

PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTRE

QUARTERLY REPORT



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Opening remarks by PFTAC Coordinator David Kloeden at July 2017 joint PFTAC/PITAA Tax Auditor Workshop, Nadi, Fiji

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I. Introduction¹

This report covers PFTAC activities and developments for the first quarter of the 2018 Fiscal Year (FY18/Q1) for the period May 1 to July 31, 2017. Program delivery was mostly in line with plans for May and June, although several missions planned for July had to be rescheduled, resulting in a slight under-execution of the plan and utilization of resources at around 20 percent at the quarter way point of the year (see Annex). However, with most of the postponed activities rescheduled for the second quarter, the overall PFTAC program and budget utilization is expected to soon be back on track. A mid-year review of the workplan and budget will be undertaken in October, with an updated workplan circulated in the next quarterly report.

The first quarter benefited from a full contingent of seven resident advisors that is expected to remain stable with no staff movements anticipated over FY18. During the quarter, the PFM, statistics, and revenue advisors joined retreats of fellow RTAC resident advisors organized by their respective headquarters functional departments (Statistics and Fiscal Affairs). These are important training and experience sharing events that enriches and equips the advisors to better perform their duties. The financial sector advisor similarly attended a retreat in the previous quarter, and the Macro advisor will be visiting Washington for training and consultations with the Asia Pacific Department during the October annual meetings.

Results Based Management (RBM) enhancements are being implemented with the increasing use of CD-PORT (Capacity Development Portal), a new IMF-wide IT system. The advisors have received CD-PORT training. In consultation with their backstoppers and country counterparts, the advisors have developed 82 Logical Frameworks (LogFrames) for their respective programs, and have so far defined 157 outcomes their programs are assisting member countries to achieve through 356 country-specific milestones. The next quarterly report at the half-way point of FY18 will include the first review and report of progress towards milestone achievement.

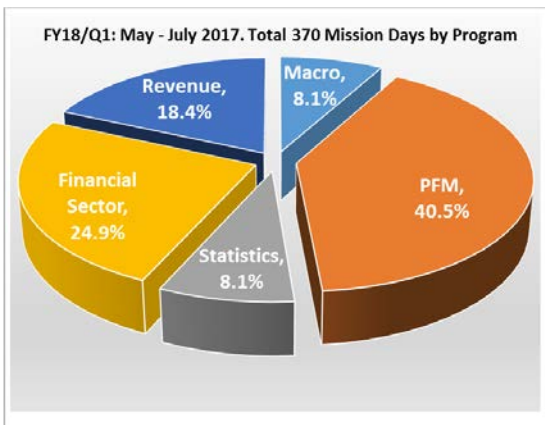
Wider visibility and awareness of PFTAC outputs is being encouraged. Beyond regular reporting of completed and forthcoming missions and training events, eligible stakeholders (including member countries, donors, and certain organizations like the World Bank that have signed Confidentiality Agreements) may request a copy of

¹ PFTAC is generously funded by Australia, Korea, New Zealand, and the Asian Development Bank (ADB) with expectations of support from the European Union. From the start of Phase V in November 2016, member countries have also agreed to financially contribute to PFTAC costs. The IMF covers the salaries for the coordinator and local staff, as well as various administrative costs.

a final technical assistance (TA) report provided the beneficiary country has not explicitly requested within 60 days of the report transmittal that it is to remain confidential and ineligible for sharing. A list of finalized TA reports is regularly updated on the PFTAC website and is included at the end of the annex to the Quarterly Report. TA reports continue to remain an important product of PFTAC’s capacity development delivery to its membership. The wider, but limited sharing of these reports is always at the prerogative of the recipient country, but is encouraged whenever possible given the likely similarities and relevance for the wider membership and development partners.

II. PFTAC Developments

Activity Overview

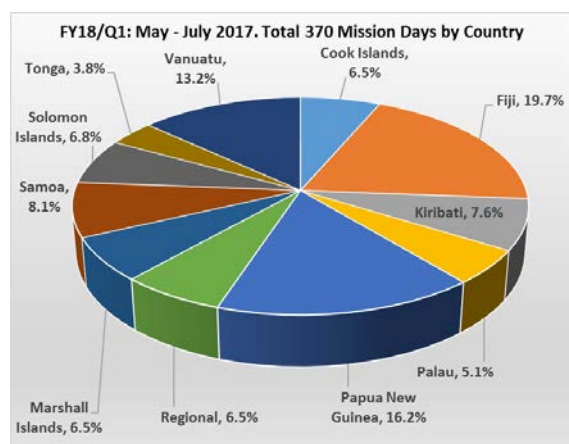


Through 28 distinct country missions² plus two regional or sub-regional training events, PFTAC resident and short-term experts provided 370 days of capacity development (CD) delivery to our 16 member countries. Fiscal issues accounted for more than half of the efforts, with Public Financial Management (PFM) comprising 40.5 percent of the total and 18.4 percent for revenue administration. The Financial Sector Supervision (FSS) program had a particularly busy quarter accounting for a fourth of PFTAC activity, while the activities of the Statistics program were slightly lower than an average quarter due to staff leave and training. At the quarter way point of the fiscal year, around 20 percent of the planned full-year program has been delivered,

indicating some catching up needed in subsequent quarters. This is particularly pronounced in the workshop/seminar program with only two events in the first quarter, namely a revenue workshop for auditing of financial statements and a small sub-regional FSS workshop on financial sector regulatory reform for the northern Pacific, whereas seven events are scheduled between August and October across all PFTAC programs (see Section IV for planned TA Activities in FY18/Q2, and discussed further below).

Mission delivery was closely aligned with plans for May and June, but several activities anticipated in July had to be postponed due to scheduling challenges with the beneficiary country or in mobilizing resources. These included three missions (revenue administration, national accounts and credit union supervision) planned for Kiribati in July that are now rescheduled for the second or latter quarters. Other delayed missions include a Macro GDP forecasting mission for Tuvalu, and revenue administration missions to Tonga and the Marshall Islands. Conversely, a GDP forecasting training mission to Papua New Guinea under the Macro programing was delivered in July earlier than originally planned.

Beyond country participation in regional training events, direct TA was provided to ten of the 16 PFTAC member countries, with Fiji, Papua New Guinea, and Vanuatu being the biggest beneficiaries with each country receiving missions from three PFTAC programs each and accounting for half of all PFTAC delivered CD during the first quarter. Samoa, Kiribati, and the Solomon Islands were the next biggest recipients. By the end of October and the second quarter of FY18, a further five member countries (Federated States of Micronesia, Timor-Leste, Tokelau, Tuvalu, and Nauru) will receive one or more missions in addition to further missions to eight of the ten members that received missions in the first quarter. FY18 plans include at least one mission for all 16 PFTAC countries.



² Counting as a single mission any with more than one expert all working on the same issues and Terms of Reference

Financial Report

Commitments and expenses against the approximate US\$ 6.5 million³ FY18 PFTAC budget are broadly on track and approximately in line with 20 percent plan execution measured by inputs as at July 31, 2017. A new system has been instituted at PFTAC to monitor commitments and expenditures for expenses that can be closely managed locally such as travel, accommodation, short-term expert contracting (although daily rates are controlled by IMF headquarters), workshop costs, and office overheads. A simple dashboard now equips the resident advisors to closely monitor that their workplan delivery remains within budget limitations, updating plans to maximize ultimate year-end outturn, while ensuring best value-for-money is achieved.

Washington-based systems provide a full PFTAC financial picture that includes centrally managed costs such as backstopping, project management, and trust fund fees. Several months' lag is unavoidable to capture all transactions through a quarter- or year-end cut-off date. While a final balance of US\$ 535,718 of unspent Phase IV recently crystalized with discussions underway with donors about possible carry-forward to Phase V, a final Phase V expenditure outturn for the FY17 period covering November 1, 2016 through April 30, 2017 is yet to be confirmed although the unspent balance will be carried-forward to latter Phase V years.

Member Countries	Proposed Contributions for Phase V (US\$)	Contributions Received	LoU Status
Fiji	\$ 687,500	\$ 250,000	✓
Cook Islands	\$ 110,000	\$ 60,000	✓
Nauru	\$ 82,500	\$ -	✓
Tokelau	\$ 11,000	\$ 11,000	✓
Vanuatu	\$ 165,000	\$ 60,000	✓
Kiribati	\$ 82,500	\$ -	✓
Tonga	\$ 110,000	\$ 30,000	✓
Samoa	\$ 165,000	\$ 82,500	✓
Tuvalu	\$ 27,500	\$ -	Pending
Niue	\$ 27,500	\$ -	Pending
Solomon Islands	\$ 165,000	\$ -	Pending
PNG	\$ 1,375,000	\$ -	Pending
Marshall Islands (RMI)	\$ 110,000	\$ -	Pending
Palau	\$ 110,000	\$ -	Pending
Federated States of Micronesia	\$ 110,000	\$ -	Pending
Timor-Leste	\$ 550,000	\$ -	Pending
Sub-Total Member:	\$ 3,888,500	\$ 493,500	
Donors			
ADB	\$ 800,000	\$ 800,000	✓
Korea	\$ 2,500,000	\$ 500,000	✓
New Zealand	\$ 8,500,000	\$ 4,229,820	✓
Australia	\$ 7,579,202	\$ 1,515,840	✓
EU	\$ 7,140,000	\$ -	Pending
Sub-Total Donors:	\$ 26,519,202	\$ 7,045,660	
Total	\$ 30,407,702	\$ 7,539,160	
Baseline Funding Gap ^{1/}	\$ 4,892,298	\$ 27,760,840	
Aspirational Funding Gap ^{2/}	\$ 9,292,298	\$ 32,160,840	
1/ Baseline Budget Target	\$ 35,300,000		
2/ Aspirational Budget Target	\$ 39,700,000		

Further donor and member contributions have been received during the quarter. In late June, the Government of Australia signed a Letter of Understanding to contribute A\$ 10 million towards Phase V operations, over a series of tranches beginning with an initial contribution of \$A 2 million (approx. US\$1.5 million). Steps towards securing requested European Union (EU) financing of € 6 million have advanced under the auspices of a proposal for strengthening PFM outcomes in the region with components supporting other development partner PFM projects including the UN Development Programme (UNDP), the University of the South Pacific (USP), the Pacific Island Forum Secretariat (PIFS) and the Pacific Association of Supreme Audit Intuitions (PASAI). Finalization of an agreement with the EU is anticipated by late 2017, followed soon after by an initial contribution.

Member country contributions received so far amount to US\$ 493,500 or 17 percent of expected Phase V member financing. In addition to earlier receipts, during the quarter initial contributions were received from **Samoa** and **Tonga**, a wire transfer initiated by **Kiribati** is being traced, and a second contribution was received respectively from the **Cook Islands**, **Fiji**, and **Vanuatu**. The **Tokelau** government paid their entire Phase V contribution in a single payment. The contributions from almost half of the PFTAC member countries during the first year of Phase V operations are particularly appreciated and are a strong signal of the value that these countries place on PFTAC capacity development.

³ Excluding the 7 percent trust fund fee and in-kind IMF support and financing

Unfortunately, half of the PFTAC country membership is yet to finalize earlier commitments to financially support PFTAC operations. Each member country is requested to sign a Letter of Understanding (LoU) – usually by the finance minister – with the IMF that reflects an intention to voluntarily contribute towards PFTAC financing in accordance with the contribution formula agreed by member consensus at Steering Committee meetings prior to the end of Phase IV. Each country may nominate a contribution schedule to fit their budget cycle such that all contributions have been received in sufficient time for full utilization before the April 30, 2022 conclusion of Phase V. Contributions cannot be accepted and will be returned in the absence of an LoU. LoUs are still pending for several countries where discussions have been ongoing and efforts will be accelerated to encourage the remaining countries to secure a firm commitment and initial contributions as soon as possible.

III. Report on Program Activities and Achievements

Macroeconomic Analysis and Forecasting

Marshall Islands budget preparations are due to be completed by September and are underpinned by the **Marshall Islands Fiscal Model (MI-FM) developed with PFTAC assistance** by staff of the Ministry of Finance and the Economic Policy, Planning, and Statistics Office (EPPSO). The MI-FM generates medium-term fiscal projections consistent with the economic forecasts compiled by the US Graduate School, assessing the implications of some grants terminating in 2023 under the Amended Compact Agreement. As fishing revenues are an important source of income for the Marshallese Government, the methodology to forecast fishing revenues has been enhanced using data and information provided by the Marshall Islands Marine Resources Authority (MIMRA) and the incoming and outgoing chief executive officers of the Parties to the Nauru Agreement (PNA).

The **Samoa Economic and Revenue Forecasting (SERF) Model** has been used by the Economic Policy and Planning Division of the Ministry of Finance (MOF) since 2009 when it was first developed to produce economic and tax revenue forecasts for the budget. While the original model has undergone several modifications, its basic structure remains. The SERF model captures the different sectors in the economy and generates medium-term projections within an internally consistent macroeconomic and fiscal framework. A Macroeconomic Forecasting Committee comprising members from the Central Bank of Samoa, the MOF, and the Ministry for Revenue was established and held its inaugural meeting in July. The Samoa Bureau of Statistics (SBS) has an advisory role on the committee that will meet again in November before the MOF begins its budget forecasting exercise.

Staff at the Bank of Papua New Guinea (BPNG) have been upgrading the PNG Macroeconomic and Fiscal Framework (MFF). Efforts began in May with the core structure of the new framework completed in July. The focus of the upgrade has been to capture the complex sector linkages of the PNG economy, ensuring consistency with sector experts' forecasts for the next three years, making data updating easier, and increasing capacity for scenario analysis including assessment of the impact of exchange rate changes, new mining projects, and issuance of new government debt. A unique feature of the MFF is that it forecasts revenue foregone from tax expenditures, which are special provisions or exceptions to the general rules that benefit selected taxpayers or encourage certain activities. The MFF is the first macroeconomic and fiscal framework in the region to have this feature and will serve as a model for other Pacific countries.

Upcoming events

A **workshop on Compiling and Forecasting GDP** is planned for October 2 – 6, 2017 for participants from the statistics offices, the ministries of finance, and the tax offices of **Cook Islands, Kiribati, Nauru, Niue, Timor-**

Leste, Tokelau, and Tuvalu. Staff from the Samoa Bureau of Statistics will be invited to share the SBS' experience in building capacity and identifying key indicators to focus on in the compilation of GDP when resources are limited.

Following the success of two joint workshops with the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), **a third joint training event on medium-term expenditure planning for national sustainable development is planned for November 6 – 10, 2017** for analysts from the budget and planning offices and the central banks of PFTAC's 16 members. It will be co-hosted by the Samoa Ministry of Finance in Apia and focus on health and education spending and countries' demographics.

IMF/PFTAC and BPNG Workshop

The Bank of Papua New Guinea (BPNG) hosted a three-day training event that brought together around 30 analysts, managers, and senior managers from the BPNG, the Department of Finance (DOF), the Department of Treasury (DOT), and the Internal Revenue Commission (IRC). The objectives of the workshop were to: (i) gain a greater appreciation of institutions' roles; (ii) share knowledge on compiling and forecasting key economic and fiscal variables; (iii) review the PNG Macroeconomic and Fiscal Framework (MFF); and (iv) identify areas for further development and next steps. The MFF is a quantitative approach to analyze macroeconomic developments. It captures the main economic linkages and produces medium-term projections. It can be used to: (i) ensure consistency between forecasts of sectors of the economy; (ii) evaluate macroeconomic performance and identify vulnerabilities; (iii) prepare policy scenarios; and (iv) evaluate the sustainability of policies.



The MFF adopts Government Finance Statistics (GFS) methodology, which produces internationally comparable fiscal data and is particularly useful for sustainability analysis. The PNG GFS are work-in-progress and the most comprehensive and detailed in the region. They are compiled and published by the DOT using information from the DOF's Integrated Financial Management System (IFMS) which combines planning, budgeting, accounting, and financial reporting into a single computerized system.

The training event began with a full complement of presentations by the four participating institutions on the implementation of the IFMS, tax collection, compilation of GFS, budget preparations, compilation and forecasting of the balance of payments and monetary sector, and macroeconomic and fiscal forecasting. The remaining two days were

spent reviewing the MFF, discussing issues including the way forward, and practical, hands-on exercises and scenario analyses using the MFF.

High quality, i.e. timely, accurate, and comprehensive, data and the use of empirical analysis tools such as the MFF are critical for sound macroeconomic management. **Workshop participants stressed the importance of interagency collaboration to share data, knowledge, and tools to help achieve the common goal of improving living standards.**

Implementation of the PNG IFMS was viewed as a significant development. Completing its roll-out at the national and sub-national levels and compiling GFS data within the IFMS were considered of high importance.

Participants found the workshop to be a valuable training event giving it an overall rating of 4.7 out of 5. All participants who completed the workshop evaluation stated that they would recommend the workshop to others. More than 80 percent of respondents strongly agreed that the topics covered were appropriate for their needs and interesting, and that the sessions were interactive and allowed enough time to ask questions. Participants identified the need for more practical exercises and suggested making the workshop an annual event. **PFTAC and workshop participants warmly thank the BPNG and BPNG staff for organizing and hosting this important training event!**

Public Financial Management (PFM)

TA on PFM issues continues to cover a broad spectrum of issues.

Fiji: assistance focused on three areas: improving the economic segment of the Chart of Accounts (CoA); developing a framework for monitoring and reporting of fiscal risks of state-owned enterprises and statutory authorities; and developing an internal audit charter. Seminars were held during these missions with ministries involved in these functions. Follow-up TA on internal audit is planned in FY18/Q2.

With PFTAC assistance, the Ministry of Economy (MOE) recently achieved the first objective of the government accounting and reporting reforms, which is to **comply with international public sector accounting standards (IPSAS) – cash basis**.

With the change in Fiji's fiscal year, and with a planned shift to accrual accounting, while concurrently providing for a greater role and financial accountability of line ministries, **the MOE has approved the new set of government accounting and financial reporting policies** that were developed earlier with PFTAC support. This signals preparation for the second stage of accounting and reporting reform with further PFTAC assistance later in FY18.

Kiribati: assistance was provided to the Ministry of Finance and Economic Development (MFED) to **complete a PEFA self-assessment**. The last PEFA assessment in 2010 was not published. In a continued effort to coordinate and reduce the burden of similar exercises, the mission team included a member from the Pacific Islands Forum Secretariat climate change readiness team which will undertake a fiduciary assessment of Kiribati's PFM systems. The PEFA self-assessment will be the basis of a PFM roadmap to be developed with Kiribati officials in FY18/Q2.

Marshall Islands: a collaborative effort between the PFM and Macroeconomic PFTAC programs has contributed to steady **progress towards developing an expanded 2017/18 budget document**. The document will incorporate PEFA framework elements, and have a medium-term focus.

Samoa: **assistance on monitoring and reporting fiscal risks continued** during the quarter by developing relevant indicators to monitor mutual and public beneficial bodies in Samoa. PFTAC held a seminar on how to strengthen fiscal oversight of these entities for the staff of the Ministry of Public Enterprises. Follow-up assistance to the Ministry of Finance and Treasury on cash management and financial reporting is planned for FY18/Q2.

Solomon Islands: **PFTAC continued to support cash management reform** by providing training to Treasury officials on cash planning and forecasting, as well as in financial reporting. After the mission, the Treasury started preparing an initial cash forecast using the PFTAC developed model. Financial controllers from line ministries were also oriented on the new Cash Management Regulations earlier drafted with PFTAC assistance.

Tokelau: assistance will be provided in FY18/Q2 to the Ministry of Finance through **a PEFA self-assessment, the first PEFA assessment for Tokelau**.

Timor Leste: a visit in FY18/Q2 is planned to understand the ongoing PFM needs of Timor Leste.

Tonga: **PFTAC will continue assisting Tonga on accounting and reporting reforms**. In the last quarter, a mission helped draft a new Chart of Accounts to facilitate fiscal reporting aligned to international standards, and further TA will continue supporting these reforms in FY18/Q2.

Vanuatu: **PFTAC launched TA on accounting and reporting** with a July 2017 mission producing recommendations provided to the Department of Finance and Treasury to improve the timeliness and quality of the consolidated financial reports. Also during the mission, a seminar was held for government accountants on IPSAS and internal control procedures. TA will continue in FY18/Q2 for the development of a manual of accounting policies and procedures.

Regional Activities: while there were no PFM workshops in FY18/Q1, PFTAC is currently preparing to deliver the following:

- a workshop on **Strengthening Budget Execution Internal Controls** is planned for August 28 – September 1, 2017 in Nadi, Fiji. About 15 financial controllers from nine PICs are expected to attend.
- a joint workshop with UNESCAP on **Medium-term Expenditure** is planned for November 6 – 10, 2017 in Apia, Samoa. Around 45 participants are expected to attend from the budget and planning organizations from 15 PICs as well as participants from Central Banks.

Asset Registers

Asset registers are a crucial input for good public investment management, assisting governments to understand what their stock of infrastructure and buildings are and their overall conditions. Asset registers are important for the formulation of asset management and replacement plans. First developed in 2010, the Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI) exposure database contains details on public infrastructure in all Pacific countries. It provides information on the geographic location and replacement cost of major assets. This information collected via satellite and field surveys is currently with national disaster management offices (or their equivalents).

An update of the database is scheduled to commence in 2017. PFTAC working closely with the Pacific Regional Infrastructure Facility (PRIF), the Asian Development Bank (ADB), the Secretariat of the Pacific Regional Environment Programme (SPREP) and the World Bank are aiming to ensure the update accommodates a wider range of stakeholders such as ministries of finance and public works ministries. The outcome should lead to the development of a database helping all PFTAC member countries to develop or update their asset registers.

Revenue Policy and Administration

PFTAC continues to support PICs in adapting their business models towards a function based approach with greater emphasis on risk management. This entails moving from an organization structure based on tax type to one arranged around core functions such as taxpayer audit, taxpayer services, and enforcement rather than replicating these functions for each type of tax that is duplicative and fails to provide a ‘whole-of-taxpayer’ perspective. Despite these being relatively new concepts for the region, progress has been impressive with several countries moving to a functional model while simultaneously rolling out Compliance Improvement Strategies.

Palau: a mission assisted with the **implementation of a function-based tax administration structure** approved in September 2016, helping ensure consistent and complete implementation and addressing residual challenges. Assistance was also provided to strengthen taxpayer services under the newly created taxpayer services function.

Papua New Guinea: the Internal Revenue Commissioner-General requested PFTAC assistance to **analyze the current Corporate Plan and Business Plan** and review whether the strategies developed in 2012 covering the 2013 – 2017 period are still relevant in the current economic and operating environment. PFTAC provided technical, strategic, and facilitation support enabling the development of an updated Corporate Plan and Business Plan that is currently being finalized by the authorities.

Republic of the Marshall Islands: a TA visit discussed **revenue policy and administration reforms** and confirmed PFTAC TA plans for FY18. The impact of past TA was reviewed noting good progress including a new Excel application that enhances effective management of the taxpayer register, outstanding tax returns, and tax arrears. A new streamlined exchange of information process resulted in a 24 percent increase in the number of tax registrants. A follow up mission is scheduled in FY18/Q2.

Vanuatu: a **pilot VAT Compliance Improvement Strategy (CIS) designed with PFTAC help** was launched in September 2015; the authorities sought PFTAC assistance to review pilot implementation through December 31, 2016. The review highlighted good progress and provided the authorities with recommendations for a new generation compliance plan to be launched from January 1, 2018.

Regional: an *'Auditing Through Financial Statements'* workshop focused on the interpretation and analysis of financial statements training 20 audit and investigation representatives from eight PICs. Two PIC audit staff, one from Fiji and another from Samoa, plus a PITAA representative underwent a pre-course *'Train-the-Trainer'* program to assist in the delivery of the workshop. These empowered and equipped trainers will gradually assume ownership of the training module under the umbrella of PITAA, building sustainability and reducing reliance on PFTAC resources.



[L – R] Mr. Joji Vaka (Fiji), Ms. Ieni Sheppard (Samoa), Ms. Koni Ravono (PITAA Secretariat), Ms. Susana Tilialo (Samoa) & Mr. Richard Teed (IMF Expert) at the 'Auditing through Financial Statements' workshop in Nadi, July 2017

**Tax Reform in Vanuatu: by Benjamin Malas,
Director, Vanuatu Department of Customs and Inland Revenue (DCIR)**

In March 2016, the Vanuatu Government promulgated a decision to review Vanuatu's revenue policy and administration – the review covered Vanuatu's tax policy and legal framework, and how improvements to the DCIR's structure, organization, and technology, could contribute to improving voluntary compliance.

A project management framework was established by the government for reform implementation that comprised a Governance Group and a Reform Project Team. The Governance Group oversees the broad implementation of reforms and the Reforms Project Team delivers implementation across ten key project objectives. These include strengthening headquarters including the creation of a new design unit, migrating to a function based structure, upgrading the current IT system, upgrading accommodation and, delivering several training initiatives to strengthen core tax functions.

Numerous PFTAC/IMF missions have worked closely with DCIR to help draft new laws and regulations, a new corporate strategy, a compliance improvement strategy and the design of modernization project deliverables. A mission to synchronize the roll-out of the updated IT system with the implementation of new tax laws was also delivered. A PFTAC visit scheduled for August 2017 will assist in developing a strategy aimed at strengthening on-time filing and payment and management of tax arrears and outstanding returns.

Government Finance Statistics (GFS)

Since the GFS Resident Adviser joined PFTAC in March 2017, the GFS program gained traction with completion of TA missions to two member countries during the quarter. Remote assistance was provided to [Fiji](#) in the compilation and refinement of its GFS time series for the general government and to the [Marshall Islands](#) for

the compilation of budgetary central government quarterly data. Significant preparation and planning was devoted to the annual GFS regional workshop scheduled for August 21 – 25, 2017 in Nadi, Fiji.

Tonga: a June 2017 mission worked to ensure all general government agencies, transactions, and stocks are covered in the GFS compilation. The mission's review of all Tongan public sector institutional units was delivered for finalization by the authorities.

Bridge tables from national source data to GFS classifications have been constructed and are being used to compile GFS and serve as an input to other cross-cutting programs and projects. The national chart of accounts (CoA) was reviewed and aligned to *GFSM 2014* and is consistent with the PFTAC PFM CoA redesign program. The reform provides a more structured and transparent CoA built on the principles of GFS and IPSAS for enhancing budget, financial, and statistical reporting, and improving fiscal analysis, forecasting, and management reporting.

GFS are compiled and disseminated on an annual and quarterly basis. The mission investigated data sources to compile an annual GFS time series for the central government for the fiscal years 2013 – 2016 that would assist the authorities in fiscal and policy decision making and for publication in the IMF's annual *Government Finance Statistics Yearbook (GFSY)*.

Cook Islands: a July 2017 mission reviewed the Ministry of Finance and Economic Management's (MFEM) quarterly financial report ensuring suitability for producing high frequency GFS on a quarterly basis. While feasible, it will require minor classification alignment to the *GFSM 2014* coding with focus on resolving the classification of Payments on Behalf of the Crown (POBOC's), administered payments, and donor aid expenditure.

Assistance was also provided on proposing development of a new CoA incorporating GFS to enhance financial and economic reporting. The procurement of a new Integrated Financial Management Information System (IFMIS) was approved with completion of vendor demonstrations. The new IFMIS will be used by all ministries, governmental agencies, and outer islands with a standardized CoA for the whole of government, with a gradual roll-out of the IFMIS during January 2018. The new IFMIS will improve timeliness and the reliability of data for compiling and disseminating high frequency GFS.

Real Sector Statistics (RSS)

After a very busy final quarter of FY2017, FY18/Q1 was relatively quiet with two TA missions, to **Fiji** and **Samoa**, delivered by the resident RSS advisor as well as planning and liaison work.

Mission time was limited due to training at IMF headquarters as well as annual leave.

Fiji: the focus of the June 2017 mission was to further develop a methodology and launch plans for new estimates of quarterly GDP by production. After facing various issues over recent years, the statistics office is now in a good position to publish these new estimates by end-September 2017, subject to the competing demands of the upcoming population and housing census.

A new compilation system was developed from the current internal version, which largely automates core tasks. This still requires some refinements, but it should allow staff more time to analyze and improve the outputs as regular operations require staff only to update data inputs.

Fiji Quarterly GDP Estimates

Fiji is moving ever-closer to publishing new estimates of quarterly GDP. This measure is extremely useful for economic policy, but somewhat resource-intensive. To help free up crucial time for analysis and refinement, PFTAC has developed an automated, single-workbook Excel system that borrows core elements from bespoke systems found elsewhere.

The system assigns codes to the input data series to describe their various characteristics – variable, price basis, institutional sector – which it uses to carry out repetitive tasks such as deflation, benchmarking and aggregation, using formulas rather than macros. It was partly future-proofed – it can accommodate data up to 2020 and improvements to industry methods – so for now all compilers only to update input data series at the start of the workbook to produce current and constant price GDP estimates instantly at the end.

Though it remains a ‘beta’ system for now, with further testing and adjustments it should provide a faster and more stable way for Fijian compilers to produce new estimates, leaving more time to interrogate the results.

A launch plan and revised medium-term release schedule were created to aid compilation staff. The launch plan includes key user engagement tasks alongside remaining technical work, while the release schedule embodies expected revisions periods, including annual benchmarking and periodic rebasing.

Samoa: the focus of the June 2017 mission was to assist staff in rebasing GDP from 2009 to 2013. Following an initial mission on this task in late 2016, the recent effort worked to address various data and methodological improvements across a range of industries.

Updated methodologies were implemented in various industries and across most sectors. Informal agriculture and fishing benchmarks were further reviewed and new benchmarks were set for public utilities; a new approach to estimating financial intermediation was implemented, in line with 2008 SNA recommendations; estimates of government activity were split into health, education, and public administration; and the use of value-added tax data to estimate production for most of the market sector was reviewed; and revised data specifications were provided to the Ministry of Revenue to enable the statistics office to derive more accurate results.

Key recommendations to improve source data were elaborated to NSO staff. The mission identified common weaknesses in source information on household activity and consumer prices and set out the ideal requirements to enable rebasing and annual estimation to be done to higher standards. Various sample industry templates were devised and populated with dummy data to speed up improvements once data improvements are made.

Financial Sector Supervision

Financial sector supervision activity for the quarter comprised five missions, covering risk-based supervision framework development, on-site examination, and banking regulatory frameworks.

With respect to development of risk-based supervision frameworks, TA missions visited **Vanuatu** and **Papua New Guinea** in May and June respectively to undertake a diagnostic review of the Reserve Bank of Vanuatu (RBV) and Bank of Papua New Guinea (BPNG) supervision frameworks and develop a Supervision Framework Enhancement Strategy and a TA Plan. The strategies and plans will be implemented by the authorities with assistance from PFTAC, and are designed to enhance the efficiency and effectiveness of the supervision frameworks.

Cook Islands: in continuation of the Supervision Framework Enhancement Program initiated in January 2017, a TA mission visited Rarotonga, Cook Islands, during the period June 26 – July 4, 2017, **to assist the Financial Supervisory Commission of the Cooks Islands to enhance its suite of prudential standards.**

With respect to banking regulatory frameworks, in late 2016 the **Republic of Marshall Islands** Banking Commission, the **Federated States of Micronesia** Banking Board and the Financial Institutions Commission of **Palau** requested **TA to enhance their banking legislation and prudential standards frameworks**. To launch this effort, PFTAC and the IMF Legal Department conducted a regional workshop for these Northern Pacific authorities in Guam. The workshop provided information to participants on international good practice on banking legislation and prudential standards (content and structure); facilitated a self-assessment of current legislation and standards against international standards; and established a proposed regulatory reform strategy and TA plan for each jurisdiction.

Representatives from the **Kiribati** Attorney General’s Office and the Kiribati Ministry of Finance & Economic Development also attended to learn about banking regulatory frameworks.

With respect to on-site examination, a TA mission visited Majuro, **Republic of Marshall Islands**, July 17 – 28, 2017 **to develop and strengthen staff capacity to conduct on-site supervision of a licensed bank branch**. The mission built on previous on-site examination TA in early 2017 delivering a two-day seminar to the bank examiner and two summer interns, focusing on risk management, examination goals, and the importance of preparing for on-site work.

Regional Workshop in Guam on Banking Regulation

The workshop assisted the Republic of Marshall Islands Banking Commission, the Federated States of Micronesia Banking Board and the Financial Institutions Commission of Palau with their planned enhancements to their bank regulatory frameworks. The goals of the workshop were to:

- increase the participants’ understanding of international good practices for banking legislation and prudential standards;
- facilitate an initial self-assessment of the current frameworks against applicable international good practices; and
- establish a proposed regulatory reform schedule and TA plan.

The workshop’s structure focused on an initial assessment and development of a strategy and enhancement plan that will help ensure that the enhancement project and process is established in an efficient and structured manner.

Over the five days, the workshop program covered:

- Overview and detail of key components of banking legislation
- Overview and detail of key components of prudential standards
- Country participants assessed their legislation and standards
- Country participants presented their assessment findings of assessment
- Bilateral country sessions to discuss gaps and plan regulatory reform and TA program

The workshop was an effective approach to engaging and initiating a sub-regional assistance project. The next steps will involve more detailed assessment of areas for improvement identified in the workshop, to be followed up with additional hands-on missions to each country.



IV. Planned TA Activities FY18/Q2: August– October 2017

August 2017 Planned Activities

Country	Program	Description	Advisor/s	Dates
Kiribati	RSS	National Accounts	STX – McAllister	Aug 4 – 16
	Revenue	Design reform implementation plan	STX – Scott	Aug 22 – 25
		Strengthen Organization Structure Develop Risk Based Compliance Improvement Strategy		Aug 28 – Sept 1 Sept 4 – 9
Papua New Guinea	Revenue	HQ Diagnostic Revenue Admin Mission	LTX – Shrosbree	Aug 15 - 25
Regional	Revenue	VAT Fraud Workshop (held in Nadi)	STX – Ettridge	Aug 7 - 11
	Revenue	Auditing Financial Statements Workshop (held in Nadi)	STX – Teed	July 31 – Aug 4
	FSS	AFSPC Annual Meeting and Workshop (in Cook Islands)	LTX – Stefanou STX – Hambric	Aug 14 - 18
	GFS	Government Finance Statistics workshop (in Nadi)	LTX – de la Beer STX – Tillman-Zorn	Aug 21 - 25
	PFM	Workshop on Strengthening Budget Execution (in Nadi)	LTX – Marzan STX - Silins	Aug 28 – Sept 1
Samoa	PFM	Strengthen Cash Management	STX – Silins	Sept 4 – 8
Tonga	Revenue	Strengthen Audit Capability	STX – Teed	Aug 7 - 18
Tokelau	PFM	PEFA Self-Assessment (delivered in Samoa)	LTX – Neves STX – Uluinaceva	Aug 21 – Sept 1
Vanuatu	Revenue	Update modernization project plan	STX – McNeill	Aug 14 – 18
		Strengthen organizational design		Aug 21 – 25
		Improve core tax functions		Aug 28 – Sept 1
	RSS	National Accounts	LTX – Wild	Aug 7 – 17
	Macro	Practical applications of the Model of the Vanuatu Economy	LTX – Claus	Aug 21 – Sep 1

September 2017 Planned Activities

Country	Program	Description	Advisor/s	Dates
Fiji	PFM	Development of Internal Audit Risk Assessment Framework	STX – Morrison	Sept 25 – Oct 6
FSM	Revenue	Strengthen on-time Filing Strengthen on-time Payment Strengthen Taxpayer Services	STX – Bell	Sept 11 – 15 Sept 8 – 22 Sept 25 - 29
Nauru	RSS	National Accounts	LTX – Wild	Sep 4 – 15
	GFS	Government Financial Statistics	LTX de la Beer	Sep 26 – Oct 6
Regional	Revenue	PITAA Annual Heads Meeting (in Samoa)	LTX – Shrosbree	Sept 12 – 15
		Senior Management Training (in Samoa)	LTX – Shrosbree STX - McNeill	Sept 18 - 20
Samoa	GFS	GFS	LTX – de la Beer	Sept 4 - 15
	Revenue	Strengthen Compliance Risk Management	LTX – Shrosbree	Sept 21 - 22
Solomon Islands	FSS	Strengthen RBS Framework	LTX – Stefanou	Sept 4 – 12
			STX – Henderson	
Tuvalu	Macro	Develop GDP Forecasting Methodology	LTX – Claus	Sept 19 – 27
Vanuatu	FSS	Strengthen RBS Framework	LTX – Stefanou	Sept 18 – 22
			STX – Jackson	

October 2017 Planned Activities

Country	Program	Description	Advisor/s	Dates
Kiribati	Revenue	Strengthen audit capacity	STX – Leano	Oct 2 - 13
Papua New Guinea	GFS	Government Financial Statistics	LTX – de la Beer	Oct 16 – 27
RMI	Revenue	Strengthen integrity of the Taxpayer Register	STX – Lawrence	Oct 16 – 20
		Strengthen Taxpayer Services		Oct 23 - 27
	RSS	National Accounts	STX – Freeman	Oct 16 - 27
Samoa	PFM	Accounting Frameworks	LTX – Marzan	Oct 9 – 13
Sub-regional	Macro/RSS	Compiling and forecasting GDP (held in Nadi)	LTX – Claus, Wild	Oct 2-6
Tuvalu	Revenue	Strengthen organizational design	LTX – Shrosbree	Oct 16 – 27

**Annex 1: PFTAC Missions
Workshops, Meetings and Training
TA Reports transmitted to Country Authorities**

Outturn of TA Activities FY18/Q1: May – July 2017

May 2017 Delivered TA Activities

Country	Program	Description	Advisor/s	Dates
Fiji	PFM	Identification, monitoring and management of SOE fiscal risks	LTX-Marzan	May 1 - 12
Marshall Is	Macro	Support the use of the Marshall Island Fiscal Model in Budget Prep	LTX-Claus	May 1 – 5
	Revenue	Discuss future tax policy and administration reforms	LTX-Shrosbree	May 9 - 10
Palau	Revenue	Review implementation of the new organizational structure; and (b) develop a taxpayer services strategy	STX-McNeill	May 8-19
		Discuss future tax policy and administration reforms and confirm PFTAC's technical assistance plan FY2018	LTX-Shrosbree	May 12
Papua New Guinea	Macro	Continue developing a macroeconomic and fiscal framework	LTX-Claus	May 22 – June 2
Regional	Revenue	Attend annual OCO Annual Conference in Guam	LTX-Shrosbree	May 1 - 5
Solomon Is.	PFM	Strengthen Cash Management – Follow-up and Implement IPSAS	STX-Silins	May 1 – 12
Vanuatu	FSS	Review state of Risk Based Supervision (RBS)	LTX-Stefanou	May 1 – 5
			STX - Jackson	

Outturn of TA Activities FY18/Q1: May – July 2017

June 2017 Delivered TA Activities

Country	Program	Description	Advisor/s	Dates
Cook Islands	FSS	Risk Based Supervision Enhancement	LTX – Stefanou STX – Algier	June 26 – July 7
Fiji	RSS	Quarterly GDP	LTX – Wild	May 30 – June 6
	PFM	Development of Internal Audit Charter	LTX – Marzan STX – Morrison	May 31 – June 9
		Improving the Chart of Accounts	STX – Silins	June 26 - 30
Papua New Guinea	FSS	Risk Based Supervision Enhancement	LTX – Stefanou STX – Jackson	June 5 - 13
Samoa	RSS	National Accounts	LTX – Wild	June 12 – 23
Solomon Islands	PFM	Strengthening Cash Management (work at home)	STX – Silins	June 5 – 16
Tonga.	GFS	Government Finance Statistics	LTX-de la Beer	June 6 – 16
Vanuatu	Revenue	Further strengthen compliance risk management	LTX - Shrosbree	June 26 – July 7

Outturn of TA Activities FY18/Q1: May – July 2017

July 2017 Delivered TA Activities

Country	Program	Description	Advisor/s	Dates
Cook Islands	GFS	Government Finance Statistics	LTX – de la Beer	July 3 – 7
Fiji	PFM	Improving Chart of Accounts (work at home)	STX – Silins	July 3 – 12
	Revenue	Senior auditor training: interpretation & analysis of financial statements	STX - Teed	July 27 – Aug 8
Kiribati	PFM	PEFA Self-Assessment	LTX – Neves STX - Narube	July 25 – Aug 3
Papua New Guinea	Revenue	Strategy and Governance Arrangements for Reform	STX – McNeill	July 15 –21
	Macro	Macro/Fiscal Framework	LTX – Claus	July 21 – Aug 4
Regional (Northern Pacific)	FSS	Financial Sector Regulatory Reform Workshop (in Guam for Palau, FSM and RMI)	LTX – Stefanou STX- Hefty STX – Anvari (LEG)	July 10 -14
Republic of the Marshall Islands (RMI)	FSS	On-Site Examination	STX – Hefty	July 17 – 28
Samoa	Macro	Develop the Samoa Economic and Revenue Forecasting Model	LTX – Claus	July 3 – 7
	PFM	Improve fiscal oversight of Public Bodies	STX – Narube	July 10 – 17
		Strengthen Cash Management	STX – Silins	July 10 -14
Tonga	PFM	Improving Accounting and Reporting Framework	LTX – Marzan	July 31 – Aug 4
Vanuatu	PFM	Accounting and Financial Reporting	LTX – Marzan STX - Uluinaceva	July 3 - 12
	Revenue	Review implementation of reforms Review Compliance Improvement Strategy	LTX – Shrosbree	July 10-19

Meetings, Seminars, and Training

May – July 2017

TA Sector	Description	Location	Advisor	Mission Days	No. of Pax	RBM Codes	Month
Financial Sector Supervision	Financial Sector Regulatory Reform for Northern Pacific (FSM, Palau, RMI) plus Kiribati	Guam	LTX-Stefanou STX – Hefty LEG—Anvari	5	10	1.1 1.2	July-17
Revenue	Auditing Financial Statements	Nadi, Fiji	STX- Teed LTX-Shrosbree	5	25	2.5	July-17

TA Reports Transmitted to Country Authorities

May – July 2017

TA Sector	Country	Title of Report	Author	Mission Month	Transmittal Letter Date
Public Financial Management (PFM)	Fiji	Strengthening Internal Audit	Morrison	May-17	07-July-17
	Fiji	Strengthening Fiscal Oversight of Public Enterprises and Statutory Authorities	Marzan	May-17	06-June-17
	Fiji	Development of Government Accounting and Non-Financial Assets	Marzan	May-17	10-May-17
	Fiji	Improving the Government Financial Instructions	Mayes	Dec-16	29-May-17
Revenue	Solomon Is.	Strengthening Arrears and Return Compliance	Dean	April-17	08-June-17
	Fiji	Strengthening Taxpayer Services	Scott	April-17	08-June-17
	Kiribati	Strengthen VAT Audit	Leano	April-17	08-June-17
	Samoa	Strengthen the Audit Function	Teed	April-17	08-June-17
	FSM	Review Tax Reform	Shrosbree	April-17	08-June-17
Financial Sector Supervision (FSS)	Cook Islands	Supervision Framework Enhancement – Update of Prudential Standards	Stefanou & Algier	Jul-17	Not Finalized
	Kiribati	Credit Union Supervision	Henderson	Jul-17	Not Finalized
	Papua New Guinea	Supervision Framework Enhancement Program	Stefanou & Jackson	Jun-17	Not Finalized
	RMI	On-Site Supervision	Hefty	Feb-17	20 Jul-17
	Samoa	Prudential Standards	Stefanou & Algier	Feb-17	20-Jul-17
	Vanuatu	Supervision Framework Enhancement Program	Stefanou & Jackson	May-17	Not Finalized

TA Sector	Country	Title of Report	Author	Mission Month	Transmittal Letter Date
Statistics	Timor-Leste	Government Finance Statistics	De la Beer	Feb-17	11-May-17
	Tuvalu	National Accounts Statistics	Wild	Feb-17	11-May-17
	Tokelau	National Accounts Statistics	Hughes	Feb-17	17-May-17
	Cook Islands	Government Financial Statistics Mission Repot	De la Beer	Jul-17	Not Finalized
	Fiji	National Accounts Statistics	Wild	April-17	13-June-17
	Samoa	National Accounts Statistics Mission Report	Wild	Jun-17	Not Finalized
	Tonga	Government Financial Statistics Mission Repot	De la Beer	Jun-17	Not Finalized
