

# PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTRE

## QUARTERLY REPORT



June 2016

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

This report covers PFTAC activities and finances in the period from February to April 2016 (FY2016 Q4), as well as planned activities in FY2017. During the quarter, PFTAC capacity development (CD) activity, remained at a moderate pace, reflected in some reduction in the use of short-term experts (STX). The major country users of CD during the quarter were Samoa, Tonga, and Vanuatu.

Workshops during the quarter drew on PFTAC's expertise in macroeconomic analysis and forecasting to enhance expenditure and revenue forecasting, as well as to analyze pension sustainability.

Looking forward, the schedule of activity is expected to remain at a moderate pace through to the end of Phase IV in October. 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 end-April 2017 (see Annex 3). PFTAC's core programs will continue through the remainder of Phase IV, but the pace of activity will be moderated both by staff turnover and by the limited remaining funds. We will need to be cautious about taking on assignments not in the current work plan.

#### In this Issue

I	Introduction	1
II	PFTAC developments	1
III	PFTAC Activity and Finances in the February-April Quarter	3
IV	Sectoral Technical Assistance Developments and Prospects	4
	Annexes	22

### II. PFTAC Developments

#### Staff news

In April, Russel Freeman retired as one of PFTAC's two national accounts statisticians. If there is sufficient funding for PFTAC in Phase V, beginning in November, a second advisor will be recruited, focusing primarily on Government Finance Statistics. Until then, the TA provided by the remaining national accounts statistician, Richard Wild, will be supplemented with TA provided by short-term experts.

In June, Pierre Séguin, who has been PFTAC's Financial Sector Supervision Advisor, is also leaving. His replacement will be Mr. Benjamin Stefanou, an Australian national. Mr. Stefanou has extensive experience, working as a bank supervisor with APRA, the Australian bank regulator, as well as working in the commercial banking sector. More recently, he has worked with the IMF as a TA advisor in the Caribbean.

<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.



In July, Ron Hackett, who has worked at PFTAC for 5 years as a Public Financial Management advisor, will also be leaving. His replacement will be Richard Neves. Richard is also an Australian National, and well-known in the region, having most recently served as Permanent Secretary of Finance in the Cook Islands.

### ***FY2016 Steering Committee Annual Meeting***

On February 25-26 the FY2016 Annual Meeting of the PFTAC Steering Committee was held in Apia, Samoa. The meeting was generously hosted by the Samoan authorities, and included a speech by the Hon. Tuilaepa Lufesoliai Sailele Malielegaoi, Prime Minister and Minister of Finance of Samoa. The meeting was chaired by Lavea Tupa'imatuna Iulai Lavea, CEO, Ministry of Finance, Samoa. The main topics of the meeting included:

- PFTAC activities and outcomes in FY2016;
- The PFTAC work plan for FY2017;
- The PFTAC Phase V (2017-22) draft program;
- Steering Committee organizational issues and member contributions to PFTAC funding in Phase V;
- Financial “De-Risking” and its impact on the Pacific, including remittances.

The principal decisions made at the meeting included: (i) approval of the 2017 work plan; (ii) agreement with the Phase V program strategy in general, but to be based on a lower baseline budget of \$35 million, incorporated into a complete draft Program Document circulated in March; (iii) agreement by members to contribute 10 percent of the PFTAC Program funding in Phase V; and (iv) agreement by members to have the country hosting the Annual Meeting act as Steering Committee Chair.

Details of the meeting and related documents are available from the PFTAC website (<http://www.pftac.org/page/2016SC>). Draft minutes of the Steering Committee meeting have recently been distributed for corrections. The finalized minutes will be posted on the PFTAC website and distributed to members.

### ***PFTAC Phase V (2016-22)***

**A draft Program Document, reflecting the decisions made at the Steering Committee was circulated in mid-March for comment.** A revised Program Document, taking into account comments received on the first draft, was circulated in early June.

Also, following up on the agreement made by members at the Steering Committee meeting to provide contributions amounting to 10 percent of the PFTAC Phase V, **a revised proposal for the division of member country funding contributions** was prepared by Mr. Savenaca Narube and circulated to members in June. We look forward to members confirming their agreement to the funding proposal.

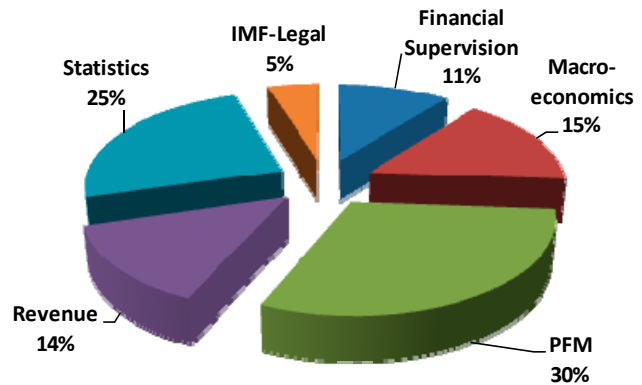
**In June, New Zealand became the first country to commit to funding support for PFTAC in Phase V.** the New Zealand government agreed to contribute NZ\$ 12 million towards the cost of PFTAC operations during Phase V. This represents an increase of over a third from New Zealand’s substantial contribution in Phase IV. We are very grateful for New Zealand’s contribution and indeed its ongoing support of PFTAC, and we look forward to continuing to work together.

## PFTAC Activity and Finances in the February-April Quarter of FY2016

### Overview

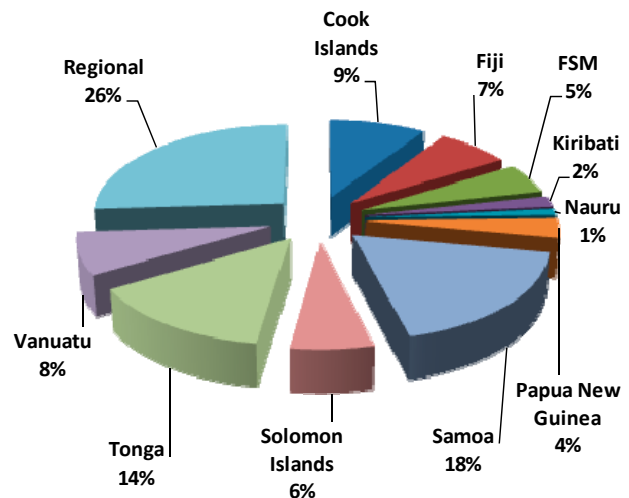
During the final quarter of PFTAC’s financial year (February-April) activity continued at a moderate pace, similar to the third quarter, but below the high level during the second quarter. During the period, PFTAC staff managed or carried out 28 capacity development (CD) missions, including 20 country missions, and 4 regional workshops and seminars. The lower pace of activity partly reflected the involvement of staff in the Steering Committee meetings in late February. The missions and workshops involved a total of 475 mission days, of which 2/3 were carried out by the resident advisors and 1/3 by STX or HQ-based staff. Annex 1 provides a detailed listing of missions and workshops during the February-April period. In the May-July quarter, activity has continued at a moderate pace, reflecting the need to conserve financial resources as we approach the end of Phase IV funding.

Sectoral composition of PFTAC missions for February-April 2016 (Percentage of total mission days)



The major country users of CD during the quarter were Samoa, Tonga, and Vanuatu. In Samoa, CD was in several areas including PFM (accounting and reporting); revenue administration (compliance and reform review); and macroeconomics (revenue and macroeconomic forecasting). In Tonga, CD focused mainly on PFM (reporting frameworks) and revenue (fiscal law). In Vanuatu CD focused on macroeconomics (macro modeling and revenue forecasting) and PFM (PFM roadmap).

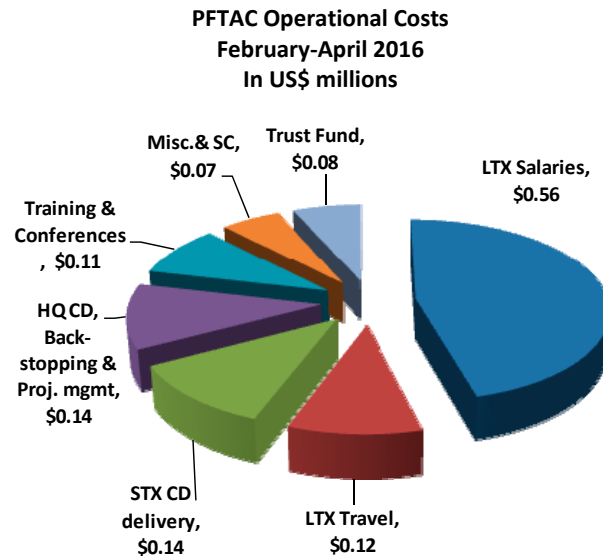
Geographic distribution of PFTAC missions for February-April 2016 (Percentage of total mission days)



An important feature of CD during the quarter was the increasingly cross-sectoral approach being taken to various issues. In the workshops in particular, we have paired up macroeconomic analysis and forecasting with PFM, in the workshops on expenditure planning and pension sustainability. Similarly, we have paired revenue administration and macroeconomic analysis in workshops on revenue forecasting. Additional details are shown in Annexes I and III.

The total donor cost of PFTAC operations during the February-April quarter is estimated at US\$ 1.2 million, almost the same as during the previous quarter (See Annex 2, Table 1). As had been expected, with some one-off type TA missions completed, spending has eased to a more “normal” level, particularly in spending on STX-delivered TA, which is how surges in demand or exceptional TA needs tend to be met.

On the income side, total contributions received to date amount remain at \$25.3 million, with no additional funding coming in before the end of Phase IV. Details of donor contributions to PFTAC are shown in Annex 2, Table 2. With cumulative spending under Phase IV of \$22.4 million as of end-April, the remaining funds to cover PFTAC CD expenditure through to end-October amount to \$2.9 million. Although this will be sufficient to cover the planned work program in the first half of FY2017 (see Annex 3), it does not provide a substantial margin of flexibility to meet unexpected demands. Consequently, we will need to be somewhat cautious about taking on additional commitments in the remaining months of Phase IV.



### III. Sectoral Technical Assistance Developments and Prospects

In this section, the advisors provide a discussion of key TA projects and work streams in the August-October quarter FY2016 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 similar to that presented at the PFTAC Steering Committee meeting in March. Over the course of the year, the work program is progressively updated as missions are added, extended, delayed or canceled. Details of the work program through to the end of April 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. The IMF’s Results-Based Management Framework, aligned with the 2016 PEFA,<sup>2</sup> divides these into six work-streams:

- PFM Laws and Institutions;
- Budget Preparation;
- Budget execution and control;
- Fiscal Reporting;
- Asset Management; and
- Fiscal Risks.

<sup>2</sup> PEFA: Public Expenditure and Financial Accountability

1. **PFM Laws & Institutions.** The objective of this work-stream is to improve PFM laws and institutions. Major activities include assisting countries to conduct PEFA assessments and update PFM reform roadmaps, and update their PFM legal frameworks.
  - **PEFA assessments and PFM Roadmaps.** PFTAC's work on PEFAs and Roadmaps during the quarter was concentrated on [Vanuatu](#) assisting officials to complete a self-assessment and begin roadmap development. A consolidated report of the June 2015 PEFA assessment was completed by the government authorities. During the PFM roadmap mission in [Vanuatu](#) in April, 2016, a seminar was conducted by PFTAC to discuss fundamental principles and steps in PFM Reform Planning. After the seminar, initial reform proposals were discussed by participating offices. The presentations were then translated into a PFM Reform Planning Guidelines document that includes a reform integration and prioritization framework tailored for [Vanuatu](#). Specific reform action plans will then be prepared by each functional agency/unit, in consultation with key stakeholders, and will be reviewed by a Steering Committee that will be chaired by the Ministry of Finance and Economic Management. Support to [Vanuatu](#) is expected to continue in the May-October period as they work to complete their roadmap.
  - **Box 1 summarizes a draft PFM Reform Planning Framework for Vanuatu, and some basic points that will guide Roadmap development.** The draft Reform Framework was arrived at after a self-assessment led by the government authorities on the past and current PFM systems performance using the PEFA indicators, and an assessment of the fiscal outlook, and implementation capacity and risks for the medium-term. Basic principles in formulating and prioritizing reforms have been emphasized in a draft Planning Guidelines. These basic principles have been developed from PFTAC's experiences in working on Reform Roadmaps over the past 5 years as well as consultations with PIC clients and other development partners.

### **Box 1: Key Features of the Vanuatu Reform Roadmap Planning Guidelines**

#### **A. Formulating a PFM Reform Roadmap**

- Self-assessment - Conduct PEFA assessment and refer to other related PFM frameworks and studies, and analyze the main issues;
- Formulate a PFM mission, vision, and key outcomes for the whole of government;
- Establish where current performance is in the functional framework;
- Look forward and set specific objectives to move to the next stage;
- Translate the objective to actions and targets using SMART<sup>3</sup> outcome indicators;
- Review targets whether they are reasonably realistic given current and future environment, resources, and capacity;
- Determine/select the priority reforms, in consultation with key stakeholders.

#### **B. Criteria for Prioritizing Reforms**

- Directly relevant and will have significant impact to achieving the overall PFM objective and desired outcomes;
- Directly address the most pressing issues, and will significantly improve PFM performance;
- Implementation timing should follow generally accepted sequencing principles, with intermediate outcomes clearly identified;
- Providing important inputs to other PFM reforms;
- Low or medium implementation risk, and not largely dependent on outcome of other reforms.

#### **C. Common Pitfalls to Avoid**

<sup>3</sup> SMART: Specific, Measurable, Attainable, Relevant, and Time-bound.

- Too many reform objectives and priorities;
- Too ambitious reform targets and timelines;
- Unclear reform outcomes/relevance to PFM objectives;
- Lack of or inadequate consultations on proposed reforms;
- Inconsistency or lack of complementation among reform objectives and strategies.

- Work was started in March to revise the PEFA self-assessment workbooks to reflect the framework changes adopted by the PEFA Secretariat in Feb 2016. This work will continue into the May-October period. Related to this, work will commence in the May-October period, in conjunction with IMF-wide efforts, to improve the Results-Based Management (RBM) framework for monitoring progress towards PFM objectives.
- Also during the May-October period a PEFA self-assessment has been tentatively scheduled for [Nauru](#) (in coordination with DFAT's Assessment of National Systems). In the November 2016-April 2017 period PEFA Self-Assessments and Roadmap development are also tentatively scheduled for [FSM](#) and [Kiribati](#).
- **PFM legal frameworks:** Having a comprehensive law clearly laying out basic PFM principles and identifying both Finance Ministry and Line Ministry responsibilities for implementing disciplined PFM is essential. Equally important is the need for updated PFM regulations or financial instructions specifying required steps for various types of financial transactions, as well as budget preparation and review processes, and accounting and financial reporting requirements. Work in this area during the February-April quarter included:
  - Periodic follow-up consultations by PFTAC's LTX advisors with the [Fiji](#) MOF on its proposed revisions to its Financial Management Act;
  - LTX support to the [Samoa](#) Ministry of Public Enterprises (MPE) to improve the planning and financial reporting requirements for SOEs. Among the revisions made in the Planning and Reporting Guidelines were the formulation of a medium-term financial framework, disclosure of financial transactions between SOEs and with the central government, and disclosure of financial risks.

Periodic support to both countries on these reforms is expected to continue during the May-October period.

Efforts in this work-stream during the November-April period are expected to increase with assistance planned for [Fiji](#), [Nauru](#), and [the Solomon Islands](#) to revise their Financial Instructions.

**2. Budget Preparation.** The objective of this work-stream is the development of more comprehensive, credible, and policy-based budgets.

- **Integrated medium-term planning and budgeting frameworks.** PFTAC places a high priority on improving budget preparation with particular emphasis on better integration of policy/project planning and budgeting within a medium-term framework. **While some PICs have shown small gains on the PEFA indicator focused on a multi-year, policy focused perspective in fiscal planning and budgeting, this aspect of PFM in the PICs still is among the weakest of the PFM components assessed by the PEFA.** To assist members with building their capabilities in this area, during the Feb-April period PFTAC's PFM advisors:

- Continued periodic short consultations with the [Fiji](#) Budget Department on the new budget format first adopted for the 2015 budget. The 2016 Fiji budget sustains the addition of policy-focused explanatory narrative at the program/activity level, and a clearer display of changes in funding levels, including for the medium-term. PFTAC's planned May-October work in this area includes TA to [Fiji](#) to continue making improvements in the program/activity level narrative in their annual budget document and improving the accuracy of medium-term expenditure estimates to implement already approved government policies/projects.

TA is planned for [RMI](#) in late May in cooperation with PFTAC's Macro-economic Advisor to support development of the 2017 budget and medium-term estimates.

- Conducted a workshop on Medium-term Expenditure Planning for National Sustainable Development (conducted in coordination with PFTAC's Macroeconomics Advisor and UNESCAP). The workshop emphasized the importance of:
  - Maintenance by Cabinets of a disciplined fiscal note process for all policy changes/projects being considered;
  - Budget departments keeping track of expenditure "tails" on policies/projects already approved in the past by Cabinets/Parliaments
  - Paying closer attention to the effect of demographic flows on costs of providing significant public services; and
  - Building adequate fiscal buffers for debt service, asset repair/replacement, and response to natural disasters

In the November-April period sub-regional workshops on Expenditure Forecasting in cooperation with PFTAC's Macro-economic Advisor are planned to follow-up on the topics (particularly demographics) introduced during the successful FY2016 workshops.

- Reviewed social security/pension issues. Any discussion of medium (or longer) term budgeting and planning cannot ignore addressing social security and pension matters. Because of their long-term nature, social security and pension programs must be very carefully developed and managed because they create both legal and moral obligations for governments. Article IV reviews have highlighted the challenges that will be faced by some PICs in financing the social security benefit promises that have been made to their citizens upon retirement. The PICs facing the biggest challenges include [FSM](#), [Palau](#) and [RMI](#). The difficulties that will face these social security systems are functions of a variety of factors including inadequate contribution levels, failure to enforce employer/employee contribution requirements, costly early retirement provisions, and loop-holes related to beneficiary designation. A sub-regional workshop was conducted (in cooperation with IMF's Expenditure Policy Division) in late April 2016 for [FSM](#), [Palau](#) and [RMI](#) to discuss these critical issues.

**3. Budget execution and control.** The objective of this work-stream is better budget execution and control. Sound budget execution controls require effective commitment control, payroll control, virements control, monitoring of arrears, financial management information system, and other internal control procedures.

- PEFA assessments reveal that in general, PIC performance in several areas of budget execution remains weak.** Weaknesses of budget execution controls, if not resolved sooner, will lead to budget overruns - bigger deficits and arrears in the future.

- **In the February-April quarter, PFTAC activity in this area included support to Tonga to improve its Financial Management Information System.** After a diagnostic mission in January 2015, PFTAC continued to advise off-site in planning and sequencing of IFMIS-related reforms as well as in drafting proposals for the software upgrading based on earlier needs assessment. As proposed, Tonga recently created an IFMIS Steering Committee within the Ministry of Finance to oversee and coordinate IFMIS reforms. Upgrading of the software is planned for July 2017. Additional TA to support Tonga's preparatory IFMIS reforms is anticipated during the November-April period.
- **Other upcoming activity in the budget execution work-stream will continue to support IFMIS reform, improving Treasury business processes, and internal audit:**
  - Since May 2014 PNG has received technical assistance from a PFTAC short-term advisor to restructure the operation of its Integrated Financial Management System (IFMS). Assistance continued during FY2016, and a mission is currently scheduled for the May 2016. The TA has enabled expansion of the system to 30<sup>4</sup> departments (compared to the 3 connected when assistance commenced last year) and all other national departments and 1 provincial government are currently scheduled to come on-line by the end of December 2016. Both the Cook Islands and Kiribati have indicated intentions to explore FMIS reforms. PFTAC's current workplan anticipates TA for both countries in the November-April period.
  - In addition, TA is tentatively scheduled for RMI during the November-April period to improve the design of Treasury business processes.
  - TA is expected to continue for Vanuatu during the November-April period to improve risk-based internal auditing. Initial TA was provided in 2014 with follow-up in 2015, and there has been good progress. the IA Unit has improved its Audit Plan and Risk Assessment Framework, and staff have improved their work efficiency by using the TeamMate software.
  - A regional workshop on risk-based auditing will be conducted in cooperation with PASAI. PASAI and PFTAC will continue to promote a closer partnership among internal and external auditors in the region. This workshop is tentatively planned for December, 2016.

**4. Fiscal Reporting.** The objective of this work-stream is improved coverage and quality of fiscal reporting.

- **Accounting and Reporting for greater transparency:** TA in this area includes review of accounting policies, chart of accounts, reconciliation procedures, consolidation, and transparency of reporting. Major efforts included TA to Fiji in implementing its accounting reform. A new debt accounting policy was developed and implemented. Likewise, TA to review the progress and remaining gaps of the accounting reform in Fiji was conducted in April, 2016. The review revealed that most of the international public sector accounting standards (IPSAS)-cash basis, have been complied with, except for additional disclosures on grant revenue and explanation on material deviation between original and actual budget. Recommendations for the next set of activities of the accounting reform, including preparatory work for the planned change in fiscal year were adopted.
- In early 2016, PFTAC provided TA to Tonga and Samoa, by assessing the gaps of existing practices vis-à-vis international accounting standards, and formulating a clear transition plan. An accounting and reporting reform strategy including immediate steps that can be done in the current year were

<sup>4</sup> Based on update as of April 21, 2016



recommended and adopted. The strategies were aimed at improving the reliability, relevance, and transparency of financial statements. During missions in [Tonga](#) and [Samoa](#), an awareness and appreciation seminar on IPSAS was also conducted for government institutions. Additional country-specific TA is planned for the May-October period for [Fiji](#), [Samoa](#), and [Tonga](#).

- In addition, a regional workshops on Chart of Accounts/fiscal reporting is planned in March, 2016.

**5. Asset Management.** The objective of this workstream is improved integration of asset and liability management.

- **Cash management:** This TA program covers the improvement of cash balances consolidation, banking arrangements, payment and collection procedures, cash flow planning and forecasting, cash allocation, and cash monitoring. During FY2016 both [PNG](#) and [Samoa](#) requested assistance.
- Work in [PNG](#) resulted in the adoption of an improved cash management strategy and the development of standard procedures on bank reconciliation, creation of a Cash Management Unit (CMU), and coordinated planning among the Department of Finance, Department of Treasury, Internal Revenue Commission, and Bank of PNG for the adoption of a cash pooling/sweeping scheme. Timelier bank reconciliation and inflow of cash resources is expected upon implementation of this scheme. Cash management TA for [PNG](#) is expected to continue in November.
- In [Samoa](#), 50 participants from MOF and line ministries attended a PFTAC seminar on good cash management practices; Cash Management Unit staff were trained on using a liquidity model template for cash forecasting; and proposed strategy was adopted by the MOF to improve cash reporting, forecasting, and consolidation of cash balances. Initial steps to carry out PFTAC recommendations were implemented by the Accounts Division, such as maximizing the FMIS (Finance One) to control payments within available cash balance, repaying stale checks the following day, greater use of electronic payments, and consolidation of above threshold cash balances from overseas missions. Additional work for Samoa is scheduled for the May to June period.
- In addition to [PNG](#) and [Samoa](#), [Solomon Islands](#) has requested assistance to develop a cash management policy and strategy. That assistance is tentatively scheduled for November 2016.
- **Public investment and capital asset management:** TA in this area will focus on developing the capacity of countries to meet the criteria on public investment and asset management as suggested in the February 2016 revised PEFA Framework (PI 11 and 12). This TA will be integrated with the TA program on budgeting, accounting and reporting. The February 2016 workshop on Expenditure forecasting introduced some basic beginning steps including starting an asset register and simple procedures for using this information to derive estimates of annual set-asides for asset repair/replacement.
- As part of strengthening regional coordination, PFTAC Adviser will participate in a regional workshop initiated by PICPA focusing on asset management. This will be held in Nadi, Fiji on May 30-31, 2016.

**6. Fiscal Risks.** The objective of this work-stream is to strengthen the identification, monitoring, and management of fiscal risks.

- **Fiscal Oversight of State-owned Enterprises (SOEs):** SOEs have created fiscal problems in many PICs. Because of emerging demands from PICs, PFTAC TA in this area was started early in FY2016 in

[Samoa](#) and continued with follow-up missions in the Feb-April period. [Samoa](#) has adopted PFTAC's recommendations which mainly cover: (i) improving fiscal risks management by developing a risk assessment framework; (ii) enhancing fiscal transparency by reporting all transfers from central government and between SOEs, as well as full accounting of community service obligations (CSO); and (iii) strengthening accountability by clarifying in the Statement of Corporate Objectives the financial expectations, and reporting accountabilities of SOE Boards. The Ministry of Public Enterprises (MPE) has incorporated these recommendations in its work plan for 2016. It is expected that in 2016 the annual MPE report to the Cabinet will include information on transfers from central government and between SOEs, and outstanding CSO costs. Continued support to [Samoa](#) in developing SOE risk management and reporting is programmed for the May-October period.

- Additional upcoming work also includes TA for Fiji during the May-October period for the development of a framework to assess the amount and likelihood of fiscal risks arising from transactions between the central government and public enterprises in [Fiji](#).

### *Workshops and Seminars*

**PFTAC PFM advisors are involved in regional workshops and seminars.** These were discussed in the topical sections above, but are highlighted again in this section for readers who want a comprehensive overview of regional activities:

- **A workshop on Medium-term Expenditure Planning for National Sustainable Development** was held in Nadi, [Fiji](#), in February, jointly coordinated by PFTAC's PFM and Macroeconomics advisors, and UNESCAP. Participants included representatives from budget and planning departments in countries on calendar financial years<sup>5</sup>. Topics covered included:
  - Cost pressures from demographic movements;
  - Developing and maintaining disciplined fiscal note review processes on all new policy or project proposals being considered by Cabinets;
  - Keeping track of cost tails on previously adopted policies or projects requiring a multi-year phase-up;
  - Improving the integration of planning and budgeting to insure future fiscal space for developing quality spending;
  - Estimating fiscal buffers for managing debt service payments, asset repair/replacement, and response to natural disasters.

A follow-up workshop, conducted in cooperation with PFTAC's Macroeconomics Advisor and SPC, is planned for the November-April period with a more in-depth focus on budget pressures that are likely to arise from demographic flows.

- **A sub-regional workshop on defined benefit social security systems** was held in April 2016 for [FSM](#), [RMI](#), and [Palau](#). It will focus on issues related to both benefit policies and achieving sustainable financing.
- **A joint PFTAC-PASAI workshop is planned for government auditors** to enhance their appreciation of significant PFM issues and how they could better contribute in addressing them. A regional workshop

<sup>5</sup> This selection was done in order to avoid taking officials on calendar year financial years away from their budget preparation activities; and also to keep the discussion groups to a more comfortably interactive size.

on improving fiscal reporting and chart-of-accounts is planned for November. It will focus on how fiscal reporting can contribute to better fiscal policy analysis, fiscal risk management, and financial accountability in the government.

**Successful PFM Reform requires high level political support.** It is not just a technical matter, and it most certainly is not just a Finance Ministry issue. Two years ago PFTAC started a “High Level Dialog” project aimed at improving Line Secretary, Cabinet Members, and Parliamentarians’ appreciation for PFM Reforms and their role in those reforms. In January 2016 a joint PFTAC/PASAI workshop was conducted for Parliamentarians on a variety of PFM matters in [Tonga](#).

**Broader capacity development included training through regional institutions and processes.** PFTAC continued active partnering with the USP and PICPA on sustainable training for PFM professionals in the region. Discussions with PICPA on developing/implementing training have focused primarily on procurement, training for budget analysts (including procedures for regular reviews of non-tax revenues).

## Revenue Administration and Policy

**Capacity building in revenue administration is focused on two key areas:**

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

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

### *Strengthening revenue administration management and governance arrangements*

**One important area in which PFTAC is seeking to assist revenue authorities, as well as fiscal policy authorities is in strengthening the revenue forecasting support function within revenue administrations.** This is an area in which we are able to exploit synergies across different areas of PFTAC expertise, as well as offer relevant on-line training course from the IMF Institute for Capacity Development. In late 2015, PFTAC ran a revenue forecasting workshop in Nadi (see the box in the macroeconomics section below) and a second such workshop is planned for later this year, as noted below. In addition, the macroeconomics advisor has worked with revenue forecasters in finance ministries and revenue authorities on a bilateral basis to strengthen revenue forecasting and its integration into budget processes.

**Training provided by the IMF Institute for Capacity Building is also helping to strengthen revenue forecasting.** On-line training in forecasting techniques provides useful tools that can be applied in the revenue area. A testimonial from one course graduate illustrates the potential value of such training:

*Econometrics was never made easier for me until I had a taste of the Macroeconomic Forecasting course offered by IMF's Capacity Development team based at Washington. Thanks to Professor Sam Ouliaris and team for an outstanding design and delivery of this course and I am sure this training will add value to our modeling and forecasting works in Fiji. Running basic regressions to building models using Error Correction Models in the latest version of EViews software has given me great confidence to modernize Fiji's revenue forecasting model that will also benefit the South Pacific region - I had already presented a preliminary model at a regional workshop and have encouraged my fellow Pacific Islanders to enroll in the same course. This course will help me to enhance the Tax Compliance model*

*that I have developed for Fiji.* -- Fazrul Rahman, National Manager Economic Policy Analysis and Research, Fiji Revenue and Customs Authority

### ***Strengthening Core Tax Administration Functions***

**During the February to April Quarter, capacity building was mainly focused on improving core tax administration function, and particularly on strengthening taxpayer services.** Good taxpayer services and targeted publicity campaigns are increasingly becoming elements of PIC Taxpayer Services Strategies. The taxpayer service delivery function plays a crucial role in the administration of a tax system, with modern trends emerging to encourage taxpayers to self assess and then remit taxes due. However, self-assessment will only work if the majority of taxpayers know what their obligations are and are able to comply with them. Therefore, an effective Taxpayer Services program will include developing clear and understandable forms and instructions, providing points of contact to the public so that people can request and secure information about their tax obligations. Thus, it is essential that tax administrations conduct different types of information campaigns for different types of taxpayers (e.g., accountants, trade organizations and the general public). Furthermore, as taxpayers increasingly move towards technology a responsibility lies on tax administrations to develop platforms that facilitate the migration to e-business providing taxpayers with self-service options available 24/7.

**PFTAC has raised the profile of the taxpayer services function through TA and workshops and we are now seeing a positive shift in PICs adapting their business models to a more proactive approach.** This includes public campaigns through radio, newspapers, and television informing the public of their tax obligations and tax administration's efforts to improve compliance. Examples of the progress being made across the region include:

- **Fiji:** Aligned to their recently launched Compliance Improvement Strategy, the Fiji Revenue and Customs Authority (FRCA) launched an extensive taxpayer awareness program of their compliance focus. This has included TV, radio and a wide range of newspaper articles highlighting the biggest compliance risks and how they will be treated by FRCA.
- **Kiribati:** The Kiribati Taxation Division recently introduced a new function driven structure that includes a taxpayer services unit staffed by three officials. To date numerous successful initiatives have been carried out including a tax seminar attended by 50 Chamber of Commerce affiliated businesses. A new range of taxpayer services brochures have also been designed which are available at the taxpayer service counter.
- **Federated States of Micronesia:** The Customs and Tax Administration recently changed their organizational structure to include a taxpayer services division which recently launched a successful taxpayer education campaign by hosting a number of seminars which were well attended.
- **Palau:** The Bureau of Revenue and Taxation Modernization Program includes a new taxpayer services structure that is currently being implemented.
- **Samoa:** The Ministry for Revenue has installed a strong taxpayer services function to support a key strategic objective to promote voluntary compliance and public confidence in the tax system. The IRS has put in place a taxpayer service and communication program that provides a broad range of services and outreach activities that are delivered face-to-face, by telephone, through correspondence and over the internet. The current Taxpayer Services structure comprises 26 staff representing fourteen percent of the total staff complement.

- **Tonga:** Tonga's Ministry of Revenue and Customs has made good strides to improve taxpayer services and communications. These include: (a) updating the current website recently enhanced by an IT upgrade; (b) the establishment of a new client services area which includes a range of tax brochures and general information; (c) new work processes and procedures to facilitate taxpayer services – including a revenue charter and service standards; (d) the issuing of press releases addressing important tax topics; and (e) a review of taxpayer correspondence templates which were redrafted and professionalized.
- **Vanuatu:** Vanuatu's Department of Customs and Inland Revenue implemented a taxpayer services unit which has made significant progress in improving services to taxpayers. A range of educational booklets have been designed with newspaper articles being published on a weekly basis. This unit will support the implementation of the Compliance Improvement Strategy with its main focus being directed to the Industry Partnership initiative where performance standards relating to advisory and educational visits have been implemented.

**In addition, the Fiji Revenue and Customs Authority (FRCA) publically launched its Compliance Improvement Strategy in March.** The strategy focuses on six taxpayer segments (large, medium, small, construction, real estate and supermarkets). Tax agents showed much interest in this new approach to compliance management which was also widely covered in the press. FRCA's acting CEO said the new strategy aimed to strengthen the important role that accountants and tax agents played to improve compliance among their clients and that FRCA aimed to influence taxpayer behavior by demonstrating a willingness to educate and assist those willing to comply and to take a tougher approach towards those who deliberately refused to comply.

#### *Upcoming Regional Activities*

- **Improving tax compliance in the tourism sector.** As part of the Compliance Risk Management approach, those countries who have developed tourism sectors, have requested PFTAC assistance to: (i) gain a better understanding of their tourism sectors through data analytics; and (ii) develop a risk management framework that involves a structured approach in identifying, assessing, prioritizing, and mitigating tourism tax risks. This request is well aligned to PFTAC's strategy of assisting Pacific Island Countries develop more expertise in examining raw data to make better and more focused compliance management decisions.
- **Developing a Strategic Plan for the Pacific Island Tax Administration Association (PITAA).** Over the last few years PITAA has made considerable progress in providing a platform to improve tax administration across Pacific Island Countries. Following this success, PITAA has now reached a level of maturity where it needs to develop a strategic and business plan for the next five years that sets out the specific results that it wants to achieve and a course of action for achieving them. This meeting, to be facilitated by PFTAC, will help conceptualize the future role that PITAA will play in stimulating regional cooperation and capacity building.
- **Revenue forecasting workshop – promoting the linkages between Revenue Administration, the Ministry of Finance and Treasury.** This, the second workshop on this subject, will highlight the benefits of working together to achieve a better understanding of revenue trends, compliance gaps and opportunities to generate more revenue through efficiencies and further institutionalize PFTAC's strategy to highlight the important linkages between a compliance improvement strategy, data

analysis, performance management and measurement and the use thereof in modern revenue administration.

## Financial Sector Supervision

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

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

**In the February-April quarter, PFTAC's TA focused on bank supervision, with emphasis with on-site examination, and non-bank oversight, focusing on credit union reporting:**

### *Bank Supervision*

**On-site bank examination program:** This quarter saw the continued implementation of PFTAC's on-site examination program. Following the 2015 roll-out of the program with workshops in the region a number of short term experts were used to provide targeted support to a number of countries.

- **The Federated States of Micronesia:** An on-site examination mission was held to assist the Banking Commission with executing the on-site examination of the Bank of FSM. The staff of the commission was provided with the services of a short term expert who developed a comprehensive program that included a detailed examination plan and technical advisory support to accomplish this task, based on the need that was identified during our previous preparedness workshop. The mission included the delivery of a workshop on credit review and analysis, support during the execution of the examination and assistance with the preparation of the report.

### *Credit Union Legislation and Supervision*

**The credit union program was expanded to Samoa and Solomon Islands this quarter.** Both central banks received technical support in assessing the financial health of the credit union sector in anticipation of the government's enacting a New Credit Union Act. A one-on-one series of workshop were held for each individual credit union who participated. The workshop included a discussion on financial standards and ratios and concluded with a review of their financial statements which resulted in establishing each credit union's compliance ability in light of upcoming requirements. The result of our reviews revealed that two thirds of credit unions surveyed would be compliant with the requirements of a modern Credit Union Act, if it was enacted this year. The balance could achieve compliance in a short time and fewer than five percent would require support in achieving expected financial results.

### *Next quarter activities*

**PFTAC, acting as Secretariat for the Association of Financial Supervisors of Pacific Country AFSPC, is planning the annual meeting of the group which will be hosted by the Financial Institutions Commission of Palau.** The event is scheduled for the week of June 13, 2016 in Koror. The group will gather under the theme: "Natural disaster preparedness and recovery planning." A workshop will be held that will aim at producing a comprehensive set of prudential guidelines for financial institutions coupled with adequate working papers on how to examine an institution's preparedness and recovery plan. The meeting will include opportunities for

each delegate to discuss topics of mutual interest, exchange on experience and provide PFTAC with recommendations as to future need for technical assistance.

### **Box 2: Financial Sector Operational Risk: Natural Disaster Preparedness and Recovery**

This year the annual regional financial supervisor’s workshop will explore a topic dedicated to the subject of “Natural Disaster Preparedness and Recovery”. Many countries in the region face an increase in the frequency or severity of natural disasters as a consequence of climate change. These disasters pose direct operational risks to the operations of the central banks and other supervisory agencies, as well as to the operations of the financial institutions they oversee.

Following the experience with recent very strong cyclones in the region, it was recommended that supervisors consider developing operational protocols for managing operational risks associated with natural disasters. The group will be introduced to guidelines outlining the minimum requirements that financial institutions should implement to ensure that business operations are not adversely affected in the event of a disruption. It is envisaged that by implementing a directive, supervised financial institutions will both reduce the likelihood and impact of operational disruption and ensure business continuity in order to maintain public trust and confidence in the financial sector.

This will ensure that business continuity planning forms an integral part of the overall risk management of an institution and that business continuity process are documented and embedded in an organization’s operations.

#### **Activities over the next quarter will also include:**

- **Support to the Central Bank of Timor-Leste with its review of the credit union sector’s financial health.** This will include assistance with staging a few workshops on financial reporting and a ratio analysis workshop for the staff of the central bank which will assume the oversight of the sector.
- **A visit to the Bank of Papua New Guinea is scheduled for May to provide support to the Bank with staging a workshop on Financial Statement review,** analysis and reporting of the Savings and Loans sector. The training will include designing a series of appropriate ratios to be assessed against corresponding industry based standards.
- **The on-site examination program will continue in Samoa with the third component of the program,** which will include the examination of a public financial institution and a comprehensive review of the examination manual which will culminate with the issuance of a set of recommendations for improvements to the manual.

### **Macroeconomic Statistics**

**Over the February-April quarter, we were briefly back up to full strength for the PFTAC Phase IV structure with the appointment of a replacement second national accounts advisor in mid-January.** However, the first advisor retired at end-April and his work will now be covered by short-term experts. Whether a second statistics advisor position will be able to be restored in Phase V will depend on the level of funding PFTAC is able to secure from donors and members.

During the quarter, work centered on enhancements in three broad areas: **methodology, sources and capacity**; these are described in more detail below in the context of the relevant new Results Based Management (RBM) framework indicators for the national accounts. Methodological assistance was provided to the [Cook Islands](#), [Papua New Guinea \(PNG\)](#), [Solomon Islands](#), and [Tuvalu](#) and [Western Samoa](#) while improvements to source data were made in the [Cook Islands](#), [PNG](#), [Tonga](#) and [Tokelau](#), often with key focus on using tax data alongside, or instead of surveys. In terms of capacity, in addition to ad hoc training provided to all countries visited, a sub-regional training course was delivered to statisticians from the [Federated States of Micronesia](#), [Palau](#) and the [Republic of the Marshall Islands](#); improvements to business documentation were also made in the [Cook Islands](#), [Tonga](#) and [Tuvalu](#). As well as providing national accounts TA directly, we also coordinated a balance of payments (BOP) mission to the [Cook Islands](#).

### **Methodological improvements**

*'Data are compiled using the concepts and definitions of the latest manual/guide; data are compiled using appropriate statistical techniques'* [RBM indicators 4 and 11].

- In the [Cook Islands](#) and [Solomon Islands](#) efforts have focused on **rebasing GDP** to more recent years. Rebasings offers an ideal opportunity to review existing methodologies and correct and/or improve past deficiencies, at the same time as establishing more contemporary benchmarks. In the [Cook Islands](#), work focused on updating measures of financial services and tourism while in [Solomon Islands](#), various improvements were made to models for the informal sector. Both countries are scheduled to receive follow-up missions later in 2016 to continue this work.
- In [PNG](#) we continue to work in coordination with the Australian Bureau of Statistics (ABS) on the project to reform the national statistics office. During the last mission assistance was provided in the **correct use of HIES results** to estimate informal sector production and household final consumption expenditure. On a positive note, in April PNG released its first annual GDP estimates for over a decade. However, considerable further methods work is needed and PFTAC will continue to engage with the authorities and the ABS to identify where complementary assistance can be provided.
- In [Tuvalu](#) numerous **formulaic errors** were noted in recent years during collaborative work with the sole compiler to produce GDP estimates for 2013-14. More TA is planned in early 2017.
- In [Samoa](#) TA was requested to help **estimate GDP by expenditure**, which is at an advanced draft stage. Following the annual PFTAC Steering Committee meeting in Apia, we carried out preliminary investigations and recommended that the NSO focuses on reconciling annual expenditure and production estimates before attempting the same with quarterly data. A mission is planned in November to assist in this regard.

### **Source data improvements**

*'Source data are adequate for the compilation of the national accounts'* [RBM indicator 9].

- Pacific countries' abilities to collect, interpret and make use of source data are often limited. To address this, we have advocated firstly the **use of tax data** to supplement and/or replace existing survey-based estimates of GDP by production, and secondly the **use of the latest HIES results** to update benchmarks and projections. In this regard, we have provided continued technical support to



PNG, the Cook Islands and Tonga. Further support is scheduled during 2016 to assist in bringing these sources into use.

- We were very pleased to provide inaugural TA to the government of Tokelau while on mission in Apia, Western Samoa, where their administration is based. Tokelau has not compiled GDP estimates for over thirty years and has no compilation system in place, but initial estimates should be straightforward to make using **government accounts** and **HIES results**. Access to these sources has been arranged and the next step is to set out a TA plan to take the work forward, potentially in Samoa or remotely.
- **Assistance** was provided by a PFTAC short term expert to the Cook Islands office, which **updated BOP estimates in line with the latest manual**. The mission assisted in the compilation of current account estimates for 2010 to 2014 using available data and the existing methodology, updated where possible using *Balance of Payments and International Investment Position Manual, 6<sup>th</sup> Edition* classifications and concepts.

### **Building capacity**

*'Staff capacity increased through training, especially on developing source data, compilation methods, and dissemination'; 'business processes documentation for compilation and/or dissemination of macroeconomic and financial statistics is stored, accessed and regularly updated'* [RBM indicators 3 and 21].

- Statisticians from the Federated States of Micronesia, Palau and the Republic of the Marshall Islands attended a week-long **sub-regional workshop** in Pohnpei, which aimed to increase sustainability by delivering practical guidance on the use of HIES data, rebasing tasks and compilation and reporting skills. Sessions were a mixture of lectures, discussions and locally-focused exercises. Highly positive feedback was received, cementing our intention to use this approach in other sub-regional workshops.
- In all the countries visited, **ad hoc training** was provided to compilation staff on a range of issues, largely focusing on volume estimation approaches and formulae, extracting benchmark data from the HIES and, perhaps most importantly, the use of tax returns to form estimates of GDP by production.
- In the Cook Islands, Tonga and Tuvalu, much of the hands-on TA work was translated into revisions or additions to existing **business process documentation**, which is a crucial but often sidelined element of sustainable statistical compilation practice. In small island states with limited resources, the departure of a single member of staff can decimate compilation skills overnight, so clear, comprehensive and up-to-date production notes form are vital to maintaining any continuity. This will be a particular focus area during FY17.

#### **Box 3: Building statistical sustainability in the Northern Pacific countries**

Since 2014, PFTAC has delivered three annual sub-regional workshops to statistics staff from FSM, Palau and RMI. For many years, national accounts estimates for these countries have been produced by consultants using a common basic system, with limited input required from local staff and to the detriment of capacity and sustainability.

Thanks to a structured, practical training series, PFTAC has been able to teach these staff not only how to operate and interpret their existing systems, but also to generate their own results in alternative and often

more efficient ways. By empowering them, we have now set out a sustainable, independent path for the future on which TA can be refocused on expanding the range of outputs and local analytical capabilities.

### Work plan for 2016-17

**The structure and focus of statistical TA has been redesigned for Phase V.** National accounts assistance will now be provided by one rather than two long-term experts, with an increased use of short-term experts to ensure adequate levels of provision throughout the region, while a new long-term expert in government finance statistics (GFS) is expected to join PFTAC in November. A limited amount of BOP work will continue to be coordinated from PFTAC, staffed by short-term experts.

#### *National accounts work*

**National accounts missions will continue to focus on the core themes of improving methodology, sources and capacity, tailored to the individual needs of each country.** The majority of beneficiaries produce estimates of annual GDP by production with less than half also producing estimates by expenditure or income (Fiji, FSM, Palau, RMI, Solomon Islands, Tonga, Vanuatu) and even fewer on a quarterly basis (Fiji, the Cook Islands, Western Samoa). In Fiji, Kiribati and Samoa, measures of GDP by expenditure are at various stages of development and TA will in part look to foster further progress. Apart from Western Samoa and Tonga, the weights used to calculate constant price estimates (the ‘base years’) in other countries range from 2004 to 2006 and hence resource-intensive ‘rebasings’ work is required to make the estimates relevant and accurate. While plans to rebase have been set out in most of this group, for the very smallest countries such as Nauru and Niue, TA work will continue to take the form of supplementation, with a primary focus of directly compiling updated annual estimates. In total, around 20 national accounts TA missions are expected to take place in FY17 with half carried out by short-term experts.

Within the Phase V budget envelope, we expect to carry out two targeted, **sub-regional training courses** this financial year: one to assist compilers from PNG, Solomon Islands and Vanuatu and another to assist compilers from FSM, Palau and RMI. The locations for each course are yet to be determined but will be in one of the beneficiary countries or close by to ensure cost efficiency.

#### *Government finance statistics work*

A limited PFTAC-funded delivery schedule is in place for FY17 using short-term experts and is expected to include sub-regional training activity alongside country TA missions.

#### *Balance of payments work*

The JSA project also funded BOP TA for IMF members in the region, while a limited PFTAC-funded TA covered non-members. The latter stream will continue in FY17 but further discussions will be required with HQ and PFTAC donors to assess how the former may be provided from now on.

### Macroeconomic Analysis and Forecasting

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

- The formulation of fiscal and monetary policy is based on empirical based analysis;

- Countries undertake medium-term projections, fiscal planning and budgeting to ensure policies and debt levels are sustainable;
- Long-term fiscal pressures are identified and addressed.

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

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

**During the last quarter of FY2016 further progress was made on developing integrated macroeconomic and fiscal frameworks and enhancing tax revenue and government expenditure forecasting:**

***Macroeconomic and fiscal frameworks:***

- The Reserve Bank of [Fiji](#) launched a **review and update of its macroeconomic and fiscal framework**, while in [Samoa](#) the Ministry of Finance enhanced the efficiency of the Samoa Economic and Revenue Forecasting (SERF) Model in terms of updating of data, forecasting and linking sectors.
- In [Vanuatu](#), the Ministry of Finance and the Reserve Bank of Vanuatu have been working to modify the **revenue forecasting framework within the Model Of the Vanuatu Economy (MOVE)** to allow considering different tax reform options. In April the Council of Ministers announced a review of Vanuatu's tax system. The MOVE is being used to quantify the impact of various scenarios including abolishing fees and charges that are costly to collect and comply with, reducing import duties to levels agreed to under PACER Plus, changing the value added tax (VAT) rate and the VAT registration threshold for businesses, and introducing an income tax. Moreover, staff have developed a composite index to estimate and forecast annual real gross domestic product (GDP) growth, which is a key variable in the MOVE. Composite indexes are the weighted average of several component series and tend to be more reliable as an indicator of economic activity than any of their components taken individually.

**In FY2017 PFTAC will continue to support central banks and ministries of finance to develop integrated macroeconomic and fiscal frameworks and apply them in empirical based policy formulation.** The main emphasis will be on developing tools jointly involving staff from the ministry of finance, central bank, tax administration, and statistics office in practical, hands-on workshop environments. The collaboration and sharing of expert knowledge across institutions accelerates the development and implementation of new tools and processes, while the sharing of data reduces duplication and frees up resources for economic analysis and forecasting. Moreover, to further strengthen regional sharing of knowledge, experiences, resources, and best practices, a workshop is planned on using macroeconomic and fiscal frameworks for policy analysis. While countries' frameworks have the same basic structure, they all have unique features and characteristics. A policy scenario that will be considered at the workshop is the introduction of the Pacific Agreement on Closer Economic Relations (PACER Plus). PFTAC will also consult with members on establishing a Pacific Islands Macroeconomic Analysis and Modeling Association.

### *Government expenditure forecasting:*

**To develop strategies to improve medium-term expenditure planning for sustainable development** (senior representatives from the ministries of finance and national planning in [Fiji](#), [Kiribati](#), [Papua New Guinea](#), [Solomon Islands](#), [Tokelau](#), [Tonga](#), [Tuvalu](#), and [Vanuatu](#) met in Nadi, Fiji. At the workshop, which was co-hosted with the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) Pacific Office, participants identified ways to enhance budget transparency, improve the quality of government spending; and manage fiscal risks including debt repayment. A key objective of the workshop was to develop guidelines on good practices for strengthening medium-term expenditure planning and better linkages to national budgets. Incorporating demographic changes into budget processes was identified as a priority area. The Secretariat of the Pacific Community is currently updating its long-term population projections by age—the projections will allow enhancing government expenditure forecasts.

**In Marshall Islands improving public expenditure forecasts to include future costs (“cost tails”)** associated with past Cabinet or Parliament policy or project decisions and cost estimates of policies or projects that are highly likely to be implemented but have not yet been formally approved by Cabinet or Parliament is a high priority for the Ministry of Finance. Methodology and processes will be developed in Marshall Islands to incorporate detailed expenditure forecasts into a macroeconomic and fiscal framework and serve as a template for enhancing fiscal projections in other countries.

### *Forecasting tax revenues:*

**Taxes are becoming an increasingly important source of revenue for Pacific Island governments to finance government expenditure.** Public spending, such as healthcare, education and infrastructure, typically involves multi-year programs and projects, requiring medium-term fiscal planning and for the government to have accurate forecasts of tax revenue collections. To enhance tax revenue forecasting a workshop jointly organized with the Pacific Islands Tax Administrators Association (PITAA) and the Samoa Ministry for Revenue (host) brought together (senior) managers and analysts from the tax administration and the ministry of finance / treasury from [Marshall Islands](#), [Nauru](#), [Niue](#), [Palau](#), [Samoa](#), [Tonga](#), [Tokelau](#), and [Vanuatu](#), and from the Samoa Bureau of Statistics in Apia, Samoa. A primary objective of the workshop was to promote linkages between the tax administration and the ministry of finance / treasury in revenue forecasting and highlight the benefits of working together to achieve a better understanding of revenue trends, compliance gaps and opportunities to generate more revenue through efficiencies.

**Improving tax revenue forecasting methodologies will remain a key activity area in FY2017.** The emphasis will be on complementing the top-down revenue forecasts by ministries of finance based on economic projections with bottom-up forecasts that make use of the internal knowledge on tax trends, including on compliance improvement and risk management activities, by tax administrations and more use of individual taxpayer data.

**Box 4: Tax Revenue Forecasting Workshop: Working smarter not harder ...**

... was the theme of a workshop on forecasting tax revenues jointly organized by PFTAC, PITAA and the Samoa Ministry for Revenue (host). The meeting started off with presentations by participants from Marshall Islands, Nauru, Niue, Palau, Samoa, Tonga, Tokelau, and Vanuatu on their country's tax system and revenue collections. For the remainder of the workshop the focus was on four main questions:

- How to manage and improve tax compliance?
- How to improve data collection, data quality, data matching, and data sharing?
- How to improve tax revenue forecasting?
- How to manage risks to the tax base?

Participants from Tonga, Samoa, and Vanuatu presented on their compliance improvement strategy and assisted countries that currently do not have a compliance strategy (Marshall Islands, Nauru, Niue, and Palau) to draft outlines of a first generation strategy.

The Samoa Ministry of Finance presented on tax revenue forecasting using the Samoa Economic and Revenue Forecasting (SERF) Model. Revenue forecasts should be based on economic forecasts (as in the SERF Model). Moreover, to produce best estimates, forecasts need to be augmented with information from the tax administration on the impact of compliance improvement and risk management strategies. Tax administrations also should be responsible for forecasting outstanding tax debts to be collected during the budget years as these forecasts require information that is only available to the tax office. Official economic forecasts for the budget years should be produced, published and reviewed on a quarterly basis by a forecasting committee.

The Tonga Ministry of Revenue and Customs presented on risk management strategies implemented by the Customs division. Country experiences showed that the rate of return, in terms of increased revenue collections, from risk management and compliance improvement strategies can be substantial. But they require investments in data and analysis tools and sometimes additional funding for the tax office, and much of the discussion centered on improving data collection, data management, and data maintenance for empirical based analysis. Moreover, in small countries with close communities and often very limited resources, voluntary compliance, i.e. taxpayers voluntarily meeting their tax obligations, is crucial. A tailored approach to different industries, to taxpayers with varying complexity of transactions or size and making it easy for taxpayers who are willing to do the right thing, while using full force of the law for the most risky taxpayers, i.e. those who decided not to comply, can greatly enhance voluntary compliance.

Other issues discussed included the importance of regularly reporting in budgets on tax expenditures (i.e. exemptions, allowances, preferential tax rates, deferral or offset that reduce a tax obligation to achieve a specific policy objective) and the usefulness of tax gap measures.

The workshop provided an opportunity for participants from Vanuatu to consult with PITAA countries on tax reform options. Vanuatu currently does not have an income tax and the Vanuatu Council of Ministers announced in April a review of the country's tax system. Workshop participants provided advice and guidance on: (i) an organizational structure for the Vanuatu tax office that supports income tax collection; (ii) an external communication strategy for consulting on tax reform options; (iii) a training plan and internal communication strategy; (iv) the design of a tax system that makes it easy for taxpayers to comply and for the tax office to administer an income tax; and (v) who should be responsible for implementing and monitoring the tax reform.

## Annex 1: PFTAC Missions, Workshops, Meetings and Training August-October, 2015

### Country Technical Assistance

#### Public Financial Management

Country	Description	Advisor Type	Mission Days	RBM Codes
Fiji	Progress review of IPSAS implementation	Resident Advisor	10	1.8
Samoa	Strengthen accounting and reporting frameworks	Short-term Expert	18	1.8
	Strengthen accounting and reporting frameworks	Resident Advisor	16	1.8
Tonga	Improve reporting framework	Resident Advisor	12	1.8
	Improve reporting framework	Short-term Expert	12	1.8
Vanuatu	PEFA Self-assessment & PFM Roadmap	Resident Advisor	12	1.1,1.2
Regional	PFTAC Steering Committee	Resident Advisors	8	n.a.
	Sub-regional workshop on pension issues	Resident Advisor	6	1.6
	Sub-regional workshop on pension issues	IMF	6	n.a.
	Medium-Term Expenditure Planning for National Sustainable Development	Resident Advisor	6	1.6

#### Revenue Policy & Administration

Country	Description	Advisor Type	Mission Days	RBM Codes
Fiji	Develop a campaign to enhance debt and returns management compliance	Short-term Expert	15	2.4
Kiribati	Review overall reform progress	Resident Advisor	7	2.3
Nauru	Finalize Business Profits Tax Legislation	IMF-Legal	4	2.2
Samoa	Review overall reform progress	Resident Advisor	6	2.3
Samoa	Develop an Industry Partnership approach to improve compliance	Resident Advisor	6	2.4
Tonga	Fiscal Law Review	IMF Legal	17	n.a.
Regional	PFTAC Steering Committee	Resident Advisor	4	n.a.
	Workshop on Revenue Forecasting	Resident Advisor	6	2.8.

#### Financial Sector Supervision

Country	Description	Advisor Type	Mission Days	RBM Codes
FSM	On-site examination of a commercial bank	Short-term Expert	19	3.4
Samoa	Capacity Building Supervisory oversight and sector financial reporting	Resident Advisor	3	3.9
Solomon Is.	Capacity Building Supervisory oversight and sector financial reporting for Credit Unions	Resident Advisor	11	3.9
Regional	PFTAC Steering Committee Meeting	Resident Advisor	4	3.10

#### Macroeconomic Statistics

Country	Description	Advisor Type	Mission Days	RBM Codes
Cook	Balance of Payment Statistics	Short-term	21	4.5,4.6, 4.9

### Macroeconomic Statistics

Country	Description	Advisor Type	Mission Days	RBM Codes
Islands	National Accounts: Rebase & Methodology Improvements	Expert Resident Advisor	12	4.2,4.5
Papua New Guinea	National Accounts: Methodologies and assist with reform process	Resident Advisor	12	4.2,4.5,4.6
Solomon Is.	National Accounts: Rebasing of estimates in constant prices	Resident Advisor	11	4.2,4.5
Tonga	National Accounts: Annual Methodology and review	Resident Advisor	10	4.5,4.6
Regional	PFTAC Steering Committee Meeting	Resident Advisors	8	n.a.
	National Accounts: Training & Methodology Improvements	Resident Advisors	12	4.5

### Macroeconomic Analysis and Forecasting

Country	Description	Advisor Type	Mission Days	RBM Codes
Samoa	Enhance macroeconomic and fiscal forecasting	Resident Advisor	8	5.1
Vanuatu	Develop further the Model Of the Vanuatu Economy (MOVE) and a national framework for revenue forecasting	Resident Advisor	15	5.1
Regional	Workshop on Medium-term Expenditure Planning for National Sustainable Development	Resident Advisor	6	5.2
	PFTAC Steering Committee Meeting	Short-term	6	n.a.
	Sub regional workshop on pension issues	Expert	4	5.2
	Workshop on Revenue Forecasting	Resident Advisor	9	5.2
		Resident Advisor	6	5.2

### Meetings, Seminars and Training

TA Sector	Description	Location	Advisor Type	Mission Days	No. of Participants	RBM Codes
PFM	Medium-term Expenditure Planning for National Sustainable Development	Fiji	Resident Advisor	6	30	1.6
	Sub regional workshop on pension issues	Marshall Is.	Resident Advisor	6	15	1.6
			IMF Advisor	6		
Revenue	Workshop on Revenue Forecasting	Samoa	Resident Advisor	6	30	2.8
Statistics	National Accounts: Annual Methodology and review	FSM	Resident Advisors	12	20	4.5
Macro-economics	Medium-term Expenditure Planning for National Sustainable Development	Fiji	Resident Advisor	6	30	5.2
			Short-term Expert	6		

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TA Sector	Description	Location	Advisor Type	Mission Days	No. of Participants	RBM Codes
	Workshop on Revenue Forecasting	Samoa	Resident Advisor	6	30	5.5
	Sub regional workshop on pension issues	Marshall Is.	Resident Advisor	6	15	5.2
IMF/PFTAC	PFTAC Steering Committee Meeting	Samoa	Resident Advisors	3	65	n.a.

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## Annex 2: PFTAC Expenditure and Income: FY2016

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

Activity	FY2015	FY2016 (PFTAC) <sup>/1</sup>				FY2016	FY2016
	IMF	Q1	Q2	Q3	Q4	PFTAC	IMF
LTX Salaries	1.98	0.53	0.47	0.53	0.56	2.09	2.09
LTX Travel	0.73	0.13	0.05	0.02	0.12	0.40	0.38
STX fees & travel	1.73	0.40	0.63	0.3	0.14	1.47	1.48
Workshops & Seminars	0.83	0.05	0.23	0.21	0.16	0.65	0.59
Staff TA delivery, backstopping & project management	0.37	0.06	0.12	0.07	0.14	0.39	0.39
Miscellaneous	0.04	0.00	0.09	0.01	0.02	0.05	0.05
<b>Total TA Delivery</b>	<b>5.68</b>	<b>1.17</b>	<b>1.59</b>	<b>1.14</b>	<b>1.14</b>	<b>5.04</b>	<b>4.97</b>
Evaluation	0.15	-0.02	0.04	0.00	0.00	0.03	0.03
Total Trust Funds (7%)	0.41	0.08	0.11	0.08	0.08	0.35	0.35
<b>Grand Total</b>	<b>6.23</b>	<b>1.24</b>	<b>1.74</b>	<b>1.22</b>	<b>1.22</b>	<b>5.42</b>	<b>5.35</b>

1/ PFTAC figures use data on travel, STX, workshop and seminar costs as recorded by PFTAC. Recording at HQ may be somewhat delayed, resulting in somewhat different figures.

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

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

## Annex 3: PFTAC Work plan FY2017: May 2016 - April 2017

Public Financial Management Work Plan: May 2016-April 2017						
Measurable Outcomes	Country	Progress against Milestones at end-FY2015 <sup>1</sup>	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
<b>1.0 Improved PFM laws and institutions</b>						
<b>1.1 More comprehensive legal frameworks covering all stages of the PFM cycle are enacted</b>						
	Fiji	<u>2</u>	Develop amended Financial Instructions based on amended PFM Act	STX:32	<b>IMF RBMF:PFM 1.1.1.</b> Governments approve changes to legal frameworks or financial instructions in order to achieve PFM in line with recognized good international practices	Tentatively planned January 2017
	Nauru	<u>2</u>	Revise Financial Instructions	STX:32	<b>IMF RBMF:PFM 1.1.1.</b> Governments approve changes to legal frameworks or financial instructions in order to achieve PFM in line with recognized good international practices	Tentatively planned March/April 2017
	Solomon Islands	1	Develop Financial Instructions on Constituency Fund and review of other draft instructions	STX:18	<b>IMF RBMF:PFM 1.1.1.</b> Governments approve changes to legal frameworks or financial instructions in order to achieve PFM in line with recognized good international practices	Tentatively planned March 2017; The authorities have drafted some of the relevant sections for further review.
<b>1.2 The capacity of ministries of finance to meet the PFM responsibilities are strengthened</b>						

<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.

## Public Financial Management Work Plan: May 2016-April 2017

Measurable Outcomes	Country	Progress against Milestones at end-FY2015 <sup>1</sup>	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
FSM		1	Support to PEFA self-assessment & Roadmap Development	LTX; 32 STX: 21	<p><b>IMF RBMF:PFM 1.2.1.</b> At least 1 PEFA assessment conducted in each PFTAC country during the funding cycle with significant country staff involvement and ownership involvement and ownership</p> <p><b>IMF RBMF:PFM 1.2.2</b> Priority Reform road maps developed with significant involvement and ownership by country officials following each PEFA assessment, including support to high-level dialogue</p>	Tentatively scheduled for November 2016, the mission will assist authorities to prepare a PEFA Self-assessment using the 2016 PEFA Framework and update a draft PFM Reform Roadmap that started in 2013. A follow-up visit will also be carried out tentatively in February 2017.
Kiribati		1	Support to PEFA self-assessment & Roadmap Development	LTX; 24 STX: 21	<p><b>IMF RBMF:PFM 1.2.1.</b> At least 1 PEFA assessment conducted in each PFTAC country during the funding cycle with significant country staff involvement and ownership involvement and ownership</p> <p><b>IMF RBMF:PFM 1.2.2</b> Priority Reform road maps developed with significant involvement and ownership by country officials following each PEFA assessment, including support to high-level dialogue</p>	Tentatively scheduled for February 2017
Nauru		1	Support to PEFA self-assessment	LTX: 12 STX: 42	<b>IMF RBMF:PFM 1.2.1.</b> At least 1 PEFA assessment conducted in each PFTAC country during the funding cycle with significant country staff involvement and ownership involvement and ownership	PEFA assessment is tentatively scheduled mid of August, 2016. This will be done in conjunction with the DFAT of Australia. The mission will also assist in developing a PFM Reform Roadmap. A follow-up visit will also be carried out tentatively in October, 2016.

Public Financial Management Work Plan: May 2016-April 2017

Measurable Outcomes	Country	Progress against Milestones at end-FY2015 <sup>1</sup>	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
	Vanuatu	2	Review PFM Reform Roadmap	LTX: 5	<b>IMF RBMF:PFM 1.2.2</b> Priority Reform road maps developed with significant involvement and ownership by country officials following each PEFA assessment, including support to high-level dialogue	PEFA self-assessment was conducted in June 2015. Initial TA in reform planning was provided in April, 2016. Two Follow-up visits are tentatively planned in June and in September, 2016, to assist in developing the roadmap.
	Regional		Support to Steering Committee meeting	LTX:12		This is an annual activity.
<b>2.0 Budget preparation becomes more comprehensive, credible and policy oriented</b>						
2.1 A more credible medium-term macro-fiscal framework is included in budget documentation						
<i>[Note: No activities currently planned in this area]</i>						
2.2 A more comprehensive and unified annual budget is published						
<i>[Note: No activities currently planned in this area]</i>						
2.3 A more credible medium-term budget framework is integrated with the annual budget						
	Fiji	3	Continued refinement of budget documents and process	LTX:5	<b>IMF RBMF:PFM 2.3.1</b> Budget process shows evidence of a multi-year perspective in fiscal planning, expenditure policy and budgeting.	Continuation of mentoring started in 2014
	RMI	1	Support for Development of 2017 Budget & Medium-term Estimates (with Macro Advisor)	LTX: 18	<b>IMF RBMF:PFM 2.3.1</b> Budget process shows evidence of a multi-year perspective in fiscal planning, expenditure policy and budgeting.	Scheduled for May 2016
	Regional		Sub-regional workshop on incorporating demographic changes into budget processes (with Macro Advisor)- North Pacific	LTX: 7	<b>IMF RBMF:PFM 2.3.1</b> Budget process shows evidence of a multi-year perspective in fiscal planning, expenditure policy and budgeting.	Tentatively scheduled for the Nov 2016 - April 2017 period. Continues efforts started in FY2016 to improve medium-term

Public Financial Management Work Plan: May 2016-April 2017

Measurable Outcomes	Country	Progress against Milestones at end-FY2015 <sup>1</sup>	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
						expenditure forecasting
Regional			Sub-regional workshop on incorporating demographic changes into budget processes (with Macro Advisor)- South Pacific	LTX: 7	<b>IMF RBMF:PFM 2.3.1</b> Budget process shows evidence of a multi-year perspective in fiscal planning, expenditure policy and budgeting.	Tentatively scheduled for the Nov 2016 - April 2017 period. Continues efforts started in FY2016 to improve medium-term expenditure forecasting
2.4 Information on resources and performance by program is included in budget documentation						
No activities planned						
<b>3.0 Improved budget execution and control</b>						
No activities planned						
3.1 Controls over expenditure commitments and payments are strengthened						
Cook Islands			Support planning for IFMIS change	LTX:14 STX:18	<b>IMF RBMF:PFM 3.1.1</b> Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations	Tentatively planned January 2017
Kiribati		1	Support planning for IFMIS change	STX:20	<b>IMF RBMF:PFM 3.1.1.</b> Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations	Tentatively planned March 2017
PNG		3	Review/support IFMS implementation enhancements progress	STX:23	<b>IMF RBMF:PFM 3.1.1</b> Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations	This is to assist PNG in completing the roll-out of the new IFMIS to the line ministries and provide technical support to the ICT Division in managing data

## Public Financial Management Work Plan: May 2016-April 2017

Measurable Outcomes	Country	Progress against Milestones at end-FY2015 <sup>1</sup>	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
						services. A mission is planned in early May, 2016.
RMI			Develop strategy to improve design of treasury business processes	STX:25	<b>IMF RBMF:PFM 3.1.1</b> Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations	Tentatively planned February 2017
Tonga		2	Follow-up TA on IFMIS reform	STX:19	<b>IMF RBMF:PFM 3.1.1</b> Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations	Initial TA was provided in 2015 and a strategy to upgrade was decided. Tentatively planned February 2017.
<b>3.2 Risk-based internal audit functions are established in central government</b>						
Vanuatu		3	Follow-up TA to improve risk-based auditing	STX:18	<b>IMF RBMF:PFM 3.2.1.</b> Internal Audit is operational covering major central government entities, and generally meets international standards	Initial TA was provided in 2014 and 2015, and there has been good progress. Tentatively planned for December 2016.
Regional		1	Workshop to strengthen coordination with PASAI on improving internal audit	LTX:6	<b>IMF RBMF:PFM 3.2.1.</b> Internal Audit is operational covering major central government entities, and generally meets international standards	LTX will participate as resource person in PASAI-sponsored workshops. Tentatively scheduled for June 2016
<b>3.3 Planning, appraisal, selection, and implementation of public investments is improved</b>						
Timor-Leste			Diagnostic of Public Investment Management	LTX:16 STX: 66	<b>IMF RBMF: PFM 3.3.1</b> The total cost and physical progress of major investment projects are monitored during implementation by the implementing government unit. There is a high level of compliance with the standard procedures and rules for project	Tentatively planned for July 2016. This will be carried out by and funded by IMF Headquarters (IMF HQ).

Public Financial Management Work Plan: May 2016-April 2017

Measurable Outcomes	Country	Progress against Milestones at end-FY2015 <sup>1</sup>	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
					implementation that have been put in place. Information on the implementation of major investment projects is published in the budget documents or in other reports annually.	
<b>4.0 Improved coverage and quality of fiscal reporting</b>						
<b>4.1 The chart-of-accounts is aligned with international financial reporting standards</b>						
Fiji		2	Develop accounting policies	LTX:40	<b>IMF RBMF:PFM 4.1.1.</b> A consolidated government financial statement is prepared annually according to internationally acceptable standards; submitted to external audit within 6 months of fiscal year end, and includes full information on revenue, expenditure and financial assets/liabilities.	After complying with IPSAS-cash, the next stage of Fiji's accounting reform has been set in 2017. Accounting policies are prerequisites before moving from cash basis to accrual accounting. The first one was on debt accounting which was developed in December, 2015. This activity shall be carried out in 3 phases from June to October, 2016.
Fiji		1	Improve the Chart of Accounts	STX:21	<b>IMF RBMF:PFM 4.1.1.</b> A consolidated government financial statement is prepared annually according to internationally acceptable standards; submitted to external audit within 6 months of fiscal year end, and includes full information on revenue, expenditure and financial assets/liabilities.	Tentatively planned February 2017

Public Financial Management Work Plan: May 2016-April 2017						
Measurable Outcomes	Country	Progress against Milestones at end-FY2015 <sup>1</sup>	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
	Samoa	2	Develop accounting policy	LTX:10	<b>IMF RBMF:PFM 4.1.1.</b> A consolidated government financial statement is prepared annually according to internationally acceptable standards; submitted to external audit within 6 months of fiscal year end, and includes full information on revenue, expenditure and financial assets/liabilities.	Initial TA was provided in March, 2016, where an accounting reform strategy and transition plan was developed. Follow-up TA is planned in July, 2016.
	Tonga	2	Develop accounting policy	LTX:8	<b>IMF RBMF:PFM 4.1.1.</b> A consolidated government financial statement is prepared annually according to internationally acceptable standards; submitted to external audit within 6 months of fiscal year end, and includes full information on revenue, expenditure and financial assets/liabilities.	Initial TA was completed in February 2016. Follow-up TA is to develop a general accounting policy that would clarify the direction of accounting reform. Follow-up TA is planned in June, 2016.
<b>4.2 Comprehensiveness and quality of fiscal reports is enhanced</b>						
	Regional		Workshop to improve fiscal reporting and Chart of Accounts	LTX:7 STX:12	<b>IMF RBMF:PFM 4.2.1.</b> A consolidated government financial statement is prepared annually according to internationally acceptable standards; submitted to external audit within 6 months of fiscal year end, and includes full information on revenue, expenditure and financial assets/liabilities.	Tentatively planned on March 2016.
<b>4.3 Audited annual financial statements are published and scrutinized by parliament</b>						
No activities planned						
<b>5.0 Improved Integration of Asset &amp; Liability Management</b>						
<b>5.1 More central government revenues &amp; expenditures are deposited and disbursed through a Treasury Single Account</b>						
	Solomon		Develop strategy and policy to	LTX: 14	<b>IMF RBMF: PFM 5.1.1 All bank and cash</b>	Tentatively planned for



Public Financial Management Work Plan: May 2016-April 2017						
Measurable Outcomes	Country	Progress against Milestones at end-FY2015 <sup>1</sup>	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
Islands			improve cash management	• STX:18	<b><u>balances are consolidated on a daily basis.</u></b>	November 2016
5.2 Cash flow forecasts for all central government are more accurate and timely						
PNG		2	Follow-up TA to improve cash management	STX:34	<b><u>IMF RBMF:PFM 5.2.1</u></b> Ministries are provided good cash flow information on the periodic availability of funds for commitment of expenditures	Initial TA was provided in 2015 and authorities adopted a new cash management strategy; Initial activities have been carried out.; Tentatively planned November 2016
Samoa		2	Follow-up TA to improve cash management	STX:7	<b><u>IMF RBMF:PFM 5.2.1</u></b> Ministries are provided good cash flow information on the periodic availability of funds for commitment of expenditures	Initial TA was provided in 2015 and authorities adopted a new cash management strategy. Initial activities have been carried out. Additional support scheduled for May to June 2016.
5.3 Cash and debt management are better integrated						
No activities planned						
5.4 Disclosure and management of state assets is improved						
Regional		1	Strengthen regional coordination workshop on asset management	• LTX: 4	IMF RBMF: PFM 5.4.1 The government maintains a register of its holdings of fixed assets, land, and (where relevant) subsoil assets, including information on their usage and age, which is published at least annually.	PFTAC Adviser will participate in a PICPA-sponsored regional workshop to be held on May 30-31, 2016.
<b>6.0 Strengthened Identification, Monitoring, and Management of Fiscal Risks</b>						
6.1 Central fiscal oversight and analysis of sub-national governments is strengthened						
No activities planned						

## Public Financial Management Work Plan: May 2016-April 2017

Measurable Outcomes	Country	Progress against Milestones at end-FY2015 <sup>1</sup>	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
6.2 Central fiscal oversight and analysis of public corporations is strengthened						
	Fiji	1	Develop SOEs fiscal risk assessment framework	LTX:14	<b>IMF RBMF:PFM 6.2.1.</b> Fiscal Policy includes AGAs, SOEs, and SNGs; performance and fiscal risks are monitored and reported, at least on annual basis ;	This issue was raised during the development of the debt accounting policy for Fiji. This is tentatively planned in September, 2016.
	Samoa	3	Mentoring on fiscal oversight of SOEs	LTX: 5	<b>IMF RBMF:PFM 6.2.1.</b> Fiscal Policy includes AGAs, SOEs, and SNGs; performance and fiscal risks are monitored and reported, at least on annual basis ;	Initial TA provided in September 2015 where a reform strategy was developed and adopted by authorities. Follow-up TA was provided in February, 2016 to improve planning and reporting requirements for SOEs. Home-based TA is planned in September, 2016.
6.3 Disclosure and management of contingent liabilities and other specific fiscal risks is more comprehensive						
No activities currently planned						

Revenue Administration Work Plan: May 2016-April 2017

Mission code	Country	Progress against Milestones at end-FY2015 <sup>1</sup>	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
<b>1. Strengthened revenue administration management and governance arrangements</b>						
<b>1.1 Reform strategy and implementation governance framework adopted and institutionalized</b>						
Fiji	3	Review reform progress	10	Facilitate implementation of PFTAC recommendations	RBM 1.1 (LTX) (17FA01201)	
	3	Develop a change management and modernization plan	18	Implementation of a change management strategy	RBM 1.1 (STX) (16FA77200)	
	3	Review overall reform progress	10	Facilitate implementation of PFTAC recommendations	RBM 1.1 (LTX) (16FA01202)	
	3	Introduce a public and private rulings regime	17	Effective and timely rulings program implemented	RBM 1.7 (STX) (17FA4700)	
Kiribati	2	Review reform progress	8	Facilitate implementation of PFTAC recommendations	RBM 1.1 (LTX) (17FA01203)	
Marshall Islands	2	Review reform progress	12	Facilitate implementation of PFTAC recommendations	RBM 1.1 (LTX) (17FA01204)	
Federated States of Micronesia	2	Review reform progress	10	Facilitate implementation of PFTAC recommendations	RBM 1.1 (LTX) (17FA001205)	
Palau	2	Review reform progress	10	Facilitate implementation of PFTAC recommendations	RBM 1.1 (LTX) (17FA01207)	
Samoa	3	Review reform progress	12	Facilitate implementation of PFTAC recommendations	RBM 1.1 (LTX) (17FA01208)	
Tonga	3	Review reform progress	12	Facilitate implementation of PFTAC recommendations	RBM 1.1 (LTX) (17FA01209)	
	3	PIC Attachment to assist in review mission	12	Facilitate implementation of PFTAC recommendations	RBM 1.1 (STX) (17FA37800)	

<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.

**Revenue Administration Work Plan: May 2016-April 2017**

Mission code	Country	Progress against Milestones at end-FY2015 <sup>1</sup>	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
	Tuvalu	2	Review reform progress	7	Facilitate implementation of PFTAC recommendations	RBM 1.1 (LTX) (17 FA01210)
<b>1.2 Organizational arrangements enable more effective delivery of strategy and reforms</b>						
	Regional	-	Develop a strategic plan for the Pacific Island Tax Administration Association (PITAA)	11	A PITAA strategic plan that provides a foundation to achieve its vision	RBM 1.2 (LTX) (17FAM9500)
	Regional	-	PITAA Annual Conference	3	Improved awareness of regional development needs to stimulate reforms	RBM 1.2 (LTX) (17FA001206)
	Palau	2	Facilitate implementation of the new structure and governance arrangements	16	Clear organization structure along functional lines	RBM 1.2 (STX) (16FAY1300)
	Vanuatu	2	Facilitate implementation of the new structure and governance arrangements	18	Clear organization structure along functional lines	RBM 1.2 (STX) (16FAM9900)
<b>1.3 Support functions enable more effective delivery of strategy and reforms</b>						
	Solomon Islands	2	Develop a new IT strategic plan	17	Improved IT strategies and systems to support tax administration	RBM 1.3 (STX) (17FA01100)
<b>1.4 Transparency and accountability more effectively supported by independent external oversight and internal controls</b>						
No activities planned						
<b>1.5 Corporate priorities and compliance better managed through effective risk management</b>						
	Fiji	3	Review implementation of the PFTAC facilitated Compliance Improvement Strategy	16	Compliance improvement strategy in place to mitigate identified risks	RBM 1.5 (STX) (17FA36900)
	Federated States of Micronesia	1	Review implementation of the PFTAC facilitated Compliance Improvement Strategy	16	Compliance improvement strategy in place to mitigate identified risks	RBM 1.5 (STX) (17FA37400)
	Regional	-	Assist PICs develop a compliance improvement strategy for the tourism sector	13	A strategy to assist PICs improve compliance in the tourism sector	RBM 1.5 (STX) (15FAF1200)
	Samoa	3	Attachment form Fiji to assist in data	7	Improved risk management through	RBM 1.5 (STX) (17FA37700)

Revenue Administration Work Plan: May 2016-April 2017

Mission code	Country	Progress against Milestones at end-FY2015 <sup>1</sup>	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
			interrogation		improved data analysis	
	Tuvalu (Regional)	2	Participate in OCO conference	5	Improve linkages between customs and tax to improve risk management	RBM 1.5 (LTX) (17FA01211)
	Vanuatu	2	Review implementation of PFTAC facilitated Compliance Improvement Strategy	14	Compliance improvement strategy in place to mitigate identified risks	RBM 1.5 (LTX) (17FA01212)
1.6 More independent, accessible, effective and timely dispute resolution mechanisms in place – No activities planned						
No activities planned						
<b>2. Strengthened core tax functions evidenced by an accurate taxpayer base, taxpayer services supporting voluntary compliance, improvements in filing, payment and audit activities</b>						
2.1 Integrity of the registered taxpayer base strengthened						
	Cook Islands	2	Review of core tax functions	14	Strengthen core tax administration functions	RBM 2.1-2.5 (STX) (17FA36500)
	Samoa	3	Review of core tax functions	14	Strengthen core tax administration functions	RBM 2.1- 2.5 (LTX) (16FAG2141)
2.2 Taxpayer Services initiatives to support voluntary compliance strengthened						
	Marshall Islands	1	Develop a taxpayer services strategy to improve voluntary compliance	18	Accessibility of information, service performance standards and improved taxpayer perceptions	RBM 2.2 (STX) (17FA37000)
	Tonga	3	Conduct a review of the taxpayer services function	16	Accessibility of information, service performance standards and improved taxpayer perceptions	RBM 2.2 (STX) (16FAY1100)
2.3 Larger proportion of taxpayers meet their filing obligations as required by law						
	Marshall Islands	1	Strengthen filing and payment ratios	16	Increased on-time filing and payment ratios	RBM 2.3 – 2.4 (STX) (17FA37100)
		1	Strengthen filing and payment ratios (RMI attachment to FSM)	6	Increased on-time filing and payment ratios	RBM 2.3 – 2.4 (STX) (17FA37200)

Revenue Administration Work Plan: May 2016-April 2017

Mission code	Country	Progress against Milestones at end-FY2015 <sup>1</sup>	Planned Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
	Federated States of Micronesia	1	Strengthen filing and payment ratios	16	Increased on-time filing and payment	RBM 2.3 – 2.4 (STX) (16FAY5400)
	Palau	1	Strengthen filing and payment ratios	16	Increased on-time filing and payment	RBM 2.3 –2.4 (STX) (17FA37300)
	Samoa	3	Strengthen filing and payment ratios	16	Increased on-time filing and payment	RBM 2.3 –2.4 (STX) (16FAN0100)
<b>2.4 Larger proportion of taxpayers meet their payment obligations as required by the law</b>						
	Marshall Islands	1	Strengthen filing and payment ratios	16	Increased on-time filing and payment ratios	RBM 2.4 – 2.3 (STX) (17FA37100)
		1	Strengthen filing and payment ratios (RMI attachment to FSM)	6	Increased on-time filing and payment ratios	RBM 2.4 – 2.3 (STX) (17FA37200)
	Federated States of Micronesia	1	Strengthen filing and payment ratios	16	Increased on-time filing and payment	RBM 2.4 – 2.3 (STX) (16FAY5400 17FA37300)
	Palau	1	Strengthen filing and payment ratios	16	Increased on-time filing and payment	RBM 2.4 – 2.3 (STX) (17FA37500)
	Samoa	3	Strengthen filing and payment ratios	16	Increased on-time filing and payment	RBM 2.4 – 2.3 (STX) (16FAN0100)
<b>2.5 Audit and other verification programs more effectively ensure completeness and accuracy of reporting</b>						
	Fiji	3	Strengthen audit and other verification programs	16	Appropriate range of tax audits used to detect and deter inaccurate reporting	RBM 2.5 (STX) - 17FA36600
	Kiribati	2	Strengthen audit and other verification programs	14	Appropriate range of tax audits used to detect and deter inaccurate reporting	RBM 2.5 (STX) - 16FAB4900 17FA36800
	Samoa	3	Strengthen audit and other verification programs	18	Appropriate range of tax audits used to detect and deter inaccurate reporting	RBM 2.5 (STX) - 17FA37600

## Financial Supervision Work Plan: May 2016-April 2017

Mission Code	Country	Progress against Milestones at end-FY2015 <sup>1</sup>	Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
<b>3.1</b>	<b><i>Regulatory and Prudential Framework: Strengthened financial sector oversight through upgrading of regulatory framework in line with international standards</i></b>					
3.1.1	Supervisors and regulations require banks to apply sound policies and processes to identify, measure, monitor and control their financial risks on a timely basis and assess their capital adequacy in relation to their risk profile. No activities planned					
3.1.2	Supervisors require banks to have robust governance policies and processes covering among others effective board and senior management oversight and sound control environment					
	Regional	2	PFTAC Workshop AFSPC	10	Natural Disaster Preparedness Guidelines developed	AFSPC Meeting Palau June 2016
3.1.3	Supervisors monitor banking groups and their prudential ratios on consolidated basis No activities planned					
3.1.4	Legal/regulatory frameworks underpinning the Licensing regime lay out key steps and criteria for granting (and withdrawing) a license and imposing prudential conditions where appropriate No activities planned					
3.1.5	Legal and regulatory framework equips supervisors with an adequate range of tools to bring about timely corrective actions for banks' problem and weaknesses. – No activities planned					
3.1.6	Supervisors have the necessary capacity to upgrade banking regulations and effectively apply them No activities planned					
<b>3.2</b>	<b><i>Financial Sector Law (Legal Department:) Promote financial stability by strengthening the financial sector's legal and regulatory framework</i></b>					
3.2.1	New or amended laws adopted or regulations or other legal or policy instruments (e.g., memorandum of understanding, interagency cooperation arrangements) issued					
	Timor-Leste	2	PFTAC Drafting Credit Union Act	20	Credit Union Act drafting completed	Support LEG
<b>3.3</b>	<b><i>Risk Based Supervision &amp; other Supervisory Processes: More efficient use of supervisory resources to better oversee key risks in the banking system</i></b>					
3.3.1	Clear supervisory process to review licensing applications, on a timely basis, and ensuring that it meets required criteria, implemented					

<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.

Financial Supervision Work Plan: May 2016-April 2017

Mission Code	Country	Progress against Milestones at end-FY2015 <sup>1</sup>	Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
No activities planned						
3.3.2	Amended legal/regulatory frameworks underpinning the implementation of risk-based supervision implemented					
	Samoa	2	PFTAC Review Prudential Statements	15	Prudential statement updated	To support new F.I. Act. (LEG)
3.3.3	Bank risk assessment frameworks strengthened: (a) Quality and timeliness of regulatory data enhanced; and (b) Flexibility of reporting system improved					
	Regional North	2	PFTAC Workshop Off-site supervision	12	Advanced data & Ratio analysis	Palau – FSM – Marshall Is
3.3.4	Strengthened institutional structure and operational and procedures for RBS implementation					
	Cook Islands	2	PFTAC On-site examination program	16	Examination report issued	(LTX)
	Marshall Is	1	PFTAC On-site examination program	20	Implement Manual + Training	(STX) Need to start fresh
	Micronesia	2	PFTAC On-site examination program	20	Examination report issued	(STX) + Update manual
	Palau	2	PFTAC On-site examination Program	20	Examination report issued	(STX) + Update manual
	PNG	1	PFTAC Credit Union Reform Program	12	C.U. Financial reporting implemented	(LTX)
	Samoa	3	PFTAC On-site examination program	20	Examination report issued	(STX) + Update manual
	Solomon Is	2	PFTAC On-site examination program	16	Examination report issued	(LTX)
	Timor-Leste (1)	2	PFTAC On-site examination program	20	Examination Manual updating	(STX) Updated Manual
	Timor-Leste (2)	2	PFTAC On-site examination program	20	Examination report issued	(STX)
	Timor-Leste (3)	1	PFTAC Credit Union Reform Program	12	C.U. Financial reporting implemented	(LTX)
	Tonga (1)	3	PFTAC On-site examination program	16	Examination report issued	(LTX)
	Tonga (2)	1	PFTAC Credit Union Reform Program	12	C.U. Financial reporting implemented	(LTX)
	Tuvalu	1	PFTAC On-site examination Program	12	Examination report issued	(STX)
	Vanuatu (1)	2	PFTAC On-site examination program	16	Examination report issued	(LTX)
	Vanuatu (2)	2	PFTAC Credit Union Reform Program	12	C.U. Financial reporting implemented	(LTX)
3.3.5	Supervisors timely address unsafe and unsound practices or activities that could pose risks to banks or to the banking system - <i>None</i>					
3.3.6	Supervisors have sufficient capacity to effectively implement risk-based supervision and other supervisory processes					
	Samoa	1	PFTAC On-site examination program (RBS)	20	Examination report issued (RBS)	(STX)
	PNG	1	PFTAC On-site examination program (RBS)	16	Examination report issued (RBS)	(LTX)
	Regional South	1	PFTAC Banking Supervision (RBS) Workshop	12	Introduction, RBS implemented	(LTX)



## Macroeconomic Statistics Work Plan: May 2016-April 2017

Measurable Outcomes	Country	Progress against Milestones at end-FY2015 <sup>1</sup>	Activity May 2016-October 2017	Person days	Relevant Milestone	Comments
<b>4.1</b> <i>Compilation methodologies in line with international standards are in place for national accounts and government finance statistics</i>						
Strengthening methodologies-in line with international standards used for the compilation of gross domestic product (GDP) estimates by production						
Kiribati		3	Further improve annual estimates of GDP by production alongside expenditure developments	STX 12	Deviations from 2008 SNA are reduced and/or eliminated [RBM NA 4.1]	Improvements are needed to provide a sound comparator for estimates by expenditure- Q1 (17STA2400; 17STB0400)
Sub-regional workshop		-	Delivery of training to compilers from FSM, Palau and RMI	LTX 5 STX 5	"	Practical, hands-on interactive training based on their self-identified needs - Q1 (16ST31411)
Sub-regional workshop		-	Delivery of training to compilers from PNG, Solomon Islands and Vanuatu	LTX 5 STX 5	"	Focus on practical treatment of tax and HIES data in production - Q1 (16ST31407)
Increasing the scope of national accounts estimates by developing expenditure measures						
Fiji		4	Refine expenditure estimates within the Supply and Use framework	LTX 5	Additional accounts/aggregates are developed to meet national data requirements and ISWGNA minimum requirements and/or recommended tables and accounts [RBM NA 5.1]	Very near ready for publication – need to ensure discrepancies are consistently small - Q1 (15STN8442)
Kiribati		2	Further improve annual estimates of GDP by expenditure alongside production developments	STX 12	"	Contingent on production work to ensure acceptably small discrepancies - Q2 (17STA2400; 17STB0400)
Samoa		3	Develop estimates of GDP by expenditure and move towards publication readiness on an annual basis	LTX 12	"	Internal estimates are at an advanced stage but require further adjustments to ensure close alignment to production -

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## Macroeconomic Statistics Work Plan: May 2016-April 2017

Measurable Outcomes	Country	Progress against Milestones at end-FY2015 <sup>1</sup>	Activity May 2016-October 2017	Person days	Relevant Milestone	Comments
						Q1 (16ST31405)
Fiji		2	Assist in the development of quarterly GDP estimates	LTX 5	Frequency of national accounts compilation and/or dissemination improves from annual to quarterly, or from quarterly to monthly [RBM NA 12]	Q1 (17STB0200)
Improving the coverage and quality of Government Finance Statistics (GFS). GFS data should cover the whole of general government (budgetary government and extra-budgetary units). Debt data should cover the entirety of the public sector (general government activity plus quasi-government units and public corporations)						
Nauru		1	Initial GFS mission following their joining the IMF	STX 12	The institutional scope of GFS includes all significant central government institutional units [RBM GO 5.7]	Q1 (17STA8500)
Solomon Is.		2	Carry out general government consolidation	STX 12	The institutional scope includes all significant general government (and/or public sector) institutional units [RBM GO 5.12]	Q1 (17ST91800)
Timor-Leste		3	Improve GFS scope and quality	STX 12	“	Q1 (17STA8400)
Vanuatu		3	“	STX 17	“	Q2 (17STA1100;16ST31415)
Improving the frequency of GFS by developing quarterly measures						
Cook Islands		2	Explore of options for preparing sub-annual GFS statistics at the general government level will be delineated	STX 12	GFS for general government operations are compiled and disseminated on a quarterly basis [RBM GO 12.3]	Early stages; will require follow-up TA to move towards operation - Q1 (17ST91600)
<b>4.2 Accurate and reliable macroeconomic statistics are available</b>						
Strengthening the accuracy and reliability of GDP estimates by making full use of administrative data supplemented by surveys where needed.						
PNG		2	Develop estimates of GDP by production, based on tax data	STX 12	Improvements to source data used for periodic benchmark estimates and/or annual estimates are made [RBM NA 9.1; 9.2]	Q1 (16STB0100)
Tonga		3	“	STX 12	“	Intended use of both income and consumption tax data, either to

## Macroeconomic Statistics Work Plan: May 2016-April 2017

Measurable Outcomes	Country	Progress against Milestones at end-FY2015 <sup>1</sup>	Activity May 2016-October 2017	Person days	Relevant Milestone	Comments
						form super-annual benchmarks Q1 (16ST31414) or annual estimates
Strengthening of GDP estimates by improving compilation procedures and source data analysis						
	Nauru	2	Review various aspects of production methodology while producing latest estimates	LTX 5	Improvements are made to the compilation system [RBM NA 11.1]	Robust, audited account data for major enterprises needs to be included in production estimates - Q2 (15STN8330; 16ST31409)
Improving the usefulness of national accounts with timely rebasing						
	Cook Islands	2	Rebase GDP by production	STX 19	Improvements to source data used for periodic benchmark estimates are made [RBM NA 9.1]	TA work will include training in annual and quarterly techniques and issues Q1 (17ST99300)
	Solomon Is.	2	Rebase GDP by production and expenditure and conduct benchmarking	STX 24	"	One mission already undertaken, covering much of production rebasing work - Q2 (16ST31402; 17STB0300)
	Vanuatu	1	Rebase GDP by production, expenditure and income and conduct benchmarking	LTX 12	"	No recent TA provided; will require significant follow-up TA to complete - Q1 (16ST21415)
Improving the coverage, quality and timeliness of data sources for GFS.						
	Fiji	3	Complete and consolidate local government data sets	STX 12	Source data for general government (public sector) are complete and enable the compilation of GFS [RBM GO 10.3]	Q1 (17ST91700)
<b>4.3 Timely and consistent data are produced. They are readily available, presented clearly and well-documented</b>						
<i>Ensuring the national accounts data are disseminated in a timely manner and are consistent with other datasets such as GFS and External Sector Statistics</i>						
	Cook Islands	1	Improvements to BOP current account	STX 12	The BOP and/or IIP are consistent or reconcilable with the national accounts [RBM BP 15.1]	Q1 (17ST92000)
	FSM	2	Mission to improve and update annual and quarterly estimates up to general government level	STX 5	GFS for general government are consistent or reconcilable with national accounts statistics for the general government	Q1 (17ST91900)

Macroeconomic Statistics Work Plan: May 2016-April 2017

Measurable Outcomes	Country	Progress against Milestones at end-FY2015 <sup>1</sup>	Activity May 2016-October 2017	Person days	Relevant Milestone	Comments
					sector [RBM GO 15.1]	
	Nauru	2	Improve BOP coverage and methodology	STX 12	The BOP and/or IIP are consistent or reconcilable with the national accounts [RBM BP 15.1]	1 (17ST91500)
		2	Provide supplementation to produce latest estimates of GDP by production	LTX 10	New national accounts statistics, as set out in the latest System of National Accounts (2008) manual, are available [RBM NA 18]	2 (15STN8330; 16ST31409)
	Niue	3	"	STX 12	"	Also includes basic BOP updating work - Q1 (17STA2500)
	Palau	2	Mission to improve and update annual and quarterly estimates up to general government level	STX 5	GFS for general government are consistent or reconcilable with national accounts statistics for the general government sector [RBM GO 15.1]	Q1 (17STA1000)
	PNG	1	Improve BOP coverage and methodology	STX 12	The BOP and/or IIP are consistent or reconcilable with the national accounts [RBM BP 15.1]	Q1 (17ST85900)
	RMI	2	Mission to improve and update annual and quarterly estimates up to general government level	STX 5	GFS for general government are consistent or reconcilable with national accounts statistics for the general government sector [RBM GO 15.1]	Q1 (17STA0900)
	Tonga	2	Assist in production of latest estimates and train local staff	STX 12	The BOP and/or IIP are consistent or reconcilable with the national accounts [RBM BP 15.1]	
	Tuvalu	2	Provide supplementation to produce latest estimates of GDP by production	STX 12	New national accounts statistics, as set out in the latest System of National Accounts (2008) manual, are available [RBM NA 18]	Q1 (17STA2600)
Ensuring the national accounts metadata is available and up to date.						
	Regional	2	Participation in the Pacific Statistics Steering Committee which	LTX 4	More metadata have been compiled and/or made available to users to support	Q2 (16ST31401; 17STA9500)

**Macroeconomic Statistics Work Plan: May 2016-April 2017**

Measurable Outcomes	Country	Progress against Milestones at end-FY2015 <sup>1</sup>	Activity May 2016-October 2017	Person days	Relevant Milestone	Comments
			coordinates TA in the region		data analysis [RBM NA 20]	
Ensuring the GFS data are disseminated in a timely manner and are consistent over time						
No activity planned						
Ensuring the GFS data are available to users and adequately documented						
No activity planned						

**Macroeconomic Analysis Work Plan: May 2016-April 2017**

Measurable Outcomes	Country	Progress against Milestones at end-FY2016 <sup>1</sup>	Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
<b>5.1 Enhanced monitoring, forecasting and policy analysis tools</b>						
<i>Consistent macroeconomic and fiscal frameworks are used for policy analysis</i>						
1 (15APR3277)	Fiji	2	Develop a macroeconomic and fiscal framework with the Ministry of Finance and the Reserve Bank of Fiji.		A consistent macroeconomic and fiscal framework is used to produce economic and fiscal projections.	
2 (17APW2800)	Kiribati	1	Develop a macroeconomic and fiscal framework.	STX 18	A consistent macroeconomic and fiscal framework is used in budget preparations and analysis.	
2 (15APR3259)	PNG	2	Continue developing a macroeconomic and fiscal framework.	LTX 16	A consistent framework is used to support monitoring and projection activities.	The development of a macroeconomic and fiscal framework requires resources and support from management.
1 (15APR3257)	Vanuatu	3	Support the analysis of tax reform options.	LTX 14	The framework for revenue forecasting within the Model Of the Vanuatu Economy (MOVE) is used to evaluate tax reform	

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## Macroeconomic Analysis Work Plan: May 2016-April 2017

Measurable Outcomes	Country	Progress against Milestones at end-FY2016 <sup>1</sup>	Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
					options. The effects of reform options are quantified and reported.	
2 (15APR3268)	Regional		Workshop on using financial programming (FP) frameworks for policy analysis	LTX 6	Collaboration between central banks and ministries of finance is strengthened in the development of policy tools. Capacity is increased to undertake empirical based policy analysis. Peer learning takes place and professional networks are formed in the region.	
<i>Forecasting tools and methodologies are developed for (i) key sectors of the economy (e.g. tourism, natural resource extraction); (ii) economic variables of importance for monetary and fiscal policy (e.g. inflation, GDP, government expenditure and revenue); and (iii) other defining aspects of countries (e.g. remittances)</i>						
1 (15APR3250)	Fiji		Facilitate a cross institution workshop (Fiji Bureau of Statistics, Fiji Revenue and Customs Authority, Ministry of Finance, Reserve Bank of Fiji) on forecasting and sharing data.		An action plan for improving forecasting and data sharing is agreed and implemented.	
1, 2 (15APR3262)		2	Support and advise on econometric estimations and empirical analysis.		A range of statistical and econometric tools are used in empirical analysis. Policy advice is empirical based.	
2 (15APR3281)		1	Support and advise on quantifying tax expenditures.		A tax expenditures report is produced.	
2 (17APW2500)	PNG	2	Review and enhance methodology for constructing a trimmed mean measure of consumer price inflation.	STX 10	An unbiased trimmed mean measure of inflation is constructed.	
1 (15APR3245)	Samoa		Facilitate a cross institution (Ministry of Finance, Ministry for Revenue, Central Bank of Samoa, Samoa Bureau of Statistics) workshop on forecasting and	LTX 7	An action plan for improving forecasting and data sharing is agreed and implemented.	The establishment of a forecasting committee will be discussed at the workshop.

**Macroeconomic Analysis Work Plan: May 2016-April 2017**

Measurable Outcomes	Country	Progress against Milestones at end-FY2016 <sup>1</sup>	Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
			sharing data.			
2 (15APR3261)	Solomon Islands		Facilitate a cross institution workshop (Ministry of Finance and Treasury, Central Bank of Solomon Islands, Solomon Islands National Statistics Office) on forecasting and sharing data.	LTX 7	An action plan for improving forecasting and data sharing is agreed and implemented.	
1 (15APR3258)		3	Enhance revenue and expenditure forecasting methodologies.	LTX 7	Forecasts are consistent.	
1 (15APR3247)	Tonga	3	Continue developing the Ministry of Revenue and Customs revenue forecasting tool.	LTX 7	Discrepancies between tax collection estimates and actual collections are reduced.	
1 (15APR3256)	Vanuatu	3	Enhance gross domestic product (GDP) forecasting methodology.	LTX 7	Information from the Business Sentiment Survey is systematically captured and incorporated into GDP forecasts by industries.	
2 (15APR3272)	FSM, Palau, RMI	1	Sub-regional workshop on developing tax revenue forecasting methodology.	LTX 9	Tax revenue forecasts are based on economic projections.	The workshop will be organized in collaboration with PFTAC's Revenue Policy and Administration Advisor and the Graduate School. Social security administrations will be invited to participate.
<i>A Pacific Islands Macroeconomic Analysis and Modeling Association is established</i>						
(15APR3274)	Regional		Develop an action plan for establishing a Pacific Islands Macroeconomic Analysis and Modeling Association.		PFTAC members are consulted and agree to the action plan.	
<b>5.2 Strengthened capacity to develop sustainable policies, including to incorporate medium-term trends and risks into forecasting and policy analysis</b>						
<i>Consistent macroeconomic and fiscal frameworks are regularly used in budgeting and planning processes and policy decisions</i>						
1	RMI	1	Enhance the usability of the RMI	LTX 14	Fiscal forecasts are consistent with	Technical assistance will be

## Macroeconomic Analysis Work Plan: May 2016-April 2017

Measurable Outcomes	Country	Progress against Milestones at end-FY2016 <sup>1</sup>	Activity May 2016-April 2017	Person days	Relevant Milestone	Comments
(15APR3278)			Financial Management Model (FMM).		economic forecasts produced by the Graduate School. Government expenditure forecasts incorporate spending commitments. The FMM is used for policy analysis.	provided with PFTAC's PFM Advisor.
1 (15APR3248)	Vanuatu	3	Support the use of the MOVE in preparations for the IMF Article IV.	LTX 7	The MOVE is used to inform IMF Article IV consultations.	
<i>Long-term revenue and expenditure pressures (e.g. due to demographic changes and the rising incidence of non-communicable diseases) are taken into account in fiscal policy</i>						
1 (15APR3249)	Cook Islands	4	Continue developing the macroeconomic and fiscal framework including the incorporation of population projections and improved government finance statistics.	LTX 9	The fiscal risks of demographic changes are assessed. Historical government finance statistics are available.	
2 (15APR3251)	FSM, Palau, RMI		Sub-regional workshop on incorporating demographic changes into budget processes.	LTX 9	Fiscal provisions are made for demographic changes.	The workshop will be organized in collaboration with PFTAC's PFM Advisor. Population projections by the Secretariat of the Pacific Community will be used,
2 (17APU990) (15APR3268)	Regional		Workshop on incorporating demographic changes into budget processes.	LTX 6 STX 14	Fiscal provisions are made for demographic changes.	The workshop will be organized in collaboration with PFTAC's PFM Advisor. Population projections by the Secretariat of the Pacific Community will be used,
<i>Debt dynamics are incorporated into macroeconomic and fiscal frameworks</i>						
2 (15APR3279)	Fiji	2	Use the macroeconomic and fiscal framework to undertake debt sustainability scenarios.		The sustainability of policy scenarios is evaluated.	Required public debt data need to be compiled.
1 (15APR3250)	Samoa	3	Develop the Samoa Economic and Revenue Forecasting (SERF) Model	LTX 7	The impact of economic shocks on target variables is assessed and appropriate policy	



## Macroeconomic Analysis Work Plan: May 2016-April 2017

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