	15	3.3,3.4,3.5
Vanuatu	Post natural disaster banking sector assessment/supervision strategy	Resident Advisor	4	3.4
Regional	Examination Preparedness Workshop (Northern Region)	Short-term Expert	8	3.4,3.5
		Resident Advisor	7	3.4,3.5

### Macroeconomic Statistics

Country	Description	Advisor Type	Mission Days	RBM Codes
Fiji	National accounts: assist in the development of 2011 supply-use tables	Resident Advisor	10	4.1,4.2,4.5,4.6
Niue	PFTAC: National Accounts - Methodology Review & BOP update	Resident Advisor	10	4.2,4.4
Regional	Training Course for Compilers from PNG and Solomon Islands	Resident Advisor	8	4.2,4.5,4.6
		Resident Advisor	8	4.2,4.5,4.6
	Pacific Steering Committee	Resident Advisor	0.5	4.5,4.9
	HIES technical working group with TA Provider	Resident Advisor	3	4.2, 4.5
		Resident Advisor	3	4.2, 4.5

### Macroeconomic Analysis and Forecasting

Country	Description	Advisor Type	Mission Days	RBM Codes
Kiribati	Support authorities during the 2015 IMF Article IV consultation; discuss authorities' priorities and needs and identify areas for PFTAC technical assistance and training going forward	Resident Advisor	8	n.a.
Solomon Islands	Develop the fiscal sector of the financial programming framework	Short-term Expert	5	5.1, 5.3
Tonga	Develop a FP framework for Tonga; discuss and agree with management on a process and timelines for developing and implementing the framework including staff training; participate in an Asian Development Bank TA review of Tonga	Resident Advisor	6	5.1
Vanuatu	Conduct a workshop on practical applications of the Vanuatu FP framework	Resident Advisor	10	5.1
Regional	Workshop on Fiscal Frameworks	Resident Advisor	4	5.1-5.3
		Short-term Expert	4	5.1-5.3

## Meetings, Seminars and Training (May-July 2015)

TA Sector	Description	Location	Advisor Type	Mission Days	No. of Participants	RBM Codes
Revenue	Annual Oceania Customs Organization Meeting		Resident Advisor	3	n.a.	2.4,2.5
Financial Supervision	Examination Preparedness Workshop	Guam	Resident Advisor	7	8	3.3-3.5
			Short-term Expert	8	8	3.3-3.5
Statistics	Training Course for Compilers for PNG and Solomon Islands	PNG	Resident Advisors	16	37	4.5,4.9
	Pacific Steering Committee	Fiji	Resident Advisor	0.5	n.a.	4.5,4.9
	HIES technical working group with TA Provider	New Caledonia	Resident Advisors	6	n.a.	4.5,4.9
IMF/PFTAC	High Level Dialogue Meeting: Enhancing Resilience to Natural Disasters in Pacific Islands & Workshop on Strengthening Fiscal Frameworks in the Pacific Islands	Fiji	Resident Advisors	14	110	n.a.
			Short-term Expert	4	110	n.a.

## Annex 2: PFTAC Expenditure and Income: August-October 2014

Table 1: PFTAC Expenditure FY2015-FY2016  
(US\$)

Activity	FY2015				FY2016
	Q1	Q2	Q3	Q4	Q1
LTX Salaries	0.46	0.53	0.57	0.42	0.53
LTX travel	0.13	0.16	0.08	0.29	0.13
STX fees & travel	0.17	0.52	0.41	0.49	0.40
Workshops & Seminars	0.23	0.22	0.04	0.26	0.02
<i>Staff TA delivery</i>					
Backstopping & project management	0.08	0.06	0.05	0.18	0.04
Miscellaneous	0.00	0.00	0.02	0.02	0.00
<b>Total TA Delivery</b>	<b>1.07</b>	<b>1.50</b>	<b>1.17</b>	<b>1.65</b>	<b>1.12</b>
Evaluation	0.00	0.04	0.06	0.05	0.00
Trust fund management (7%)	0.08	0.11	0.09	0.12	0.08
<b>Grand Total</b>	<b>1.15</b>	<b>1.65</b>	<b>1.31</b>	<b>1.81</b>	<b>1.20</b>

Table 2: Status of Financial Contributions  
As of 31 July 2015  
(Currency as indicated)

	Secured (US\$ dollars)	LOU Status	Contribution Currency	Pledge (Contribution Currency)	Contributions Received (US\$)	Balance (US\$)
<b>Phase IV - Signed Agreements:</b>						
ADB	1,000,000	<i>signed 07/29/2011</i>	U.S. dollars	1,000,000	1,000,000	-
EU	1,345,339	<i>signed 07/01/2011</i>	Euros	1,000,000	1,345,339	-
New Zealand NZAID	7,052,455	<i>signed 06/16/2011</i>	NZD	8,900,000	7,052,455	-
Australia DFAT	7,500,000	<i>signed 05/25/2011</i>	U.S. dollars	7,500,000	7,500,000	-
Korea	2,288,596	<i>signed 02/15/2012</i>	W (Korean Won)	2,500,000,000	1,727,515	561,081
EU (ACP)	1,391,400	<i>signed 10/04/2013</i>	Euros	1,000,000	1,391,400	-
EU (2nd LOU)	4,676,250	<i>signed 12/27/2013</i>	Euros	3,500,000	4,281,795	394,455
<b>Total</b>	<b>25,254,040</b>				<b>24,298,504</b>	<b>955,536</b>



## Annex 3: PFTAC Work plan August 2015 - January 2016

## Public Financial Management Work Plan: August 2015 - January 2016

Measurable Outcomes	Country	Progress against Milestones at end-FY2014 <sup>1</sup>	Planned Activity August 2015 - January 2016	Person days	Relevant Milestone	Comments
<b>1.1 At least 1 PEFA assessment conducted in each PFTAC country during the funding cycle.</b>						
	Tuvalu	2	TA to conduct PEFA self-assessment	14	<b>RBM Milestone #1:</b> Number of self-assessments conducted	Conducted May 19- June 4, 2015.
	Vanuatu	2	TA to conduct PEFA self-assessment	14	<b>RBM Milestone #1:</b> Number of self-assessments conducted	Conducted June 1-12, 2015
	Cook Islands	4	Finalize report and obtain PEFA Check	2	RBM Milestone #1 No. of formal assessment conducted	Conducted December 2014; Received PEFA check with final comments in August 2015.
<b>1.2 Reform road maps developed following each PEFA assessment.</b>						
	PNG	2	PEFA follow-up and commencement of PFM Reform Roadmap	27	<b>RBM Milestone #3:</b> Number of PFM reform roadmaps developed	Formal PEFA assessment under the draft 2015 framework was conducted in March/April and is awaiting revision. Roadmap drafting started late June
<b>1.3 Modernized legal frameworks and financial Instructions implemented</b>						
	Cook Islands	0	TA for the revision of the MFEM/PFM Act	14	<b>RBM Milestone #4:</b> Number of countries with identified legal obstacles ( in law or financial	To start in August as home-based work, then in-country mission in September, followed by home-

<sup>1</sup> 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 <sup>1</sup>	Planned Activity August 2015 - January 2016	Person days	Relevant Milestone	Comments
					instructions) to implementing good PFM practice (as reflected in PFTAC's RBM outcomes 1.4 – 1.9) who were provided TA for improvements	based work to finalize draft by October
	Fiji	3	Review of operations for the Fiji National Provident Fund	5	Same as above	Mission report is in process as of June 19
	Fiji	0	Start review and rewrite of financial instructions	30	Same as above	TA provided during FY2016 on revision of the Financial Management Act (FMA). Review and rewrite of financial instructions will start after adoption of revised FMA
<b>1.4 Budget Credibility Improves (PEFA Indicators 1-4)</b>						
<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>						
<b>1.5 Budget Comprehensiveness and Transparency Progresses Toward International Standards (PEFA Indicators 5-10)</b>						
<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>						
<b>1.6 Budgeting Becomes More Policy Focused with a Medium-term Orientation (PEFA Indicators 11-12)</b>						
<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	Training of budget analysts to improve the quality of activity-level budget narrative including improved medium-term focus with greater policy/strategy content	13 LTX	<b>RBM Milestone #16:</b> Budget documents clearly explain the policies and strategies driving funding changes; <b>#17:</b> Budget process focuses on a medium-term time-frame at the program/sub-program level.	Training has commenced with an early focus on non-tax revenue reviews. Training will continue periodically on an as-need basis thru October

Measurable Outcomes	Country	Progress against Milestones at end-FY2014 <sup>1</sup>	Planned Activity August 2015 - January 2016	Person days	Relevant Milestone	Comments
	Tonga	2	High Level Dialog with Cabinet on PFM issues and improving the integration of planning and budgeting	20	<b>RBM Milestone #16:</b> Budget documents clearly explain the policies and strategies driving funding changes; <b>#17:</b> Budget process focuses on a medium-term time-frame at the program/sub-program level.	Anticipated to occur perhaps in Quarter 3
<b>1.7 Budget Execution Progresses Toward International Standards (PEFA Indicators 16-21)</b>						
	PNG	2	TA to Improve cash management	33	<b>Milestone 18:</b> Ministries are provided good cash flow information on the periodic availability of funds for commitment of expenditures.	First mission from June 22 to July 10, and second mission in September 2015 conducted by Stephen Mayes.
	Samoa	1	TA to Improve cash management	28	<b>Milestone 18:</b> Ministries are provided good cash flow information on the periodic availability of funds for commitment of expenditures.	Scheduled on November 3-16, 2015 with Mark Silins
	PNG	2	Continuation of review/planning for IFMS restructuring	60 STX	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: <b>RBM Milestone #22:</b> Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations	Activity is also highly relevant to effective achievement of many other RBM Milestones, particularly :  <b>RBM Milestone 24:</b> Bank reconciliation for all central government bank accounts takes place at least monthly at aggregate and detailed levels, usually within 4 weeks of end of period.

Measurable Outcomes	Country	Progress against Milestones at end-FY2014 <sup>1</sup>	Planned Activity August 2015 - January 2016	Person days	Relevant Milestone	Comments
	Vanuatu	2	Follow-up TA to improve internal audit	11	Internal audit focusing on systems risks	Tentatively planned in October 2015 by Tony Prcevich
	Marshall Islands	1	Scoping mission on improving internal controls	5	<b>Milestone #22:</b> Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations	Tentatively scheduled December 4-7, 2015
<b>1.8 Accounting, Recording and Reporting Improves in line with international standards (PEFA indicators 22-25)</b>						
	Fiji	2	Mentoring on implementation of accounting reforms	4	<b>Milestone #27:</b> 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.	Continuing advisory on technical issues raised by the Treasury staff
	Tonga	2	Review of accounting and reporting frameworks	28		Tentatively planned in Sept and October 2015 with Eroni Vatuloka
	Samoa	1	Review of accounting framework	28	<b>Milestone #27:</b> Consolidated government financial statement is prepared annually according to internationally acceptable standards;	Tentatively scheduled in March 2016 with Eroni Vatuloka.
	Samoa	1	Improving Fiscal Oversight of SOEs	28		Conducted on August 24 to September 4, 2015 with James Colvin.
					Consolidated fiscal risk issues on SOEs submitted on an annual basis according to international standards	

Measurable Outcomes	Country	Progress against Milestones at end-FY2014 <sup>1</sup>	Planned Activity August 2015 - January 2016	Person days	Relevant Milestone	Comments
<b>Cross-cutting Regional</b>						
	<i>Nadi</i>	4	IMF/PFTAC joint workshop on Fiscal Frameworks	8	<b>RBM Milestone #16:</b> Budget documents clearly explain the policies and strategies driving funding changes; <b>#17:</b> Budget process focuses on a medium-term time-frame at the program/sub-program level.	Workshop conducted on June 22-25
	<i>Nadi</i>	4	Deep Sea Minerals workshop focusing on PFM and tax policy issues	10	Same as above	Workshop conducted on August 24-28
	<i>Sub-Regional</i>	1	Workshop on Non-Tax Revenue Management	4	NTR management improved according to basic principles and procedures	Tentatively scheduled on January 18-21, 2016
	<i>Sub-regional</i>	1	Workshop on Accounting and Auditing Reforms jointly with PASAI	5	<b>Milestone #27:</b> Consolidated government financial statement is prepared annually according to internationally acceptable standards	Tentatively scheduled on November 23-27, 2015
	<i>Sub-regional</i>	0	Pension funding challenges and potential options	14		Tentatively scheduled for early December

## Revenue Administration Work Plan: August 2015 - January 2016

Measurable Outcomes	Country	Progress against Milestones at end-FY2014 <sup>1</sup>	Planned Activity August 2015 - January 2016	Person days	Relevant Milestone	Comments
<b>2.1 Modern tax policy frameworks are adopted</b>						
	Regional		Formulation of appropriate Deep Seabed Minerals Regime	3	Policy formulation for deep sea minerals	STX
<b>2.2 Appropriate legislation and regulations for effective policy implementation are adopted</b>						
	Nauru	2	Finalize Business Profits Tax Legislation	10	Finalize new Business Profits Tax Legislation	STX Mission
<b>2.3 Modern and integrated processes are adopted to verify &amp; maintain taxpayer information &amp; compliance obligations</b>						
	Regional		Workshop: Arrears and Returns Management	5	Improve management of core tax functions	STX Mission: All PICs to be invited
	Regional		PITAA conference "Modernizing Tax Administration in the region"	14	Improving tax administration functions and use of data	LTX (2) STX (4)
	Cook Islands	2	Review of core tax functions	15	Improve management of core tax functions	STX Mission (Overlap with 2.7)
	Kiribati	2	Improve core tax functions by strengthening the organizational structure	10	Implement a functional organizational structure	STX Mission (Overlap with 2.8)
	RMI	1	Strengthen core tax functions	5	Improve operational capability	STX mission (Overlap with 2.8)
	Regional		Workshop: Management of the audit function	5	Improved management of the audit function	STX mission: All PIC's to be invited

<sup>1</sup> 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 <sup>1</sup>	Planned Activity August 2015 - January 2016	Person days	Relevant Milestone	Comments
	Fiji	2	Improving core tax functions	10	Improving operational performance	LTX mission
	Kiribati	2	Developing new processes to streamline returns management	10	Improving the management of outstanding tax returns	STX mission (Overlap with 2.4)
	Regional	2	Review overall reform progress	10	Review overall reform progress and agree on next modernization steps	LTX mission
	Regional		Workshop: Revenue Forecasting	10	Joint workshop with Macroeconomics	LTX (2workshops)
	Samoa		Taxpayer Services Workshop	4	Improving the delivery of taxpayer services	STX
	Tonga	3	Review overall reform progress	10	Review overall reform progress and agree on next modernization steps	LTX
	Vanuatu	2	Review of taxpayer services function	10	Improved taxpayer services	STX
		3	Improving core tax functions	10	Improving operational performance	STX
<b>2.4 Business systems &amp; processes are based on risk-management principles</b>						
	Fiji	2	Improving the audit function	20	Improved audit capability	STX mission
	Fiji	2	Improving risk management and introducing a compliance improvement strategy	20	Compliance Strategy introduced	2 STX missions (Overlap with 2.5)
	Fiji	2	Developing new processes to streamline on time filing	10	Improving the management of outstanding returns	STX mission (Overlap 2.3)



Measurable Outcomes	Country	Progress against Milestones at end-FY2014 <sup>1</sup>	Planned Activity August 2015 - January 2016	Person days	Relevant Milestone	Comments
	FSM	2	Improving risk management and introducing a compliance improvement strategy	5	Compliance Strategy introduced	STX mission (Overlap with 2.5)
	Samoa	3	Compliance risk management and introducing a compliance improvement strategy	10	Compliance Strategy introduced	STX mission (Overlap with 2.5)
	Tonga	2	Improving risk management and introducing a compliance improvement strategy	10	Compliance Strategy introduced	STX mission (Overlap with 2.5)
	Vanuatu	3	Evaluating implementation of the Compliance Improvement Strategy		Compliance Strategy introduced	LTX mission (Overlap with 2.5)
	Regional		Risk management workshop (2)	10	Improving risk management	STX (2) (Overlap with 2.5)
	Fiji	2	Developing new processes to streamline returns management	10	Improving the management of outstanding tax returns	STX mission
<b>2.5 Compliance improvement strategies use a mixture of service and enforcement approaches</b>						
	Fiji	2	Improving risk management and introducing a compliance improvement strategy	20	Compliance Strategy introduced	2 STX missions (Overlap with 2.4)
	Fiji	2	Improving risk management and introducing a compliance improvement strategy	10	Compliance Strategy introduced	LTX mission (Overlap with 2.4)
	FSM	2	Improving risk management and introducing a compliance improvement strategy	10	Compliance Strategy introduced	STX mission (Overlap with 2.4)
	Samoa	3	Compliance risk management and introducing a compliance improvement strategy	5	Compliance Strategy introduced	STX mission (Overlap with 2.4)

Measurable Outcomes	Country	Progress against Milestones at end-FY2014 <sup>1</sup>	Planned Activity August 2015 - January 2016	Person days	Relevant Milestone	Comments
	Tonga	2	Improving risk management and introducing a compliance improvement strategy	10	Compliance Strategy introduced	STX mission (Overlap with 2.4)
	Vanuatu	3	Evaluating implementation of the Compliance improvement strategy	10	Compliance Strategy introduced	LTX mission (Overlap with 2.4)
<b>2.6 Modern IT operating systems and infrastructure are in place and operate effectively.</b>						
No missions planned during this period						
<b>2.7 Organizational and operating structures are relevant to the business and allow for the effective use of resources.</b>						
	Palau	1	Develop a strategic plan and design a new structure	15	Strategic plan and new structure developed	STX mission (Overlap with 2.8)
<b>2.8 Good corporate strategies, business planning processes and management information reports are adopted, implemented and updated regularly.</b>						
	Fiji	3	Designing a modernization change management plan	10	Introduction of a change management strategy	LTX mission
	Fiji	2	Facilitating change management implementation	10	Support to facilitate transformation	STX mission
	Palau	1	Develop a strategic plan and design a new structure	15	Strategic plan and new structure developed	STX mission (Overlap with 2.7)
	Regional		Introducing PICs to good practice performance management and use of data to drive performance	20	Introduction of performance management and use of data to improve tax administration	LTX/STX mission
<b>2.9 The organization is transparent and accountable with adequate dispute resolution processes.</b>						
No missions planned during this period						

## Financial Supervision Work Plan: August 2015 – January 2016

Measurable Outcomes	Country	Progress against Milestones at end-FY2014 <sup>1</sup>	Planned Activity August 2015 - January 2016	Person days	Relevant Milestone	Comments
<b>3.1 Development and Implementation of Prudential Returns</b>						
<i>No activity.</i>						
<b>3.2 Implementation of Financial Sector Information System (FSIS)</b>						
<i>No activity.</i>						
<b>3.3 Strengthened Off-site Supervision</b>						
<i>No activity.</i>						
<b>3.4 Strengthened On-site Examination</b>						
<b>Perform statutory examinations of banks</b>						
	Samoa (1)	3	On-site examination commercial bank	20	Examination report issued	STX Joel Hefty
	Solomon IIs	3	On-site examination commercial bank	20	Examination report issued	LTX P. Seguin
	Palau	3	On-site Examination commercial bank	20	Examination report issues	STX M. Joel Shapiro
	Timor-Leste	2	On-site examination of a commercial bank	20	Examination report issued	STX M. Guilfoyle
	Tonga	3	On-site examination of a commercial bank	15	Examination report issued	LTX P. Seguin
	Samoa (2)	3	On-site examination of a commercial Bank	15	Examination report issued	STX Mr. Joel Hefty
<b>3.5 Development of Standardized Examination Reports</b>						
Ability to convey examination findings						
	Samoa	3	Drafting on-site examination report	2	Report drafted	In conjunction with 3.5
	Solomon IIs	2	Drafting on-site examination report	2	Report drafted	In conjunction with 3.5
	Timor-Leste	2	Drafting on-site examination report	2	Report drafted	In conjunction with 3.5

<sup>1</sup> 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 <sup>1</sup>	Planned Activity August 2015 - January 2016	Person days	Relevant Milestone	Comments
	Tonga	3	Drafting on-site examination report	2	Report drafted	In conjunction with 3.5
	Palau	2	Drafting on-site examination report	2	Report drafted	In Conjunction with 3.5
	Samoa	3	Drafting on-site examination report	2	Report drafted	In conjunction with 3.5
<b>3.6 Implementation of Sound Examination Policy and Procedures</b>						
<i>No Activity</i>						
<b>3.7 Financial Statement Analysis and Templates Developed</b>						
<i>No Activity</i>						
<b>3.8 Modernized Legal Framework</b>						
<b>Modern legislation</b>	Fiji	2	October workshop Credit union Law	5	Draft Credit Union Act completed	Support IMF Legal Dept.
<b>Modern legislation</b>	Regional Fiji	2	October workshop Credit Union Law	7	Draft Credit Union Law completed	Support IMF Legal Dept Participants; Samoa Tonga, Vanuatu, Solomon Island
<b>Prudential Statement</b>	Tonga	3	Review prudential statements and upgrade content as required.	15	Full set of prudential statements are in compliance with the FI Act	STX G. Gegenheimer, work out of home in the USA
<b>Applicable legislation</b>	Tuvalu	2	Setting up a Banking Commission. Change to the Act Financial reporting templates deployed.	4	Amendments to the Act approved  Financial reporting templates training completed.	LEGAL Dept submitted comments Financial reporting system implementation at 2 banks
<b>Modern Legislation</b>	Samoa	3	IMF Legal Department review Financial Institutions Act	10	Revue completed and recommendation issued	Performed by the IMF Legal
<b>3.9 Non-banks, Credit unions, and Microfinance institutions have Strengthened Legal, Supervisory and Operational Frameworks</b>						
<b>Ability to report accurate financial results</b>	Fiji	2	Capacity building CU Financial reporting September and October	10	Financial reporting template deployed at each Credit Union	Reserve Bank of Fiji to coordinate with CU League
	Kiribati	2	January; Capacity building CU Financial reporting	7	Financial reporting template deployed at each Credit Union	Support the Registrar of CU with implementation of financial

Measurable Outcomes	Country	Progress against Milestones at end-FY2014 <sup>1</sup>	Planned Activity August 2015 - January 2016	Person days	Relevant Milestone	Comments
	FSM	2	October: Capacity building CU Financial reporting	12	Financial reporting template deployed at each Credit Union	reporting templates Support the Banking Commission with implementation of financial reporting templates

**Macroeconomic Statistics Work Plan: August 2015 – January 2016**

Measurable Outcomes	Country	Progress against Milestones at end-FY2014 <sup>1</sup>	Planned Activity August 2015 - January 2016	Person days	Relevant Milestone	Comments
<b>4.1 At least 8 countries compile at least two independent measures of GDP</b>						
<b>4.2 Constant price GDP estimates are rebased at least every 10 years</b>						
	Cook Islands	2	National accounts rebase and methodology improvements.	10	Surveys and other data sources available for rebase.	Focus changing from 4.4 to 4.2.
	Vanuatu	3	National accounts rebase and methodology improvements.	10	Data analyzed, worksheets being updated.	Has been delayed by the country. Timing still to be confirmed.
	Solomon Is.	1	National Accounts: Capacity supplementation for the compilation of GDP estimates by production and developing and expenditure measure of GDP.	20	Constant prices rebased. 2014 GDP estimates in current and constant old-base year published.	This is two missions in August and October.
	PNG	2	National Accounts: Strengthening methodologies and assist with rebasing GDP estimates in constant prices. Assist with the NSO reform process.	20	GDP estimates published.	The PNG NSO needs substantial TA to resume regular compilation of national accounts. This is two missions in September and December assuming adequate progress.

<sup>1</sup> 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.

Measurable Outcomes	Country	Progress against Milestones at end-FY2014 <sup>1</sup>	Planned Activity August 2015 - January 2016	Person days	Relevant Milestone	Comments
<b>4.3 At least 8 member countries compile regular annual GNI, GNDI, saving and net lending/borrowing aggregates</b>						
<b>4.4 At least 4 countries compile quarterly national accounts</b>						
	Fiji	2	National accounts: assist in the development of quarterly GDP estimates.	5	Country has QNA methodology under development.	The aim is to publish by the end of the year.
<b>4.5 Data sources are adequate and methodologies are sound</b>						
	Tuvalu	2	National accounts update, review, and training.	5	National accounts produced but with major deficiencies.	Country compiler will travel to Suva.
	Kiribati	3	National Accounts: Strengthening methodologies for the compilation of GDP estimates by production and developing an expenditure measure of GDP.	8	Sound methods in place.	This will be undertaken by an STX.
	Federated States of Micronesia	2	National accounts update, review, and training.	5	National accounts produced but with major deficiencies.	Assumes sufficient progress on current workplan.
	Regional	2	Participation in the Pacific Statistics Steering Committee which coordinates Statistics TA in the region.	3	TA Coordination improved. Phase II of the Ten Year Pacific Statistics Strategy implemented.	Coordination with the SPC which plays a key role in the Committee has been challenging.
<b>4.6 National accounts statistics are consistent with other statistics including balance of payments and government finance statistics</b>						
<b>4.7 National accounts statistics and associated metadata are readily available.</b>						
<b>4.8 Price statistics are of good quality and base years up to date.</b>						

Measurable Outcomes	Country	Progress against Milestones at end-FY2014 <sup>1</sup>	Planned Activity August 2015 - January 2016	Person days	Relevant Milestone	Comments
	Regional	2	Training course for compilers of consumer price indexes.	8	CPI produced, imputations, item replacement reasonable.	Course to be run jointly with SPC who take the lead on price statistics in the region. Training to be supplemented with a component on the IMF HQ preferred compilation software. Using an STX.
<b>4.9 Improvement in the coverage, quality and timeliness of balance of payments estimates.</b>						
	Cook Islands	1	BOP: Current Account development	10	Draft balance of payments produced. Coverage and methodology weak.	Now using an STX.
	Niue	2	BOP update.	5	Draft Balance of payments produced. Coverage and methodology weak.	This may be done from the Suva office or with an STX.

**Macroeconomic Analysis Work Plan: August 2015 - January 2016**

Measurable Outcomes	Country	Progress against Milestones at end-FY2014 <sup>1</sup>	Planned Activity August 2015 - January 2016	Person days	Relevant Milestone	Comments
<b>5.1 Development of integrated macroeconomic monitoring / projection frameworks</b>						
	Cook Islands	3	Integrate existing models to generate macroeconomic and fiscal projections.	5 LTX	Macroeconomic and fiscal projections are consistent; the integrated model is less resource intensive to maintain.	Progress is made through offsite TA support.
	Samoa	3	Continue working with ministry of finance and central bank staff on developing the Samoa Economic and Revenue	5 STX	Staff use a consistent macroeconomic and fiscal framework.	

<sup>1</sup> 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 <sup>1</sup>	Planned Activity August 2015 - January 2016	Person days	Relevant Milestone	Comments
	Tonga	2	Forecasting (SERF) model; enhance coordination between the institutions. Develop a FP framework of the Tongan economy. Facilitate a practical, hands-on workshop on using the FP framework.	5 LTX	Data required in the framework are compiled and quality checked. Development of a macroeconomic and fiscal framework. Staff use a consistent macroeconomic and fiscal framework.	Technical assistance is provided jointly with the ADB.
	Vanuatu	3	Facilitate practical, hands-on workshops on updating, maintaining, and using the FP framework.	5 LTX	Staff use a consistent macroeconomic and fiscal framework in policy analysis and advice.	The high level of cooperation between public sector agencies in Vanuatu greatly supports the development of the FP framework.  Progress is made through offsite TA support.
<b>5.2 Development of multi-year fiscal planning processes</b>						
	Samoa	2	Train ministry of finance staff on using the SERF model for medium-term fiscal planning.	2.5 STX	Staff are able to generate medium-term projection scenarios.	
<b>5.3 Develop ability to assess debt sustainability</b>						
	Samoa	2	Train ministry of finance staff on using the SERF model for debt sustainability analysis.	2.5 STX	Staff are able to use the SERF model to assess debt sustainability.	
	Solomon Islands	2	Complete specification of public debt dynamics. Train staff on using the FP framework for	8 STX	Staff are able to use the Solomon Islands FP framework to assess debt sustainability.	Progress is made through offsite TA support.

Measurable Outcomes	Country	Progress against Milestones at end-FY2014 <sup>1</sup>	Planned Activity August 2015 - January 2016	Person days	Relevant Milestone	Comments
	Vanuatu	2	debt sustainability analysis. Strengthen capacity of to assess debt sustainability.	5 LTX	Staff use the FP framework for debt sustainability analysis.	Required public data need to be compiled.
<b>5.4 Development of contingency plan to provide financing in the event of a natural disaster</b>						
No activity planned in this period						