



# RESERVE BANK OF

## PRESS RELEASE

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**Press Release No: 05/2015**

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**Date: June 4<sup>th</sup>, 2015**

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The Reserve Bank of Vanuatu (RBV) recently hosted an eight day workshop on “Practical Applications of the Financial Programming Framework”, in collaboration with the International Monetary Fund’s Pacific Financial Technical Assistance Centre (PFTAC) at the RBV Building from May 22<sup>nd</sup> to June 2<sup>nd</sup> 2015. Ms. Iris Claus, PFTAC Macroeconomic Advisor, facilitated the workshop, and was attended by 20 economists and economic statisticians from the RBV, the Department of Finance and Treasury, and the Vanuatu National Statistics Office.

During the workshop, participants from the three institutions collaborated to develop a financial programming (FP) framework for Vanuatu. The FP framework is a modelling tool designed for the Vanuatu economy, based specifically on Vanuatu’s key economic data and its typical processes for forecasting and monitoring. The framework captures the main linkages of the economy and produces medium term macroeconomic forecasts. It also allows users to create scenarios to assess the impact of changes in the economy, and it can be used to analyze the effects of policy proposals.

In practical applications of the framework workshop participants considered two policy scenarios. The first scenario analyzed the effects of increasing the value added tax (VAT) rate, and the second scenario assessed the impact of introducing an income tax. The income tax was designed to improve the efficiency and fairness of the tax system with the burden of the tax falling on those who can most afford to pay the tax— companies, and middle and higher income earners. The analysis showed that an income tax would provide an important source of funding for public services. Used wisely, that funding could improve economic growth and enhance the well-being of the people of Vanuatu.

At the closing of the workshop, Governor of the Reserve Bank, Simeon Athy, presented participants with certificates and encouraged participants “...for more dependency on such analytical frameworks to help in formulating better national policies and plans...”. On the part of PFTAC, Ms. Claus complimented “the high level of cooperation between public sector agencies” and noted that “Vanuatu sets a positive example for how public policy may best be coordinated in other countries within the Pacific region”.

The FP framework is an important tool that will be maintained and used for empirically based policy advice and analysis in Vanuatu.

Simeon Malachi ATHY

Governor