

PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTRE

Supporting Macro-Financial Stability and
Sustainable and Inclusive Growth in the Pacific



ANNUAL REPORT 2022



PFTAC is an IMF initiative supported by the following member countries and development partners:



Cook Islands



Fiji



Kiribati



Marshall Islands



FSM



Nauru



Niue



Palau



PNG



Samoa



Solomon Islands



Timor-Leste



Tokelau



Tonga



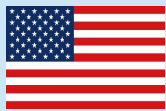
Tuvalu



Vanuatu



EUROPEAN UNION



Australian Government
Department of Foreign Affairs and Trade



NEW ZEALAND
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A MESSAGE FROM THE PFTAC STEERING COMMITTEE CHAIRMAN



Governor, Reserve Bank of Fiji since 2017
PFTAC Chairman 2022

For a second consecutive year, Fiji and the Pacific region has experienced difficult times, dealing with COVID-19 outbreaks and significant declines in economic activity. The crucial Fijian tourism remained shuttered until December 2021 when a carefully developed and administered reopening program was launched. By early 2022 we noted a very encouraging uptick in tourism arrivals and the important economic activity that the sector generates. Other Pacific nations face different challenges and timelines to a return to normality, while new storm clouds are on the horizon from international events that inevitably spillover to the small open economies of the Pacific.

Without interruption, PFTAC has maintained its important Capacity Development support across the Pacific. While the volume of activity is slightly down, there were large budget savings without travel. Meanwhile, the PFTAC programs and advisors effectively helped member countries respond to the crisis and prepare for better days, recognizing there is much work ahead. All engagement continued virtually and that has

remained relatively effective. However, there is strong pent-up demand to reengage in-person by resuming mission travel to member countries and returning to in-person training that is crucial for regional networking and peer learning. Some shifts arose across countries in their share of PFTAC support, with several of the usually largest beneficiaries experiencing modest declines given their refocus on the pandemic and other priorities. Several historically moderate users of PFTAC support received big boosts in response to their reform needs. The PFTAC team has developed a very ambitious program for the coming year that is predicated on a gradual resumption of travel for all parties over the balance of 2022.

Looking to the future, the need for PFTAC is as great as ever as countries seek to accelerate inclusive growth and recover from recent events. This will be the last year of Phase V with the work complete to prioritize and define the future. We look for the continued generosity of current and prospective donors in their financial support in Phase VI, along with the ongoing pledges of member countries. At the May 2022 Steering Committee meeting being attended by IMF Deputy Managing Bo Li, a hosting agreement will be signed that formalizes more than 28 years of PFTAC support by the Government of Fiji. Finally, the PFTAC community extends its best wishes to the PFTAC Director David Kloeden at the end of his five-year assignment in the Pacific and we look forward to continuing strong support from his successor.

FOREWORD FROM THE PFTAC DIRECTOR



David Kloeden

It is my pleasure to present the PFTAC annual report for 2022, my fifth and final report as my term as PFTAC Director ends after the May 2022 Steering Committee meeting. It has been another year of challenges for the region, with only a few countries remaining COVID-19 free, while others were hit hard by outbreaks, mitigated for some by strong vaccination rates. The economic impact has been hard, with tourism-based countries particularly suffering, but green shoots emerging for some as borders gradually reopen and tourism and activity starts to rebound. Meanwhile, a return to growth is threatened by international developments given war in Europe that is exacerbating existing supply-chain disruptions, energy and food supplies, and rising inflation and interest rates.

COVID-19 restrictions remained in effect for a second consecutive year, necessitating the continuation of remote delivery of the Capacity Delivery (CD) programs as well as the need to work from home (WFH) until early 2022 when a gradual return to the PFTAC office resumed. All of the PFTAC

advisors were physically based in Fiji by the end of the year. Three staff changes occurred, with the departure of the Government Finance Statistics (GFS) advisor with the discontinuation of the position in August 2021; appointment of a second Revenue advisor in October 2021; and replacement of the Real Sector Statistics (RSS) advisor at the end of his 3 ½ year assignment in April 2022.

Delivering remote CD has become progressively more challenging as the pandemic has endured. The average mission length rose from 13 to 17 ½ days, often taking several months instead of weeks. Some country authorities have requested deferral of agreed missions until travel resumes. Workplans were reduced at midyear with travel not resuming as expected, with 70 percent of planned missions delivered using 79 percent of expected inputs. Only about 49 percent of budgeted funds were used with no travel or in-person training possible.

Despite the challenges, PFTAC supported important reforms in the region with timely and impactful CD, including Palau tax reforms approaching implementation; first time support to Timor-Leste in the Revenue and Macro programs; a Public Expenditure and Financial Accountability (PEFA) assessment in Nauru including a review of gender responsive PFM; the successful launch of the Debt Management program with a regional training event and initial missions to four countries; stepped-up post-COVID support through the Macro program; and vital work on Macroeconomic Statistics.

Budget savings financed a one year extension of Phase V to April 2023. Great effort and consultation went into designing the programs and priority areas for Phase VI. This was laid out in a Program Document that was circulated in draft form in March, with feedback reflected in a final version published in April 2022. PFTAC is envisaged to expand from 7 to 10 resident advisors with a new PFM advisor focused on climate change, a new Macroeconomic Frameworks program and advisor, and reinstatement of the GFS advisor. A \$US 40 million fund-raising envelope targets 90 percent from donors and the balance from member countries, plus an additional \$US 3.5 million from the IMF.

After more than 5 years at PFTAC, I depart with very fond memories and experiences of the Pacific and its people. After 30 years at the IMF managing and delivering CD across the world, I transition to a new phase of life in Tasmania, and wish my successor every success and as an enjoyable experience as mine.

LIST OF ACRONYMS AND ABBREVIATIONS

ABS	Australian Bureau of Statistics	GDP	Gross Domestic Product
ADB	Asian Development Bank	GDP	Gross Domestic Product
AEOI	Automatic Exchange of Information	GDP (E)	GDP by Expenditure
AFSPC	Association of Financial Supervisors of Pacific Islands Countries	GDP (P)	GDP by Production
AML	Anti-money laundering	GFS	Government Financial Statistics
ANA	Annual National Accounts	GFSM	Government Finance Statistics Manual
APD	IMF Asia and Pacific Department	GG	General Government
ASYCUDA	Automated System for Customs Data	GST	Goods and Service Tax
ATO	Australian Taxation Office	HIES	Household Income and Expenditure Survey
BCG	Budgetary Central Government	ICD	IMF Institute for Capacity Development
BCP	Business Continuity Plan	ICT	Information and Communication Technology
BEPS	Base Erosion and Profit Shifting	IIP	International Investment Position
BOP	Balance of Payment	IMF	International Monetary Fund
BPT	Business Profit Tax	IOT	Input-Output Tables
BRT	Palau Bureau of Revenue and Taxation	IPSAS	International Public-Sector Accounting Standards
CARTAC	Caribbean Regional Technical Assistance Centre	ISORA	International Survey on Revenue Administrations
CBSI	Central Bank of the Solomon Islands	ITAS	Integrated Tax Administration System
CCPA	Climate Change Policy Assessment	KYC	Know Your Customer
CD	Capacity Development	LEG	IMF Legal Department
CDMAP	Capacity Development Management and Administration System	LICs	Low Income Countries
CFT	Combating the Financing of Terrorism	LOU	Letter of Understanding
CIS	Compliance Improvement Strategy	LTX	Long-term expert or resident advisor
COA	Chart of Accounts	MCM	IMF Monetary and Capital Markets Department
D4D	Data for Decisions	MFAT	New Zealand Ministry of Foreign Affairs and Trade
DFAT	Australian Department of Foreign Affairs and Trade	MOU	Memorandum of Understanding
DM	Debt Management	MTDS	Medium Term Debt Management Strategy
DMS	Debt Management Strategy	MTE	Mid-Term Evaluation
EU	European Union	MTRS	Medium Term Revenue Strategy
FAD	IMF Fiscal Affairs Department	NSO	National Statistical Office
FBOS	Fiji Bureau of Statistics	NTIS	New Tax Information System
FCO	UK Foreign and Commonwealth Office	NTR	Non-Tax Revenue
FCS	Fragile and Conflicted Affected States	OCO	Oceania Customs Organization
FEMM	Forum Economic Ministers Meeting	OECD	Organization for Economic Co-operation and Development
FMIS	Financial Management Information System	PACER	Pacific Agreement on Closer Economic Relations
FPAS	Forecasting and Policy Analysis System	PASAI	Pacific Association of Supreme Audit Institutions
FRCS	Fiji Revenue and Customs Service	PD	Program Document
FSM	Federated States of Micronesia	PEFA	Public Expenditure and Financial Accountability
FSS	Financial Sector Supervision	PFM	Public Financial Management
FTE	Full Time Equivalent	PFMA	Public Financial Management Act
FY	Financial year	PFTAC	Pacific Financial Technical Assistance Centre
		PGST	Palau Goods and Service Tax

PICs	Pacific Island Countries	SOP	Standard Operating Procedure
PIFS	Pacific Islands Forum Secretariat	SPC	Secretariat of the Pacific Community
PIMA	Public Investment Management Assessment	STA	IMF Statistics Department
PITAA	Pacific Islands Tax Administrators Association	STI	Singapore Regional Training Institute
PNG	Papua New Guinea	STX	Short-term Experts
POS	Point of Sale	SUT	Supply and Use Table
PSDS	Public Sector Debt Statistics	TA	Technical Assistance
QNA	Quarterly National Accounts	TAA	Tax Administration Act
RAP	Resource Allocation Plan	TADAT	Tax Administration Diagnostic Assessment Tool
RBA	Reserve Bank of Australia	TIMS	Tax Invoice Monitoring System
RBM	Results-Based Management	TLTA	Timor-Leste Tax Authority
RBNZ	Reserve Bank of New Zealand	TSA	Treasury Single Account
RBS	Risk Based Supervision	TWG	Technical Working Group
RCDC	Regional Capacity Development Centre	UN	United Nations
RMD	Cook Islands Revenue Management Division	UNDP	United Nations Development Program
RMI	Republic of the Marshall Islands	UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
RMTF	Revenue Mobilization Trust Fund	USP	University of the South Pacific
RSN	Regional Strategy Note	VAT	Value Added Tax
RSS	Real Sector Statistics	VITARA	Virtual Training to Advance Revenue Administration
SC	PFTAC Steering Committee	VMS	VAT Monitoring System
SCFMC	Small Countries Financial Management Center	WFH	Work from Home
SFEP	Supervision Framework Enhancement Program		
SOE	State-Owned Enterprise		

1

A Message from the PFTAC Steering
Committee Chairman

2

Foreword from the PFTAC Director

3

List of Acronyms and Abbreviations

5

Table of Contents

9

SECTION I Overview

- 11 **A** Overview of the Pacific
Financial Technical
Assistance Centre
(PFTAC)
- 19 **B** PFTAC Programs and
Areas of Operation
- 21 **C** PFTAC Member
Countries and
Partners

22

SECTION II Results

(May 2021 – April 2022)

- 24 **A** Summary and Overview
- 39 **B** Revenue Administration
- 47 **C** Public Financial
Management
- 52 **D** Macroeconomic
Programming and
Analysis
- 56 **E** Macroeconomic Statistics
- 60 **F** Financial Sector
Supervision
- 64 **G** Public Debt
Management

67

SECTION III

Work Program

(May 2022 – April 2023)

- 68 **A** Summary and Overview
- 77 **B** Revenue Administration
- 86 **C** Public Financial Management
- 90 **D** Macroeconomic Programming and Analysis
- 93 **E** Macroeconomic Statistics
- 100 **F** Financial Sector Supervision
- 105 **G** Public Debt Management
- 108 **H** Macroeconomic Frameworks

111

SECTION IV

PFTAC Staff

115

Annex

- 116 **Annex 1.** Macroeconomic Developments of PFTAC Member Countries

CHARTS

- 17 **Chart 1.** 504 Scored Milestones due by April 2022 by Program
- 24 **Chart 2.** PFTAC Achievement of 504 Milestones, FY2022
- 26 **Chart 3.** Implementation Progress of PFTAC's Logical Framework at April 30, 2022
- 29 **Chart 4.** FY2022 Total Technical Assistance Days by Country (1,929 days)
- 32 **Chart 5.** FY2022 Total 1,929 TA Days by Program
- 32 **Chart 6.** FY2022 Expert Days Delivering and Backstopping TA
- 36 **Chart 7.** FY2022 Final Program Outturn – Percent of Budget Expended
- 72 **Chart 8.** Distribution of FY2023 Mission Days (3,962 Days) by Program
- 73 **Chart 9.** FY2023: 228 Planned Missions/Activities
- 73 **Chart 10.** FY2023: 3,962 Planned TA Field Days
- 74 **Chart 11.** FY2023 Workplan (3,962 Days) vs FY2022 Outturn (1,929 Days)

BOXES

27	Box 1. Main Results of PFTAC Technical Assistance Centre (May 2021 to April 2022)	45	Box 5. Palau Tax Reform	Program Collaboration with Singapore Training Institute (STI)	
41	Box 2. Regional Initiative to Improve Taxpayer Services and Communication	46	Box 6. Webinar on Taxpayer Register and Data Cleansing	58	Box 11. GDP by Expenditure
42	Box 3. Revenue Administration Leadership Series	49	Box 7. Nauru PEFA Assessment	63	Box 12. High Level Webinar on Addressing Climate Risks in Prudential Standards and Regulation
44	Box 4. Cook Islands – Deterring Tax Evasion and Encouraging Tax Compliance	50	Box 8. Nauru PEFA and Gender Responsive Assessment - Attachment	66	Box 13. Remote Workshop on Fundamentals of Debt Reporting and Monitoring
		51	Box 9. Cook Islands PFM Roadmap	95	Box 14. GDP by Expenditure
		55	Box 10. PFTAC Macroeconomic		

TABLES

30	Table 1. Average Mission Duration	By Program	Dollars)
31	Table 2. PFTAC TA Delivery by STX/ LTX Days: FY17, FY18, FY19, FY20, FY21, FY22, FY23 (Plan)	37 Table 9. PFTAC FY2022 Final Outturn (Percent) By Program	80 Table 17. FY2023 Work Program: Revenue Administration
31	Table 3. PFTAC TA Delivery by Total TA Days and Missions: FY17, FY18, FY19, FY20, FY21, FY22, FY23 (Plan)	37 Table 10. Proposed FY2023 Budget (US Dollars Million)	87 Table 18. FY2023 Work Program: Public Financial Management
33	Table 4. Execution of Work Program During Fiscal Year 2022 (In Person Days)	38 Table 11. Status of Financial Contributions for Phase V (as of April 30, 2022)	91 Table 19. FY2023 Work Program: Macroeconomic Programming and Analysis
34	Table 5. Implementation of the Fiscal Year 2022 Work Program (In Number of Activities)	62 Table 12. Prudential Standards – Alignment with Basel Framework	96 Table 20. FY2023 Work Program: Macroeconomic Statistics (Government Finance Statistics)
35	Table 6. FY2022 Workshops/ Seminars	62 Table 13. Risk Management Standards – Alignment with Basel Core Principles and Basel III Guidance	98 Table 21. FY2023 Work Program: Macroeconomic Statistics (Real Sector Statistics)
36	Table 7. PFTAC FY2022 Budget (US Dollars) By Program	70 Table 14. FY2023 Planned Workshops/ Seminars	101 Table 22. FY2023 Work Program: Financial Sector Supervision
36	Table 8. PFTAC FY2022 Final Outturn (US Dollars)	74 Table 15. Budget Execution vs. Phase V Program Document and FY2023 Budget (US Dollars Millions)	106 Table 23. FY2023 Work Program: Public Debt Management
		75 Table 16. Proposed FY2023 Budget by Program (US	

SECTION I

OVERVIEW



PFTAC Donors and Partners

OVERVIEW OF THE PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTRE

INSTITUTIONAL FRAMEWORK

The Pacific Financial Technical Assistance Center (PFTAC) was established in 1993 as the IMF's first Regional Technical Assistance (TA) Center. It is now part of a network of 17 IMF Regional training and TA centers globally known as Regional Capacity Development Centers (RCDC). The aim of PFTAC is to strengthen the institutional capacity of Pacific countries to design and implement sound macroeconomic and financial policies to support macroeconomic and financial stability—essential underpinnings for sustainable and inclusive growth, and achievement of the Sustainable Development Goals.

PFTAC delivers TA and training known as Capacity Development (CD) to 16 member countries in the Pacific. PFTAC member countries comprise the Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tokelau, Tonga, Tuvalu, and Vanuatu.

The IMF finances CD delivery in the region from its own resources and through contributions from New Zealand, Australia, the European Union (EU), Korea, Canada, the Asian Development Bank (ADB), and most recently, the United States when it

became the seventh PFTAC donor in late December 2020. Donor contributions for the fifth phase of PFTAC operations total US\$ 34.7 million, and commencing in Phase V, member countries began financially contributing with an aim to cover 10 percent of PFTAC overheads with contributions totaling US\$ 3.1 million so far. Furthermore, on occasion, member countries also contribute through in-kind support for training activities in the region, and development partners also contribute through co-funding of workshops. The IMF contribution finances the center director, most local support employees, and certain office overheads.

GOVERNANCE

A Steering Committee (SC) comprising the 16 member countries, the seven donors, and the IMF provides governance and oversight of PFTAC operations, with each member having an equal voice. The PFTAC director acts as the SC secretary, with the chair usually a senior representative of the country hosting the SC meeting that normally rotates annually. Member countries volunteer to host and chair meetings, with the last in-person meeting convened in Port Moresby, Papua New Guinea in March 2019. With the 2020 meeting planned for Niue canceled due to COVID, all meetings since 2019 have been held

virtually and chaired by Fiji given the extenuating circumstances. Before the pandemic, SC meetings were convened annually, but with the ease of convening virtually, since April 2020, at least one additional mid-year meeting has also been held to maintain stakeholder engagement and more regularly consider important issues for endorsement, as well as to offset the shorter duration necessitated by meeting online. A timing change was introduced in 2021 for all IMF centers due to wide ranging CD management reforms, with SC meetings shifting to a month or so after the start of the new fiscal year, in the case of PFTAC, to late June 2021, and late May in 2022, instead of traditionally in late March.

PFTAC like all IMF centers is subject to an independent external evaluation at the mid-point of the operating phase. The Phase V mid-term evaluation (MTE) of PFTAC was launched in late 2019 to review the first 30 months of Phase V operations between November 2016 and April 2019. The evaluation fact-finding and field visits could not proceed because of COVID travel restrictions, causing delays to the evaluation and necessitating all information gathering, surveying, and stakeholder interviews to be conducted virtually. A report was eventually finalized and presented by the evaluators at the June 2021 SC meeting, followed by tabling of a

proposed action plan prepared by the IMF at the December 2021 midyear SC meeting in response to the evaluation recommendations. The plan covers a range of actions to improve PFTAC operational effectiveness, as well as proposals to strengthen SC governance that were discussed at the July and December 2021 SC meetings and will be further considered at the May 2022 SC meeting for implementation of those measures that attain endorsement by consensus. Examples of measures being considered include simple documented guidelines for SC governance, a defined tenure for the chair and clear process of succession, creation of a vice-chair, and consideration of a quorum as well as constituencies.

PFTAC operates in the context of funding cycles, with the fifth phase that began in November 2016 originally due to conclude April 30, 2022. Very large COVID induced budget savings generated by the suspension of all travel and in-person training, plus earlier savings from delivery efficiencies led to a sizeable unspent balance of approximately US\$ 9.2 million by the end of FY2022. In anticipation of these savings, the December 2021 SC meeting endorsed a one-off extension to Phase V of a full year, namely from May 1, 2022, to April 30, 2023, corresponding to the IMF's 2023 fiscal year (FY2023). Further extensions even of a short-duration are precluded given the financing rules of some donors, and in at least one case, any unspent funds at the end of FY2023 needing to be refunded on the pro-rated ratio of the donor's contribution. Otherwise, the share of the unspent balance of other donors and hopefully all member countries can be carried forward to Phase VI.

Each phase is guided by a Program Document (PD) that sets out the objectives through a medium-term framework that defines the PFTAC programs and quantifies the resource requirements for fund-raising purposes, and is usually published 6 – 12 months ahead of the start of the phase. Once the phase is underway, proposed changes in the scope or



PFTAC Director David Kloeden with APD Pacific Islands Division Chief Todd Schneider, APD Economist Yinqiu Lu and Resident Representative Neil Saker

priorities can be considered by the SC for endorsement provided they are supported by the IMF and subject to budget constraints. Examples during Phase V included delaying the end of the resident GFS advisor position at the request of member countries, and agreement to recruit a second resident Revenue advisor in late 2021 to expand capacity to effectively manage the program that had grown significantly since FY2019 responding to unmet country demand, extra donor funding, and SC endorsement.

Efforts were launched in early 2021 to develop the priorities and resource requirements for the sixth phase of PFTAC operations that will begin May 1, 2023, and run for five years through April 30, 2028. A collaborative exercise was undertaken to gather stakeholder inputs on the existing and possible future PFTAC programs by convening five virtual working groups to solicit the views and future proposals by representatives of member countries, donors, development partners, and IMF staff. From this, an internal strategy note was developed by IMF staff to balance the needs of the region and the capacity and competencies of the IMF to oversee high quality CD delivery by PFTAC. In turn, this led to the drafting of the Phase VI Program Document with several internal and

external iterations before finalization and release in late April 2022.

From these efforts, and based on an assessment of Phase V, the size and economic characteristics of the membership, and challenges expected over the next five years, PFTAC will moderately scale up its CD activities, especially to fragile states, and will cover expanded areas, including government finance statistics (GFS)/public sector debt statistics (PSDS) program, a new third Public Financial Management (PFM) long-term expert (LTX) focused on climate change issues, and a new program and LTX for Macroeconomic Frameworks backstopped by the IMF's Institute for Capacity Development (ICD). Phase VI will assist governments to address the implications of COVID-19, promote inclusive economic and social development, including through improved opportunities for women, and support the implementation of climate policies. The strategy calls for an increase in resources from 7 long-term experts at the end of Phase V to 10 long-term experts, and a budget of US\$ 43.5 million in Phase VI, approximately on par with Phase V costs, but for a period of 60 months versus 78 months in Phase V (23 percent more CD activity than a 60

month period in Phase V).

CAPACITY DEVELOPMENT (CD) STRATEGY

PFTAC remains the IMF's primary provider of CD in the Pacific. Regional delivery of CD, backstopped by the IMF's CD Departments, allows speedy and tailored CD provision, facilitates coordination and cooperation with key donors and development partners, lowers CD delivery costs, and contributes to building regional support networks. Beyond the priorities and strategies documented in the Phase V PD, as well as the recently published PD for Phase VI, PFTAC is also guided by the IMF's Asia Pacific Department (APD) Regional Strategy Note (RSN) for CD, recently updated with a medium-term perspective over the next three years (FY2023 through FY2025).

Priorities for the region are heavily influenced by the response to COVID with an expected resurgence in demand for CD as borders reopen and travel resumes facilitating on-the-ground reengagement across the PFTAC membership and a return to in-person training and peer-learning events. Fallout from the COVID-19 pandemic continued to affect many Pacific Island Countries (PICs) in the last year. While global growth rebounded in 2021, real GDP in the

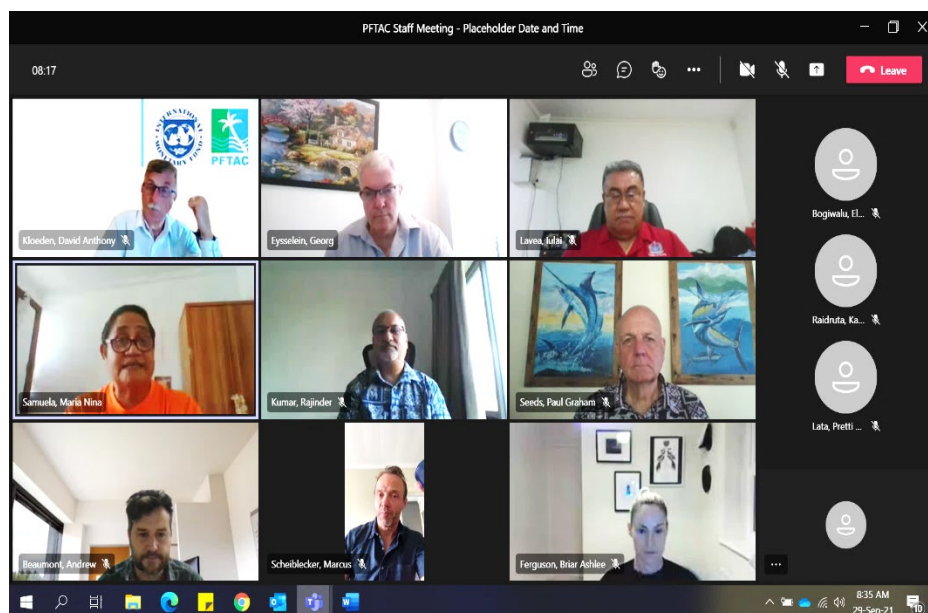
Pacific declined by an average 2.0 percent, on top of an average contraction of 3.5 percent in 2020. Growth performance among the PICs was heterogeneous—largely as a function of key sectors (such as tourism and commodity exports), the presence of local COVID outbreaks and associated lockdowns, and the size and efficacy of policy support. Rising global commodity prices have put upward pressure on inflation throughout the region. Average inflation rose to 1.9 percent in 2021 from 1.0 in 2020 as economic activity began to pick up together with a rise in global food and fuel prices and supply chain disruptions adding to price pressures. Inflation pressures are expected to be further exacerbated by the conflict in Ukraine given PIC's heavy reliance on food and fuel imports. The effects of the pandemic on fiscal and debt positions have varied. The unweighted average fiscal balance among the PICs deteriorated from a surplus of 2.4 percent of GDP in 2020, to a deficit of 0.2 percent in 2021 and is projected to widen to a 3.3 percent deficit of GDP in 2022. This shift stemmed mainly from lower growth and weaker tax collection together with continued high spending needs to mitigate adverse effects of the pandemic. Fiscal positions in most PICs will likely remain weaker than pre-pandemic levels for some time. The pandemic saw an increase in

average debt among the Pacific Islands, but the impact has been uneven. Tourism-dependent economies have been the hardest hit in terms of both growth and the impact on public finances. Debt will be an important area of focus in the Pacific for coming years. The PICs—like small states as a group—consistently have lower real GDP growth than most other country groups, which is a consistent drag on debt dynamics. Debt management capacity is also generally underdeveloped, and fiscal buffers are at all-time lows in some PICs—a concern given high exposure to external shocks, that highlights the need for continued focus on building debt management capacity and rebuilding fiscal buffers.

Given this outlook, fiscal issues over the medium term include revenue mobilization possibly in the context of Medium Term Revenue Strategies (MTRS), PFM priorities around heightened fiscal risks, and for the Pacific, resilience and public investment management in the context of climate change. Rising debt levels call for more emphasis on debt-related CD including on debt statistics, debt dynamics, and debt management. Countries are aiming to modernize their debt and contingent liabilities management legal frameworks to meet the challenges arising from the crisis. The importance of high quality and better coverage of fiscal and financial data to support fiscal and PFM is critical. The COVID crisis and other shocks have increased the importance of CD on macroeconomic frameworks to enable governments to evaluate the full implications of their policy choices that requires a well-developed (and flexible) macroeconomic framework, appropriate near-term forecasting and projection tools, as well as improved institutional frameworks of central banks and ministries of finance.

PFTAC PROGRAMS

PFTAC is managed by a Director who is an IMF staff member reporting directly to APD. CD is provided by a team of resident advisors with substantial expertise in their respective sectors. The PFTAC office that was



PFTAC Resident Advisors

refurbished and modernized before COVID is located on the seventh floor of the Reserve Bank of Fiji building in Suva and shared with staff of the regional IMF Resident Representative office. While PFTAC has been hosted by the Government of Fiji since establishment in 1993, a Memorandum of Understanding (MOU) to formalize this long-standing arrangement is due to be signed at the May 24, 2022, SC meeting. This arrangement is facilitated by the Government of Fiji formally recognizing the IMF as a specialized agency of the United Nations taking effect in November 2021.

Before COVID, the advisors were based in Fiji and travelled extensively throughout the region, but for the entirety of FY2022 and for the second consecutive year, CD was delivered remotely without any business travel whatsoever. With the exception of the Debt Management advisor whose arrival into Fiji was delayed until January 2022, the team was located in Fiji. Although staff had returned to the office in early 2021, a severe COVID outbreak and lockdown in Fiji from the start of FY2022 necessitated a reversion to work from home (WFH) arrangements for the remainder of 2021. As conditions eased from early 2022, staff gradually returned to the office a few days a week, and by May 2022, staff are permitted to attend the office full-time if they wish, or to maintain a hybrid work schedule with WFH up to three days per week. This emulates arrangements at IMF headquarters and will further evolve as the lessons from a hybrid work model crystalize.

The strong networks and relationships that the advisors and their predecessors forged over many years have served both PFTAC and the IMF very well over the extended period without travel and face-to-face engagement. This facilitated the switch to virtual CD delivery that has been very effective in many instances, but has faced challenges in other circumstances that have grown as the period prolongs. These relationships have been further leveraged in the integration of the IMF's surveillance

function with the CD delivery of PFTAC. Despite the strength of these relationships, they have faced their own strains given changes in key staff appointments in member countries as well as in the PFTAC team. Accordingly, they need to be refreshed and rebuilt. While a range of virtual activities have continued along these lines during the no-travel period (such as Revenue leadership workshops), a return to travel is long awaited to deliver an ambitious work program in FY2023 and to reestablish these vital relationships to ensure PFTAC is always responding to the real needs of the member country institutions.

Before COVID, the resident advisors on average would spend about half of their time each year on missions to member countries and the balance of their time at the PFTAC office, maintaining an active dialogue with their counterparts following up on previous CD or preparing for upcoming missions or activities. Although all FY2022 work was virtual, the distinction and accounting for field (albeit remotely delivered) and back-office activities has been retained. The resident advisors also manage the short-term experts (STX) employed to assist with delivery of the CD programs. The skills mix of the advisors reflects the priority needs of the member countries. The Director and advisors are assisted in delivering the CD program, finances, reporting, travel arrangements, workshop and conference logistics and other Center activities by four locally engaged staff and an economic analyst.

While the PFTAC programs remained stable in FY2022, two key resource changes occurred. The position of GFS advisor ended in August 2021 without a replacement after two previous extensions. A scaled-down program continued through several STX missions. Plans for Phase VI include the reinstatement of the GFS advisor position with expanded PSDS responsibilities. Offsetting the reduction from 7 to 6 LTX in August 2021, a second resident Revenue advisor was appointed in October 2021, working remotely from New Zealand initially before arriving in Fiji in

January 2022. Otherwise, the Debt Management (DM) program that was launched in March 2021 had its first full year of operations. This program is co-located and closely integrated with PFTAC operations but financed separately by the government of Japan with separate governance and reporting obligations. The DM program has a US\$ 3 million budget separate from PFTAC over three years (through end-FY2024), but otherwise resembles other PFTAC programs in terms of a resident advisor who was recruited in March 2021 and is supplemented by STX in delivering a medium-term work program of demand-driven DM projects for member countries as well as regional workshops and training events. In FY2022 the new program delivered an inaugural training event and delivered missions to Cook Islands, Palau, Papua New Guinea, and Tonga. It is already demonstrating synergies and is working closely with other PFTAC programs, particularly the PFM and Macro programs, as well as development partners active in the DM space such as the ADB and World Bank.

Otherwise throughout FY2022, seven resident PFTAC advisors continued to deliver and manage five CD programs, almost entirely remotely given COVID restrictions. These programs comprise: (1) PFM with two resident advisors, both newly appointed in FY2021; (2) Revenue administration with one long-serving advisor and a second appointed in October 2021; (3) Financial Sector Supervision (FSS) with one advisor appointed in FY2021; (4) the Macroeconomic Statistics program with a resident Real Sector Statistic (RSS) advisor who was replaced after 3 ½ years in April 2022, and a GFS program and advisor whose appointment ended in August 2021 without replacement; and (5) Macroeconomic Analysis with a single advisor. PFM and Revenue advisors are backstopped by the Fiscal Affairs Department (FAD), FSS and DM advisors by the Monetary and Capital Markets (MCM) Department, Macro by APD, and the Statistics Department for RSS and GFS. The assignment of only one of the seven advisors ended during FY2022 with a successor

recruited, on-boarded, and benefiting from an overlap in Fiji and handover period in April 2022.

The annual work program is agreed at the beginning of the fiscal year (FY) as part of the integrated IMF Resource Allocation Plan (RAP), but changes eventuate during the year to accommodate emerging CD requests following agreement between APD and relevant CD Departments. The PFTAC RAP is prepared under the leadership of APD, in close collaboration with PFTAC staff and the functional CD departments supporting the delivery of TA and training in the region. From FY2022, the IMF shifted away from the concept of an annual RAP to a Medium Term Workplan of projects targeting objectives and outcomes, and a deemphasis on outputs such as missions. The FY2022 work program was developed with an optimistic expectation that the COVID situation would ease and allow for a resumption of travel by mid-year (around October/November 2021). While some early signs of reopening emerged in Fiji from December 2021, restrictions mostly remained in place for all of FY2022 that necessitated virtual delivery of the entire workplan versus a mixed arrangement with in-person delivery in the second half of the year. Given these realities, the FY2022 workplan was substantially revised and scaled-back at mid-year, leading to delivery of 70 percent of the planned missions/activities but using 80 percent of the planned days of TA delivery, reflecting the increasing difficulty and time needed to effectively deliver virtual missions.

The emphasis on fiscal issues remained strong in FY2022 given the importance in the region of ensuring sustainable public finances, particularly in the wake of COVID, with the two core PFM and Revenue programs accounting for nearly two thirds of PFTAC field activity (Revenue 52 percent and PFM 12 percent), up from around half over many years. This growth is primarily the result of a substantial scaling-up of the Revenue program with additional funding provided by Australia since FY2019, with delivery remaining elevated

throughout FY2022, even delivered remotely. The Macro program grew substantially as a share of all PFTAC activity up from 7 percent in FY2021 to 13 percent in FY2022. The Statistics programs accounted for 12 percent of field resources in FY2022, closely followed by FSS at 11 percent.

PARTNER COLLABORATION

A beneficial feature of the PFTAC model has been the close cooperation with development partners and national, regional, and international organizations. PFTAC is able to draw on the convening authority of the IMF, benefiting from a wealth of experience and institutional knowledge in collaborating with those entities that share common objectives to support the sustainable and inclusive development of member countries. Close PFTAC collaboration with regional partners is vital to leverage the impact of PFTAC. Our long and productive history of working closely together and jointly delivering training and even some TA with regional groups has continued, even in an online virtual world. This includes the Pacific Association of Supreme Audit Institutions (PASAI), extensive collaboration with the Pacific Islands Tax Administrators Association

(PITAA) on many tax topics along with the Oceania Customs Organization (OCO), the Association of Financial Supervisors of Pacific Island Countries (AFSPC), and educational institutions including the University of the South Pacific (USP) and Griffith University's South Pacific Center for Central Banking.

Working closely with development partners such as the ADB, the World Bank, the Organization for Economic Development and Cooperation (OECD), and regional organizations like the Secretariat of the Pacific Community (SPC), as well as United Nations (UN) agencies such as the UN Development Programme (UNDP) and the UN Economic and Social Commission for Asia and the Pacific (ESCAP), ensures that the comparative advantages and expertise of these organizations are melded with the economic and financial expertise of PFTAC to deliver well-rounded and comprehensive events for our respective, and mostly overlapping client bases. There are additionally national organizations providing assistance in the Pacific that PFTAC also works closely with, such as the Australian Bureau of Statistics (ABS) and New Zealand Statistics, the Australian Tax Office (ATO), and



PFTAC Director David Kloeden with Head of PITAA Koni Ravono

particularly during FY2022, the Reserve Banks of Australia (RBA) and New Zealand (RBNZ) on tackling the remittance challenges facing the region.

The importance of working together grows as more organizations expand their presence and contributions in areas of common interest. For example, the ADB is scaling-up its revenue mobilization efforts that necessitates close collaboration with the PFTAC Revenue program, with PITAA being the ideal entity for efforts to coalesce. Similarly, the ADB has recently launched programs to help strengthen macroeconomic statistical capacity in the Pacific that is particularly welcome, but will necessitate close collaboration with PFTAC and other partners in this space such as the ABS, SPC, the World Bank, and New Zealand Statistics.

CROSS CUTTING AND GROWTH ISSUES

PFTAC is alert and responsive to issues that do not necessarily fit exclusively under a single PFTAC program, but often cuts across two or more programs, including key issues such as climate change, inequality, gender, and increasingly greater support to fragile states¹.

Climate change has been increasingly elevated in recent years, particularly with respect to the PFTAC PFM program where it is becoming mainstreamed such as through the joint IMF/World Bank Climate Change Policy Assessments (CCPA) including in Tonga in early 2020; the very first PEFA Climate assessment for Samoa led by PFTAC in late 2020, that brought together a large group of partners for the assessment or peer review processes. A second PEFA climate assessment planned for FY2022 was unable to proceed, but Vanuatu will receive an assessment in

¹ By IMF definition, Federated States of Micronesia (FSM), Kiribati, Papua New Guinea, Republic of Marshall Islands (RMI), Solomon Islands, Timor-Leste, and Tuvalu are classified as Fragile and Conflict States (FCS).



PFTAC Phase VI Interdepartmental Working Group

FY2023. Increasing demand for PFM related climate change CD will be met through the planned recruitment in Phase VI of a third resident PFM advisor with expertise and focus on climate issues. All the PFTAC programs are expected to increasingly include coverage of climate change issues, for example, PFTAC organized with MCM a high-level webinar in FY2022 on addressing climate risk in prudential supervision and regulation of the financial sector.

PFM is however central to governments' response to climate change, and access to climate financing requires robust PFM systems, and PEFA assessments are crucial to demonstrate sound national systems. It is in that context that PFTAC co-chairs with the Pacific Islands Forum Secretariat (PIFS) the informal Technical Working Group (TWG) on PFM and Climate Change Finance. It operates with a strong mandate of the Forum Economic Ministers Meeting (FEMM), with membership comprising representatives from PIFS, PFTAC, the IMF Fiji resident representative, UNDP, the World Bank, ADB, the European Union (EU), the Australian Department of Foreign Affairs and Trade, (DFAT), the New Zealand Ministry of Foreign Affairs and Trade (MFAT), and the UK Foreign and Commonwealth Office (FCO). At the 2021 FEMM, Pacific Finance Ministers

proposed that the TWG transform from an informal grouping to a standing entity with an ongoing mandate. The TWG and those working on climate financing issues in the Pacific were extremely appreciative of the IMF departmental paper on *'Unlocking Access to Climate Finance in Pacific Island Countries'*² that was published and presented by the authors during FY2022 to the TWG.

Gender issues are similarly becoming mainstreamed within the context of the IMF and PFTAC mandates. Mainstreaming gender at the IMF starts with the recognition that many aspects of gender gaps are macro-critical and that economic and financial policies can exacerbate or narrow these gaps. Improving women's access to opportunities and decision-making roles goes hand-in-hand with higher economic growth, greater economic stability and resilience, and lower income inequality. Well-designed macroeconomic, structural, and financial policies can support efficient and inclusive outcomes and equitably benefit women, girls, and the society in general. Attention to gender has never been more urgent. The COVID-19 pandemic has exacerbated pre-

²

<https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2021/09/23/Unlocking-Access-to-Climate-Finance-for-Pacific-Islands-Countries-464709>

existing gaps, disproportionately affecting women's jobs, incomes, and security. In this context, integrating gender into the IMF's surveillance, programs, and CD, while remaining focused on its areas of expertise, would fill a critical gap in providing granular and tailored macroeconomic and financial policy advice to members. This will help members achieve stronger, more inclusive, resilient, and sustainable growth.

The ultimate vision is to bring a gender dimension to the Fund's core work—enabling IMF staff to leverage its unique ability to systematically assess the macroeconomic consequences of gender disparities and evaluate the gender-differentiated macroeconomic impact of shocks and policies, leveraging work done by other institutions. In accordance with the Fund's mandate, the goal is to support better economic outcomes through reduced gender gaps when these are assessed to be macro-critical. This vision is ambitious. Progress is expected to be gradual and measured, given limited resource availability and the need to build an adequate knowledge base and expertise among staff to engage meaningfully with members. Partnering with other international and regional institutions, particularly the World Bank Group and UN Women, will be important to enhance the IMF's efficiency and leverage its impact.

Gender responsive budgeting is a regular issue in the PFTAC program, including a PEFA Gender Responsive PFM assessment that was completed at the request of Nauru in FY2022. A regional Gender Responsive Budgeting workshop is planned for FY2023 to be delivered by FAD gender and fiscal experts.

The proportion of female training participants was 51.7 percent in FY2022, up from 45 percent in FY2021 across 12 regional events comprising virtual workshops, courses, and short webinars delivered by April 2022.

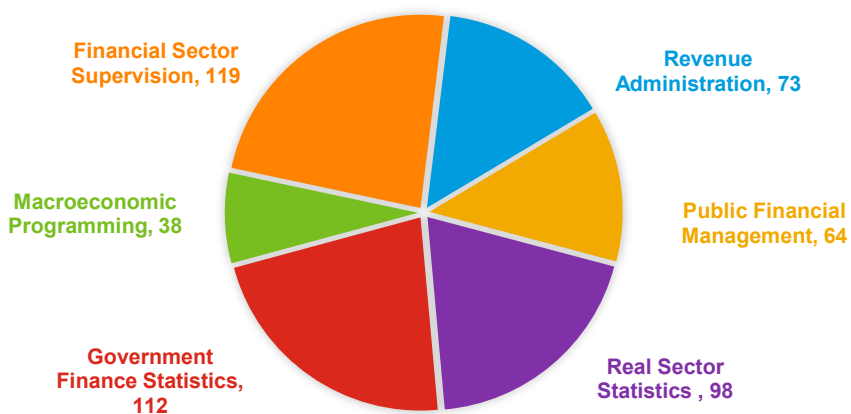
PFTAC outreach through social media and other traditional channels continues to highlight developments of IMF engagement and research on a range of gender issues of macro-criticality, including workplace participation, financial inclusion, gender-based budgeting, and gender issues for revenue administration that is increasingly being reflected in the policy discussions under the IMF's surveillance role.

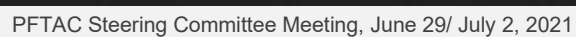
Another issue that has recently been elevated in importance for the IMF is support to Fragile and Conflict Affected States (FCS), that includes 7 of the 16 PFTAC member countries. Expanded efforts will be guided by the comprehensive FCS Strategy the IMF recently developed and that will include tailored and innovative approaches that are country specific, particularly reflecting the disparity in size and economic structure of Pacific fragile states. The FCS Strategy targets providing more intensive support by ensuring advice is tailored and well-integrated with other IMF engagement. Innovative approaches will expand upon traditional CD modalities, including possibly more frequent and longer peripatetic engagements, leveraging regional groupings and encouraging more 'south-south' collaboration, and working with partners to increase the transition from capacity supplementation that is currently unavoidable in certain sectors such as statistics, to a longer-term state of sustained institutional capacity that is built over time.

RESULTS BASED MANAGEMENT

Our Results Based Management (RBM) framework was developed to categorize all IMF provided CD according to a small number of high-level objectives that expands into a set of typically targeted outcomes per objective. Each TA department has developed its own catalogue to ensure consistency in developing, documenting, and importantly reporting CD activities. The PFTAC program draws on elements of catalogues developed by FAD (PFM, Revenue Administration, and Tax Policy), STA, and MCM, as well as a bespoke catalogue for the Macroeconomics program that is backstopped by APD. PFTAC works towards only a fraction of the CD areas covered by the entire IMF catalogue that covers more than 600 defined outcomes. During FY2022, the PFTAC programs were working towards 15 high-level objectives cited throughout this report, drilling down to 56 outcomes. (PFM works on 6 core objectives towards 13 outcomes; the Revenue program works on 2 core objective areas towards 10 outcomes; the FSS program works on 4 core objective areas towards 8 outcomes; the Real Sector Statistics program works on a single objective towards 13 outcomes; the GFS program works towards a single objective and 8 outcomes; and the Macroeconomics program also has a single objective towards 4 outcomes). We actively tracked and reported on the progress of 913 milestones in Phase V of which 504 were expected to be achieved during the period or earlier.

CHART 1: 504 MILESTONES DUE BY APRIL 2022 BY PROGRAMS





PFTAC PROGRAMS AND AREAS OF OPERATIONS

REVENUE ADMINISTRATION

In the area of revenue policy and administration, PFTAC supports member countries to strengthen the capacities of tax administrations, mobilizing tax revenue, improving taxpayer compliance, and promoting citizens' ownership of their role as taxpayers.

OBJECTIVES

- (1) Strengthened revenue administration management and governance arrangements
- (2) Strengthened core tax administration functions, including an accurate taxpayer base, quality taxpayer services supporting voluntary compliance, and improvements in filing, payment, and audit services
- (3) Improved legal frameworks

PUBLIC FINANCIAL MANAGEMENT

In this area, the Center supports the planning and prioritization of PFM reforms based on the PEFA framework and assessments; strengthening legal frameworks; strengthening budget preparation, budget transparency, execution; and strengthening budget monitoring, reporting and accountability.

OBJECTIVES

- (1) Improved PFM laws and effective institutions
- (2) Comprehensive, credible, and policy-based budget preparation
- (3) Improved budget execution and control supported by an efficient financial management information system (FMIS) and with responsive internal audit
- (4) Improved coverage and quality of fiscal reporting
- (5) Improved asset and liability management
- (6) Strengthened management of fiscal risks

BANKING REGULATION AND SUPERVISION

In this area, the Center helps the countries create resilience in their banking systems through sound regulation that helps promote financial stability and better access to finance.

OBJECTIVES

- (1) Strengthened financial sector surveillance through upgrading of regulatory framework in line with international standards
- (2) Make more efficient use of supervisory resources to better oversee key risks in the banking system
- (3) Ensure that banks have strong capital and liquidity positions that adequately cover their risks and contribute to financial system stability
- (4) Improved supervisory effectiveness through enhanced capacity in IFRS knowledge related to provisioning

GOVERNMENT FINANCE STATISTICS

In this area, the Center supports the member states in compiling and harmonizing government finance statistics to ensure they are both reliable and consistent with international standards.

OBJECTIVES

- (1) Strengthened compilation and dissemination of data on financial statistics for decision making
- (2) Enhanced transparency of financial statistics for decision making through strengthened dissemination via the Fund's Data Standard Initiative

REAL SECTOR STATISTICS

In this area, the Center supports the member states in compiling national accounts that are robust and compliant with international standards and in implementing effective economic policy tools.

OBJECTIVES

- (1) Strengthened compilation and dissemination of data for decision making

DEBT MANAGEMENT

The Center supports the member countries to strengthen their debt management capabilities, build capacity in debt-related analyses and reporting, implement debt and risk management strategies, strengthen institutional arrangements for debt management, and improve functioning and depth of domestic debt markets.

OBJECTIVES

- (1) Formulate and implement a medium-term debt management strategy (MTDS)
- (2) Establish efficient institutional frameworks for debt management
- (3) Develop/ strengthen processes for accurate debt recording, reporting and monitoring
- (4) Develop market infrastructure and capacity for cost effective financing

MACROECONOMIC PROGRAMMING

This program aims to improve macroeconomic policy advice to governments and central banks through more effective medium-term economic frameworks and forecasting capacity.

OBJECTIVES

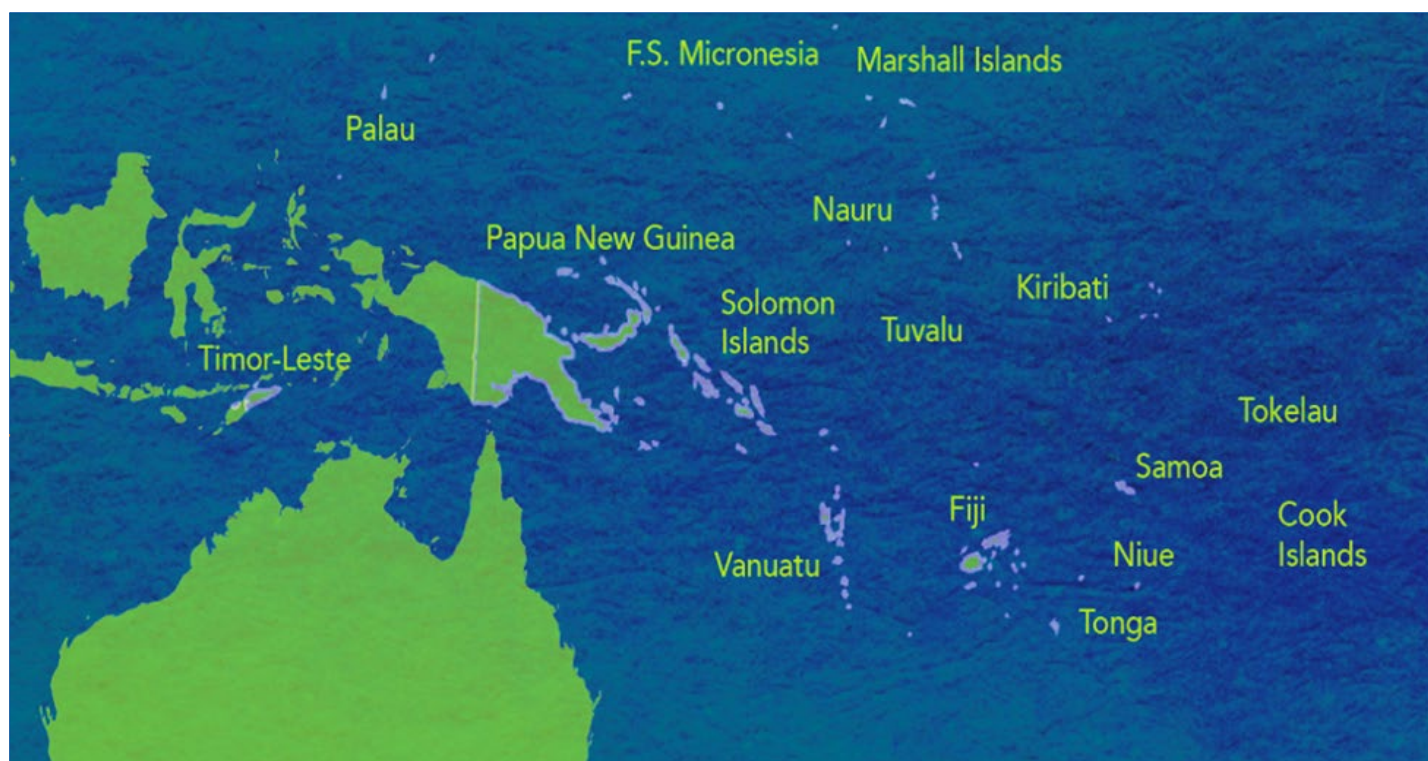
- (1) Well-functioning macroeconomic policy and institutions and improved macroeconomic policy advice to government through sound medium-term macroeconomic frameworks; strong institutions for policy making; improved public access to key macroeconomic and fiscal information; and sound macroeconomic surveillance and policy/ research available for policy making

SECTION I

C

PFTAC MEMBER COUNTRIES AND PARTNERS

PFTAC MEMBER COUNTRIES



PFTAC DONORS



Asian Development Bank



Australian Government
Department of Foreign Affairs and Trade

Australia



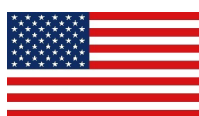
NEW ZEALAND
FOREIGN AFFAIRS & TRADE

New Zealand



EUROPEAN UNION

European Union



United States



Canada



Ministry of Economy
and Finance

Korea

SECTION II




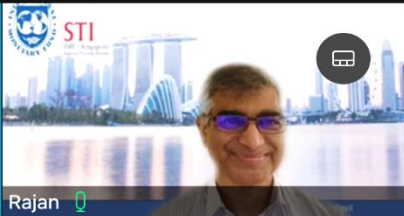


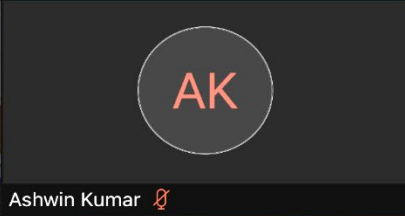
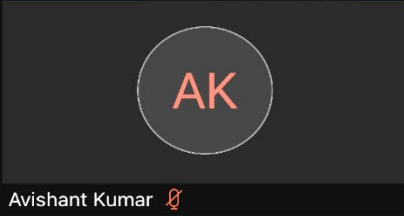






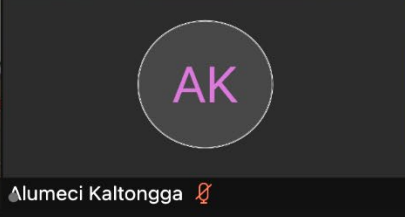

RESULTS

(MAY 2021 – APRIL 2022)

9:36 AM Thu 18 Mar

Webex

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 <div>IMF - Scott Roger</div>	 <div>Andrew Beaumont</div>	 <div>Su Wong (STI, P...Executive) (host)</div>	 <div>Rajan</div>
 <div>Stephan Danninger</div>	 <div>MOF Samoa</div>	 <div>AK</div>	 <div>AK</div>
 <div>Ho, Willip (STI, Inf...t Officer) (cohost)</div>	 <div>iris</div>	 <div>Jack Boe</div>	 <div>JS</div>
 <div>JW</div>	 <div>rahman</div>	 <div>AK</div>	 <div>Junior Peter</div>

Speaking: Su Wong (STI, Programs Executive)

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Macroeconomic Programming Joint Training with STI

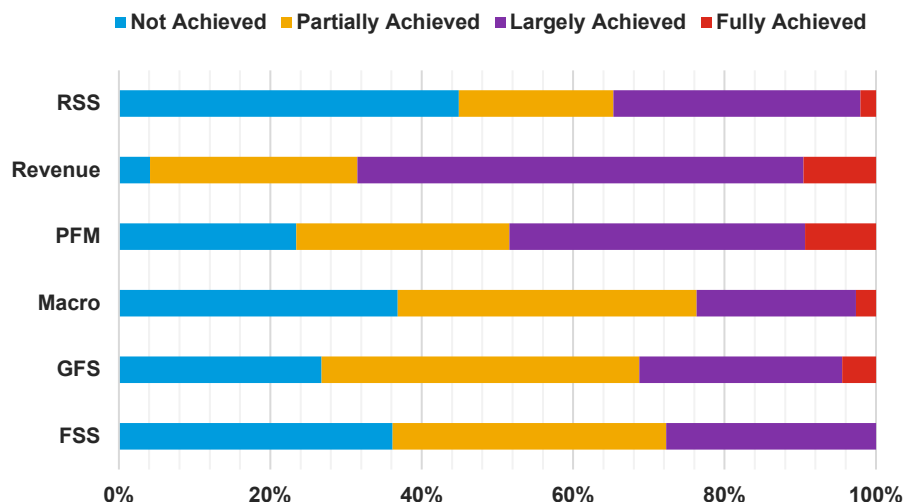
SUMMARY AND OVERVIEW

FY2022 was another extraordinary year as FY2021 was similarly described. The COVID-19 crisis and economic impact continued to dominate the region. Pacific Islands Countries (PICs) have showed steady but uneven progress in vaccine rollout. **Fiji, Palau, Samoa, Nauru and Tonga** surpassed the world average for fully vaccinated share of the population, with **Kiribati, Micronesia**, and **Marshall Islands** close behind. COVID-19 outbreaks and lockdowns and border closures were a common feature, with associated economic slowdown or even contraction. With respect to natural disasters, the cyclone season was fortunately less damaging, although the volcanic eruption and subsequent tsunami was a severe shock to **Tonga**. Despite the difficult year, green shoots are emerging for several countries that are highly vaccinated and are beginning to reopen, with tourism starting to rebound in **Cook Islands, Fiji**, and **Palau**, three economies particularly devastated by the border closures. Just as hopes of COVID-19 were receding into the past, international events with potential spillovers pose risks to the Pacific, from rising inflation and interest rates in advanced economies, to the disruptions arising to commodities from the Ukraine conflict.

As elaborated below and in the following chapters that document the FY2022 efforts and achievements of the various PFTAC programs, the year has been challenging, not only in maintaining the relevance and high

quality of training and TA that PFTAC is renowned for providing – entirely virtually for more than two years, but even more so for the government officials of the PFTAC member countries who have worked tirelessly to support their national responses to the crisis under challenging circumstances. Standards have been maintained, and a solid program has been delivered that has effectively contributed to the immediate member country needs as well as laying the ground for rebuilding and recovery after this once-in-century pandemic recedes. The volume of CD delivered in FY2022 is slightly lower than the previous year, along with budget utilization. Savings from more than two years of COVID19 constraints has underwritten a one-year extension to Phase V, accommodating very ambitious FY2023 workplans for a normalizing world.

CHART 2. PFTAC ACHIEVEMENT OF 504 MILESTONES, 2022



While this report provides substantial details about the inputs and outputs from PFTAC activities during FY2022, all these efforts are underpinned by a robust Results Based Management (RBM) methodology and system that places the articulation and recording of progress towards the achievement of specifically targeted reform objectives and outcomes at the center of PFTAC's existence. While it is very important to accurately measure, analyze, and explain the dollars and resources used and the outputs they generated, what ultimately matters is progress that each member country and the region makes towards their overarching objectives of inclusive and sustainable growth and macroeconomic and financial stability, and in recent years, responding to the COVID-19 crisis. During Phase V, the six PFTAC programs cumulatively work towards 15 high level outcome objectives, six for PFM, two for Revenue, four for FSS, and one each for the Macro and two statistics programs. The new Debt Management













































































































































program works towards four core objectives.

As noted in Chart 2 above, 504 predefined milestones were expected to be achieved by the end of April 2022 across the six PFTAC programs that have been tracked and summarized at Chart 2 to reflect the degree of completion of the milestones, with each milestone scored from 1 (not achieved) to 4 (fully achieved).

Chart 3 provides a snapshot of the programs that PFTAC has worked with member countries towards these 15 targeted outcomes. The chart follows the format introduced in 2021 but differs from the 2019 and 2020 annual reports in that average milestone ratings cannot be published at the country level without the explicit approval of each country. However, the dissemination rules allow for the publication of targeted country-level outcomes without prior consent provided ratings are not divulged. Therefore, the colored disks reflect projects by program and country where milestones have been established. If the average milestone score for an outcome has changed during FY2022, it is shown with a green disk, and if fully completed in FY2022, with an additional check mark. Projects with milestones newly defined in FY2022 are designated by orange disks, and red disks indicate that there was no change in the average milestone score, or the milestones were postponed until FY2023 or later.

More important than average milestone or outcome scores is the progress that member countries are actually making towards their objectives from the CD that PFTAC provided in FY2022. To that end, Box 1 provides a country-by-country summary of the main results achieved or underway during the year, and then the subsequent chapters elaborate in detail the efforts of each program and the impact being observed on the ground.

CHART 3. IMPLEMENTATION PROGRESS OF PFTAC'S LOGICAL FRAMEWORK AT APRIL 30, 2022

	 Change in avg. milestone score	 No change in avg. milestone score	 New milestones defined	 Milestones achieved	 No activity during FY22												
	PFTAC Region	Cook Islands	Fiji	FSM	Kiribati	Nauru	Niue	Palau	PNG	RMI	Samoa	Solomon Islands	Timor Leste	Tokelau	Tuvalu	Tonga	Vanuatu
Public Financial Management																	
1. Improved PFM laws and effective institutions																	
2. Comprehensive, credible, and policy-based budget preparation																	
3. Improved budget execution and control																	
4. Improved coverage and quality of fiscal reporting																	
5. Improved asset and liability management																	
6. Strengthened identification, monitoring, and management of fiscal risks																	
Revenue Policy and Administration																	
1. Strengthened revenue administration management and governance arrangements																	
2. Strengthened core tax administration functions																	
Financial Sector Supervision																	
1. Develop/strengthen banking regulations and prudential norms																	
2. Implement a risk-based supervision (RBS) system and upgrade other supervisory processes																	
6. Improved financial stability via early detection of and effective and timely res																	
Develop/ strengthen cybersecurity regulations and prudential norms																	
Macroeconomic Programming																	
1. Well functioning macroeconomic policy and institutions: improved macroeconomic policy advice to government																	
Government Finance Statistics																	
1. Strengthen compilation and dissemination of data on macroeconomic and financial statistics.																	
Real Sector Statistics																	
1. Strengthen compilation and dissemination of data on macroeconomic and financial statistics.																	

BOX 1. MAIN RESULTS OF PFTAC TECHNICAL ASSISTANCE CENTER (MAY 2021 TO APRIL 2022)

COOK ISLANDS

- Commenced review of the draft supervisory manual prepared by the Cook Islands Financial Supervisory Committee
- Support provided on reducing discrepancy between GDP(P) and GDP(E) estimates with finalization and publication of adjusted ESS data
- Staff capacity built to develop and publish seasonally adjusted data on quarterly national accounts
- Assistance to develop a PFM roadmap to guide reforms drawing on findings of Agile-PEFA assessment completed in FY2021
- Assistance on strengthening debt and returns management; Standard Operating Procedures for core tax functions developed; review of Automatic Exchange of Information (AEOI) process undertaken; finalization and assistance with implementation of Tax Admin Act, including training; and review of reform process completed
- Assistance to develop a Medium-Term Debt Management Strategy

FIJI

- Review of new Tax Information System and VAT Monitoring System, comprehensive support provided to strengthen management and governance arrangement with assessment of current state of tax administration launched.
- First time assistance on improving customs administration functions with a review initiated on ASYCUDA and Customs Processes.
- Finalization of VAT Bill.

FEDERATED STATES OF MICRONESIA (FSM)

- Assistance provided to improve GFS compilation techniques for using

various administrative data sources to reduce statistical discrepancies

- Tax reform modelling to contribute to the development of policy reform options including possible introduction of VAT

KIRIBATI

- National accounts assistance to strengthen quality of source data - HIES, administrative and business survey data evaluated. Rebasings and updating of national accounts according to controlled and adjusted source data
- Review of tax reforms and implementation progress

NAURU

- Compilation of draft 2018-19 GDP estimates and collection of improved industry data
- Follow-up support on Macro Forecasting, National Accounts and Economic Models to strengthen medium term macroeconomic framework
- Completion of Agile PEFA and Gender Responsive PFM Assessment

NIUE

- Compilation of new dataset with national accounts updated to 2018
- Review and analysis of possible reforms and adjustments to Non-Tax Revenue (NTR)
- Review undertaken of the Public Financial Management Act (PFMA)
- Revenue assistance to implement reform process; improving taxpayer services, debt and returns management and audit function; and finalization of revision to income tax legislation

PALAU

- Continuation of the Banking Regulatory Reform project with

assistance to develop a comprehensive suite of prudential standards

- Support to refine GFS compilation technique and coverage extended to General Government (GG) and methodology for recording COVID-19 government policy interventions
 - Proposed comprehensive tax reform package developed including detailed modeling of Palau's tax system and the production of forecasts of existing and proposed new taxes under different scenarios including the introduction of VAT
 - Revenue support to assist with the implementation of tax reform agenda and GST. Assistance on implementation of tax reforms including VAT; review of ICT systems to support tax reforms; and regulations for PGST and business profit tax
 - Development of a high level debt management policy
- ### PAPUA NEW GUINEA
- Finalization of the regulatory component of the Supervision Framework Enhancement Program - comprehensive suite of risk management prudential standards under finalization with impact study templates developed
 - Assistance on frequently compiled data with verification and revisions of CoA mapping and compilation procedures for quarterly reporting. Reconciliation of GFS and debt data with monetary and financial statistics and external sector debt statistics
 - Completion of an FPAS scoping mission in conjunction with ICD
 - Comprehensive support on development and introduction of new revenue administration organizational structure with further assistance on implementation

- Completion of Loan and Financial Analysis Workshop and review of organizational structure undertaken under Debt Management program

REPUBLIC OF MARSHALL ISLANDS (RMI)

- Continuation of the Banking Regulatory Reform project – finalization of draft prudential standards and development of Impact Study templates
- GFS compilation techniques refined, and coverage extended to GG.
- Staff trained on the use of administrative data for non-market industries value-added compilation and assistance with implementation of non-market production
- Macroeconomic support on use of Marshall Islands Fiscal Model and Medium Term Budget and Investment Framework in budget preparations and policy analysis
- PFM assistance to increase transparency in budget presentation

SAMOA

- GFS assistance with the compilation of GG consolidated data for FY20, coverage expanded to public sector and dissemination of public sector debt statistics (PSDS)
- Review of GDP(P) and GDP(E) data to reduce discrepancies and improve consistency with macroeconomic and financial dataset
- Macroeconomic support provided analysis and modeling of the economic and revenue impact of possible changes to the regulatory and tax treatment of Samoa's International Financial Sector Assessment
- Fiscal risk framework strengthened under PFM program
- Revenue support on legislative measures to implement Base Erosion and Profit Shifting (BEPS)

reforms and review of revenue reforms undertaken

SOLOMON ISLANDS

- Continuation of SFEP project - assistance on review of prudential standards for banks
- Staff trained on QNA compilation with update of QNA extrapolation undertaken. Compilation of Supply and Use Tables
- CBSI staff capacity built on inflation forecasting techniques to be used for monetary policy setting
- Revenue support on implementation of large taxpayer office

TIMOR-LESTE

- Scoping mission completed by Macro program in conjunction with ICD and assistance to support use of a macro-fiscal framework in budget preparation
- Diagnostic review of the tax administration undertaken to identify modernization needs and reform agenda. Taxpayer services initiatives to enhance public information and website. Legal support to prepare amendments to Taxes and Duties Act to implement the Electronic Tax System

TOKELAU

- PFM support to review current budget process and basic elements of fiscal information to ensure quality control in spending

TONGA

- Continuation of Insurance Regulatory Reform project - enhancements to prudential and risk management standards – diagnostic of the Financial Sector
- Extrapolation of QNA data updated to improve timeliness of data. Staff trained on QNA compilation
- Modernized PFM legislation, strengthened financial reporting and

implementation plan developed for Asset Management Framework

- Revenue assistance to improve risk management and compliance improvement strategy, Corporate Strategy and Operational Plans developed and tax audit function strengthened with the development of POS guidelines
- Debt Management support to develop comprehensive debt reporting by authorities

TUVALU

- Development of a consolidated prudential standard for commercial and development banks. Staff trained on processing of prudential returns. Strengthened risk based supervision system – development of bank risk profile and banking sector risk reports including training of staff
- Improvements to BOP coverage – updating external sector statistics data
- Macro assistance on GDP Forecasting provided
- Implementation of arrears management and commitment control to improve budget execution and control. Staff trained on financial reporting and chart of accounts
- Corporate Strategy and Business Continuity Plan developed. Core tax function strengthened, and review of tax reform progress completed

VANUATU

- Staff trained to enable TADAT self-assessment. Revenue Management System Master Service Agreement reviewed
- Strengthened audit and support provided to improve audit function and capability. Further assistance to improve return filing and tax arrears management. Review of revenue reforms progress undertaken



1,929
field person days of CD
delivered



497
professional government
staff (of which 52 percent were
women) were trained from the 16
PFTAC member countries in 12
regional training events totaling 1,750-
person days of training



64%
of CD was fiscal, either
PFM or Revenue (1,244 of 1,929 field
days), with 52% just Revenue (1,006
days)



111
activities executed by
PFTAC advisors and experts,
comprising 12 seminars and 99
missions to member countries or
support for regional activities



29%
of CD is delivered by the
team of seven resident
PFTAC advisors (561 of 1,929 TA
field days), and 71 percent by
members of the IMF's roster of short-
term experts



\$ 38.3 million
contributions received so
far from seven donors and
from 15 of 16 PFTAC countries against
US\$ 39.5 million original fund-raising
target



79%
execution rate of the mid-
year updated work plan (1,929 TA
days versus 2,455 planned), and 70%
of missions (111 of 158 planned)

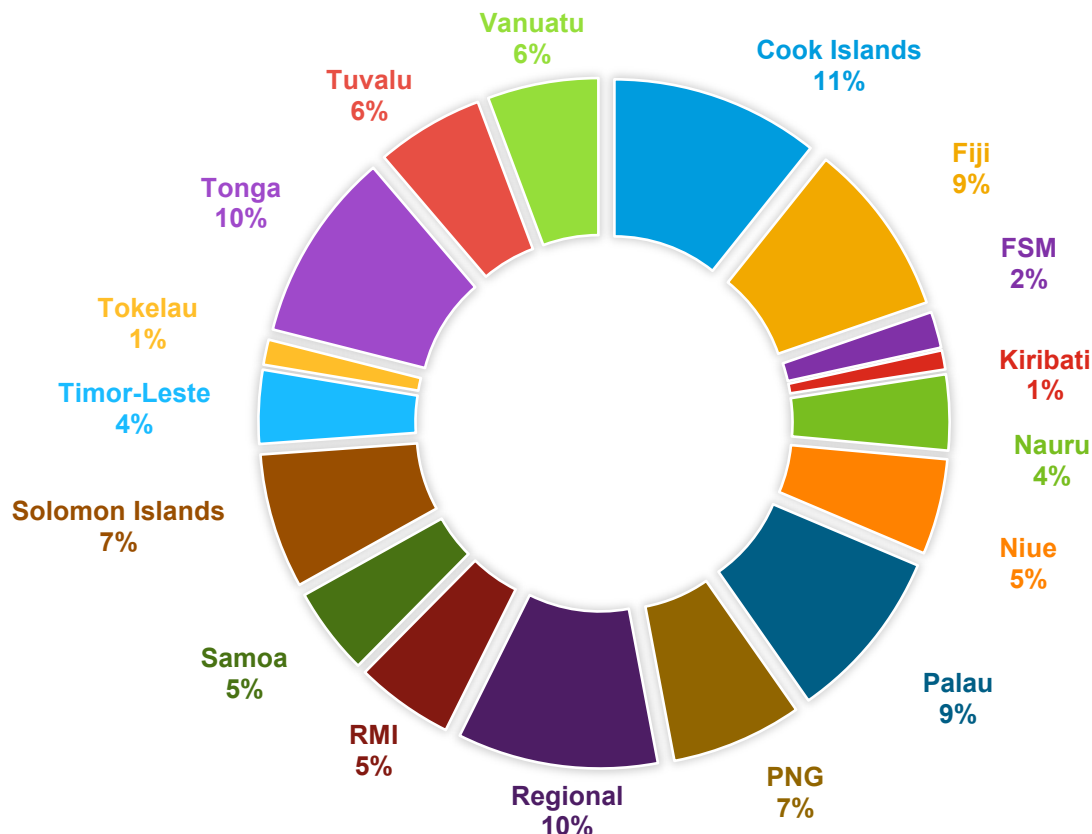


\$ 3.35 million
of projected expenses
from a budget of \$US 6.85
million (approx. 49%), excluding the
7% trust fund fee



31%
of resources (597 days)
provided to seven PFTAC
countries designated as fragile
(Kiribati, FSM, RMI, PNG, Solomon
Islands, Timor Leste, and Tuvalu)

CHART 4: FY2022 TOTAL TECHNICAL ASSISTANCE DAYS BY COUNTRY (1,929 DAYS)



SOLID PROGRAM DELIVERY DESPITE HEADWINDS

Despite the challenges, PFTAC delivered a respectable program of 111 missions/activities, 70 percent of the 158 activities planned for FY2022 against mid-year plan adjustments, with a 79 percent outturn of 1,929 TA days against the mid-year adjusted plan of 2,455³ TA days. This was achieved during another difficult year that has now reached a 26 month period of no travel requiring all CD to be delivered virtually to PFTAC member countries who continue to face enormous economic and institutional challenges from COVID-19 outbreaks and lockdowns, natural disasters, and political change. And as FY2022 drew to a close with green shoots of economic recovery emerging for some PICs as their borders began reopening, prospects for growth and a steady recovery are now clouded by international events from ongoing supply chain disruptions, war in Europe, worsening inflation, and rising interest rates.

Optimistic planning envisaged a gradual return to normalcy during FY2022, based on a continuation of virtual delivery for the first half of the year giving way by late 2021 to borders reopening and a resumption of mission travel. While Fiji reopened its borders in a measured manner from December 2021, with further easing since, restrictions were still mostly in place across the rest of the Pacific for the balance of FY2022 that precluded all but a very few missions, and still too early to schedule any in-person or even hybrid training events. With travel restrictions enduring, and competing challenges and difficulties faced by many countries that has delayed CD delivery, the very ambitious workplan approved at the start of FY2022 was scaled-back at mid-year by 22 percent in terms of missions (from 212 to 166) and by a more modest 11 percent of

needed TA days (from 2,927 to 2,606 days), a reflection that remote engagements are taking much longer and needing more resources than in the past, and even more than during the first year of the pandemic.

Fiji experienced a severe outbreak of the COVID-19 delta variant from the start of FY2022 that resulted in lockdowns and restrictions for most of the remainder of 2021, requiring all staff to work WFH that began to gradually lift from early 2022, returning to 'new normal' operations by the end of FY2022. These arrangements now allow PFTAC staff to work as many days in the office as they wish, but subject to work necessities, a hybrid schedule of up to three WFH days a week is accommodated. This emulates arrangements at IMF headquarters in Washington that will guide future field office operations in a post-COVID world. The Fiji lockdown delayed the arrival of the debt management advisor, Ms. Briar Ferguson who was only able to reach Fiji in January 2022 after working remotely from the United Kingdom since being recruited in March 2021. Finally, after more than two years of abnormal circumstances, from early 2022 as travel and quarantine requirements eased, staff finally had an opportunity to take long overdue leave and visit family and friends in their home countries. This was a vital necessity for staff to recuperate and regenerate after a long and difficult period. However, these extended absences marginally contributed to lower program execution in the final few months of FY2022 but were essential for the team to be fresh and ready to face an extraordinarily ambitious FY2023, the final year of

Phase V, with the largest work program and budget planned in PFTAC history.

The PFTAC team of advisors remained reasonably unchanged throughout the year. As planned, the resident GFS position was discontinued when Luis Temes left PFTAC in August 2021 with a scaled-down program continuing for the balance of FY2022 via several STX delivered missions. This program will return with an increased emphasis on PSDS in Phase VI, with the proposed advance recruitment of a new advisor by mid-FY2023. The only other departure was very late in FY2022 when the 3½ year assignment of RSS advisor Marcus Scheiblecker concluded in mid-April 2022 after a short handover following the arrival several weeks beforehand of his successor, Mr. Matthew Powell. Otherwise, the team continued to comprise seven PFTAC-funded advisors (excluding the separately financed debt management advisor) despite the departure of the GFS advisor when a second Revenue advisor, Ms. Katrina Williams was recruited and joined the team in October 2021.

STX utilization rose by 20.0 percent in FY2022 over FY2021 (up from 1,139 to 1,368 days), with just a marginal 4.0 percent increase in LTX field utilization (up from 538 to 561 days). This follows a 9 percent decline in STX utilization in the previous year with a return to more normal Phase V utilization rates other than FY2019 when STX days peaked at 1,441. With the mission count in FY2022 quite low at 111, the extra STX resource utilization is mostly a

TABLE 1: AVERAGE MISSION DURATION

Program	FY17	FY18	FY19	FY20	FY21	FY22
Macroeconomic Programming	11.7	8.7	8.8	9.0	14.4	18.5
Financial Sector Supervision	12.1	17.0	15.8	14.2	9.8	15.6
Govt Finance Statistics	0.0	14.4	14.7	15.1	6.6	8.5
Real Sector Statistics	15.2	13.9	15.1	13.5	8.4	11.5
Public Financial Management	11.6	13.8	14.2	17.0	14.1	17.0
Revenue (incl Legal)	9.4	13.0	13.0	14.0	16.2	20.5
Grand Total	11.6	13.4	13.5	14.2	12.9	17.4

³ The Debt Management program that is separately financed by the Government of Japan delivered 6 of 8 planned missions/activities (75 percent), utilizing 148 of 151 planned TA days (98 percent), comprising 35 of 52 planned LTX days (67 percent) and 113 of 99 STA days (114 percent).

result of missions taking on average 4.5 days longer in FY2022 (rising from 12.9 in FY2021 to 17.4 days).

The phenomenon of longer missions is well understood by the advisors who have found it increasingly challenging and much more time-consuming to effectively engage country counterparts remotely given the many difficulties and competing priorities all parties face. An in-person mission that is clearly time bound by an arrival and

departure date usually two weeks apart, will consistently result in an average mission duration of 11 – 13 working days. However, a virtual mission can easily be interrupted or postponed to find time for urgent matters, and can extend to several months instead of several weeks. Disruptions or intermittent engagement may require previously covered matters to need to be revisited and reviewed, prolonging the mission duration. The appetite to return to in-

person CD delivery is immense, for both the beneficiaries and deliverers. However, there will continue to be a valuable space for virtual engagement, particularly in the lead-up to and following-up on in-country missions, and for certain topics and types of support like legislation drafting. One clear lesson from the pandemic is that virtual CD is a very viable modality, but is a complement not a substitute for in-person delivery.

TABLE 2. PFTAC TA DELIVERY BY STX/LTX DAYS: FY17, FY18, FY19, FY20, FY21, FY22, FY23 (Plan)

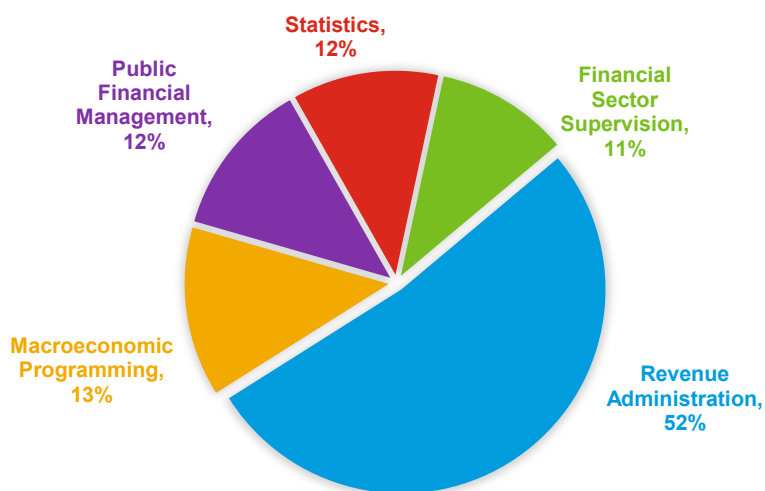
Program	STX Days							LTX Days						
	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Macroeconomic Programming	0	0	11	0	12	117	140	164	137	121	90	103	142	175
Financial Sector Supervision	154	167	198	131	122	99	331	88	88	55	54	83	104	136
Govt. Finance Statistics	0	50	69	29	13	41	75	0	113	78	77	66	10	79
Real Sector Statistics	249	170	152	87	40	81	155	131	119	89	89	94	91	117
Public Financial Management	187	308	285	253	139	132	388	173	196	184	155	128	106	240
Revenue (incl Legal)	301	395	726	756	813	898	2024	111	87	92	43	64	108	102
TOTAL	891	1090	1441	1256	1139	1368	3113	667	740	619	508	538	561	849
Debt Management						113	269						35	70
Macroeconomic Frameworks							0							75
GRAND TOTAL	891	1090	1441	1256	1139	1481	3382	667	740	619	508	538	596	994

TABLE 3. PFTAC TA DELIVERY BY TOTAL TA DAYS AND MISSIONS: FY17, FY18, FY19, FY20, FY21, FY22, FY23 (Plan)

Program	Total TA Days							Missions						
	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Macroeconomic Programming	164	137	132	90	115	259	315	14	16	15	10	8	14	23
Financial Sector Supervision	242	255	253	185	205	203	467	20	15	16	13	21	13	26
Govt. Finance Statistics	0	163	147	106	79	51	154	0	11	10	7	12	6	13
Real Sector Statistics	380	289	241	176	134	172	272	25	21	16	13	16	15	21
Public Financial Management	360	504	469	408	267	238	628	31	37	33	24	19	14	29
Revenue (incl Legal)	412	482	818	799	877	1006	2126	44	37	63	57	54	49	116
TOTAL	1558	1830	2060	1764	1677	1929	3962	134	136	153	124	130	111	228
Debt Management						148	339						6	15
Macroeconomic Frameworks							75							3
GRAND TOTAL	1558	1830	2060	1764	1677	2077	4376	134	136	153	124	130	117	246

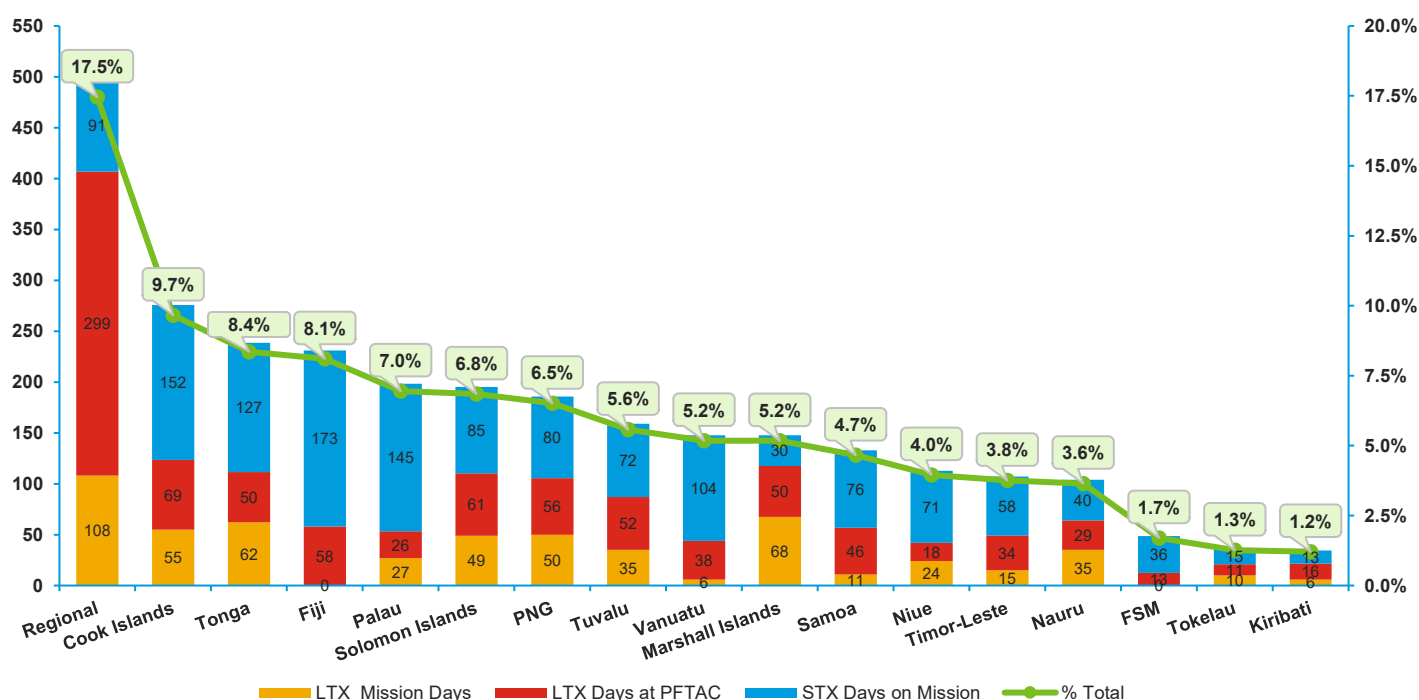
Before COVID-19, most LTX spent about half of their available days each year traveling to member countries delivering in-person TA or regional training, with the balance of their time spent in the office dealing with pre- and post-mission arrangements, contributing to center contributions like reporting, governance, and outreach, and backstopping the work of their STX. While this has become extremely blurred in a world of virtual TA delivery with all work performed in the office (or home office), approximate accounting for field and office days was maintained in FY2022. Beyond the 561 LTX field TA Days on virtual mission or delivering a training event, the resident advisors spent another 925 days on TA management in the office, a total of 1,486 TA days in FY2022, a little less than 7 person years (assuming 220 available days a year after allowance for annual/sick leave). This slight shortfall below the seven LTX positions reflects the departure of the GFS advisor in August 2021 with a gap before the second Revenue advisor was recruited in October 2021. While the average of 220 available working days each year takes account of normal annual leave usage, the extended home leave that many of the advisors enjoyed late in FY2022 abnormally reduced availability to closer to 210 working days for the year.

CHART 5. FY2022 TOTAL 1,929 TA DAYS BY PROGRAM



Field delivery by the Revenue program constituted 52 percent of all PFTAC activity, on par with the highest share reached in FY2021. Given mission delays, postponements, and extensions, the PFM program declined to 12 percent of the total (from 16 percent in FY2021 where it is expected to recover in FY2023), giving a total of 64 percent of all CD being of a fiscal nature. Both the FSS and Statistics program share declined from 13 to 12 percent respectively, including the impact of the departure of the GFS advisor. Bucking the trend of the delivery challenges faced by all the other programs, the Macroeconomic program surged with an expansion of country coverage and CD volume, with the program share jumping from 7 to 13 percent.

CHART 6. FY2022 EXPERT DAYS DELIVERING AND BACKSTOPPING TA



* 2,854 TA Days (includes 561 LTX and 1,368 STX Remote Mission Days plus 925 LTX Days at PFTAC)

The 925 TA days of LTX time spent at PFTAC or WFH in addition to 561 TA field days spent by the advisors while on virtual mission or training, plus the 1,368 STX field days totals 2,854 TA days, the approximate equivalent of almost 13 full-time equivalent (FTE) person-years. Two charts above illustrate the share of TA, the pie chart reflects only 1,929 field mission days by program, while the bar chart also includes the apportioned LTX time at PFTAC by country that totals 2,854 TA days.

Beyond regionally related efforts (including (sub) regional workshops) that consumed 17.5 percent of TA days (down from 21.9 percent in FY2021), five countries (**Cook Islands, Tonga, Fiji, Palau, and Solomon Islands**) benefitted from 40 percent of total TA days in FY2022. While four of the top five beneficiaries in FY2021 remained in this group in

FY2022, the total share of PFTAC resources of this group declined from 48 percent, with a greater share received from mid-tier (27.7 percent up from 21.6 percent in FY2021) and even lower-tier beneficiaries (15.6 percent up from 8.5 percent). The impact from the disruptions the region faced were mostly as expected, with **Fiji** slipping from usual first or second position to third given the pandemic shutdown, while counterintuitively, **Tonga** remained in second place despite their own COVID-19 lockdowns but even more impactful, the eruption of the Hunga Tonga-Hunga Ha'apai volcano and resultant tsunami and ash fallout that severed communication links and diverted officials to urgent disaster relief and recovery. **Samoa** fell from the largest CD beneficiary in FY2021 to tenth place, similarly, dealing with its own pandemic challenges, but also adjusting to the outcome of elections

and the settling-in of the new government that paused much of the PFTAC program. Conversely, **Palau** rose to fourth place given ramped-up support of the government's reform agenda particularly tax policy and administration.

A further five countries (**Papua New Guinea, Tuvalu, Marshall Islands, Vanuatu, and Samoa**) accounted for the next 27.2 percent of PFTAC resources. While delivering and benefiting from remotely delivered CD has challenged most PICs as reflected in the lower volume and engagement in **Papua New Guinea** and **Vanuatu** affected by pandemic shutdowns and disruptions, interestingly the smaller states of **Marshall Islands** and **Tuvalu** managed to expand their share of PFTAC support, perhaps benefiting from having remained COVID-19 infection free.

TABLE 4. EXECUTION OF WORK PROGRAM DURING FISCAL YEAR 2022 (IN PERSON-DAYS)

Country/Region/Seminar	May 2021 through April 2022							
	TA Days Executed				Baseline LTX & STX Field Days	Baseline Execution rate	Updated LTX & STX Field Days	Updated Execution rate
	Resident advisors		Short-term experts	Total				
	At PFTAC	In-Field						
COOK ISLANDS	69	55	152	276	278	74%	251	82%
FIJI	58	0	173	231	303	57%	173	100%
KIRIBATI	15	6	13	34	105	18%	64	30%
MARSHALL ISLANDS	50	68	30	148	114	86%	122	80%
MICRONESIA (FSM)	13	0	36	49	102	35%	43	84%
NAURU	29	35	40	104	110	68%	145	52%
NIUE	18	24	71	113	53	179%	77	123%
PALAU	26	27	145	198	173	99%	156	110%
PAPUA NEW GUINEA	56	50	80	186	184	71%	148	88%
SAMOA	46	11	76	133	246	35%	191	46%
SOLOMON ISLANDS	61	49	85	195	151	89%	217	62%
TOKELAU	11	10	15	36	12	208%	10	250%
TIMOR-LESTE	34	15	58	107	189	39%	54	135%
TONGA	50	62	127	239	183	103%	262	72%
TUVALU	52	35	72	159	96	111%	121	88%
VANUATU	38	6	104	148	158	70%	136	81%
REGIONAL	299	108	91	498	237	84%	285	70%
GRAND TOTAL	925	561	1368	2854	2694	72%	2455	79%
FRAGILE STATES	281	223	374	878	941	63%	769	78%

The balance of 15.5 percent of TA delivery is shared by the remaining six PFTAC member countries (**Niue**, **Timor-Leste**, **Nauru**, **FSM**, **Tokelau**, and **Kiribati**). Throughout Phase V, **Timor-Leste** was a very modest user of PFTAC services that began to grow in FY2022 and is slated to expand further in FY2023 from activities for the first time under the Macro and Revenue revenues. Otherwise, all but **Kiribati** in this cluster of five microstates actively engaged remotely in FY2022 receiving important support, including a PEFA assessment that covered Gender Responsive PFM in **Nauru**, support to several reform

efforts in **Niue**, modeling of possible tax policy reform options in **FSM**, and a PFM mission to **Tokelau** to support budget reforms. Much of the planned support to **Kiribati** has been deferred to FY2023 with only two missions delivered given the COVID-19 lockdown challenges.

Support to the seven FCS (fragile states) – **Kiribati**, **FSM**, **RMI**, **PNG**, **Solomon Islands**, **Timor Leste**, and **Tuvalu**; picked up from just 24 percent in FY2021 to 31 percent of field delivery in FY2022 (597 of 1,929 TA days) and also in terms of total TA days including PFTAC-based advisor

time (878 of 2,854 total TA days). This is still lower than the pre-COVID Phase V average of 34 percent of total PFTAC activity, a level that is expected to be significantly exceeded in FY2023 when travel resumes to facilitate in-person CD delivery that is critical to supporting FCS. Earlier virtual engagement challenges were generally overcome in FY2022 for **FSM**, **RMI**, **Timor-Leste**, and **Tuvalu**, but along with COVID-19 constraints continued to impede some efforts in **Papua New Guinea** and **Solomon Islands**, and particularly **Kiribati**.

TABLE 5. IMPLEMENTATION OF THE FISCAL YEAR 2022 WORK PROGRAM (IN NUMBER OF ACTIVITIES)

Country/Region/Seminar	Activities executed	Baseline Plan	Baseline Execution Rate	Updated Plan	Updated Execution Rate
COOK ISLANDS	10	17	59%	12	83%
FIJI	5	22	23%	11	45%
KIRIBATI	2	9	22%	5	40%
MARSHALL ISLANDS	7	11	64%	9	78%
MICRONESIA (FSM)	3	6	50%	3	100%
NAURU	3	5	60%	6	50%
NIUE	6	5	120%	7	86%
PALAU	9	12	75%	10	90%
PAPUA NEW GUINEA	5	16	31%	10	50%
SAMOA	6	18	33%	13	46%
SOLOMON ISLANDS	7	13	50%	14	46%
TOKELAU	1	1	100%	1	100%
TIMOR-LESTE	5	8	63%	3	167%
TONGA	9	15	60%	14	64%
TUVALU	11	9	122%	10	110%
VANUATU	6	12	50%	9	67%
REGIONAL	16	21	76%	21	76%
GRAND TOTAL	111	200	55%	158	70%
FRAGILE STATES	40	72	55%	54	73%

TRAINING DELIVERY in FY2022 faced similar head-winds as experienced with bilateral TA delivery with a further toughening of conditions since FY2021, the first complete year of COVID19 constraints. With all other development agencies and training institutions similarly having migrated to on-line delivery, competition is extremely strong to secure the time

and attention of Pacific government officials. Accordingly, topics must be highly relevant to the priorities of the moment, must be tightly packaged, and delivered interactively. Given these realities, quality rather than quantity of events has been key. All PFTAC events were delivered virtually, running from a single day up to one event of 10 days duration, which had a

gap of a few weeks between the first and second block of 5 days. Given absorptive limitations, engagement on any day was usually limited to 3 – 4 hours. With the exception of GFS, all programs delivered at least one event, often collaboratively with IMF partners such as MCM or STI, and in the case of the four Revenue events, in partnership with PITAA. Unfortunately,

the promising FY2021 pilot experience of convening hybrid events with the support of the University of the South Pacific (USP) network of Pacific campuses was unable to be continued, but further negotiations will continue for possible future USP collaboration.

Overall, 12 regional events were

delivered plus a 10-day workshop under the separately funded Debt Management program. This was a reduction from 17 events in FY2021. The average course duration decreased from 4.0 to 3.5 days per event, noting each day usually only comprises several hours of virtual engagement. In total, 497 government

officials were trained, versus 493 participants in FY2021. A total of 1,750 training days were delivered (2,010 including debt management), down 5.4 percent from the 1,850 training days in FY2021. Women constituted 51.7 percent of event participants (257 of 497), up from 45 percent.

TABLE 6. FY2022 WORKSHOP/ SEMINARS

Sector	Partner	Location	Topic	Duration (Days)	Male	Female	Total	Training Days
Macro	STI	Virtual	GDP Forecasting/ Now casting	3	15	39	54	162
Macro	STI	Virtual	Inflation Forecasting	3	24	24	48	144
FSS	MCM	Virtual	Building Cyber Resilience	3	13	13	26	78
FSS	MCM	Virtual	Implications of Climate Change Risk on Financial Sector Supervision	1	15	12	27	27
FSS	MCM	Virtual	Basel III	4	26	30	56	224
RSS		Virtual	Quarterly National Accounts (QNA)	5	4	12	16	80
RSS		Virtual	Annual National Accounts (ANA)	5	6	12	18	90
PFM		Virtual	SOE Fiscal Risk Oversight and Management	4	23	25	48	192
Revenue	PITAA	Virtual	Taxpayer Services and Communication	5	35	28	63	315
Revenue	PITAA	Virtual	Leadership, Integrity and Good Governance #1	2	31	21	52	104
Revenue	PITAA	Virtual	Taxpayer Register and Data Cleansing	5	26	26	52	260
Revenue	PITAA	Virtual	Leadership, Integrity and Good Governance #2	2	22	15	37	74
TOTAL				42	240	257	497	1750
Debt Management		Virtual	Fundamentals of Debt Reporting and Monitoring	10	13	13	26	260
GRAND TOTAL				52	253	270	523	2010

FY2022 was the first year of a new accounting and budget system and the associated CD-MAP platform. Previous accounting categories have been discontinued that used to allow for budgeting and expenditure reporting by components such as STX salaries and travel costs, separate LTX travel costs, workshop and training event costs, and costs of headquarters delivery of CD charged to PFTAC. For budget purposes, these have all been broadly aggregated as *Direct TA Delivery*. The main LTX costs (salaries and allowances) remain identifiable, as well as some Project Management charges.

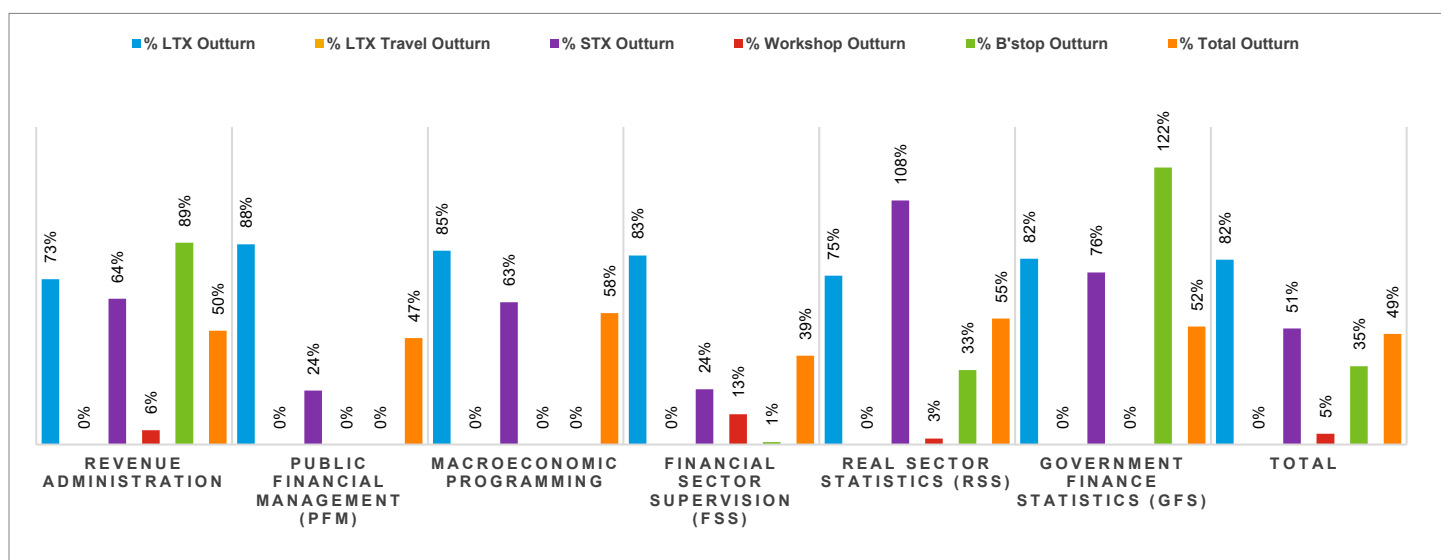
In the absence of travel throughout FY2022, there was little if any charges under the historic accounting

categories anyway, particularly relating to travel and almost all workshop/training expenses. Accordingly, *Direct TA Delivery* costs in FY2022 were predominantly comprised of STX salary expenses (no travel was incurred), and possibly some modest HQ delivery charges. LTX costs excluding travel are reported, and for some programs, modest backstopping or project management charges.

The expected FY2022 outturn including trust fund fee is US\$ 3.58 million, a decline of 9.1 percent from the US\$ 3.94 million FY2021 outturn. There was a bigger decline of 14.6 percent fewer missions/activities in FY2022 (down to 111 from 130 missions). However, the expenditure

outturn was smaller given the need for 15 percent more TA days (1,929, up from 1,677) due to the average mission duration extending by more than an additional four days.

FY2022 expenses of US\$ 3.58 million (including trust fund fee) constitute just under half (49 percent) of the US\$ 7.33 million budget. Only the two Statistics programs have expenses slightly exceeding half their budget allocations (RSS – 55 percent and GFS – 52 percent), with Revenue exactly half, and all other programs less than half, with the FSS program having the largest underspend of 39 percent of budget.

CHART 7. FY2022 FINAL PROGRAM OUTTURN – PERCENT OF BUDGET EXPENDED

TABLE 7. PFTAC FY2022 BUDGET (US DOLLARS) BY PROGRAM

	Revenue	PFM	Macro	FSS	RSS	GFS	Other	Total
Resident Advisors (Long Term Experts - LTX)	510,000	678,126	351,790	342,083	324,189	108,063	-	2,314,251
LTX Travel	90,000	103,589	55,000	57,000	55,000	18,000	-	378,589
Short-Term Experts (STX)	1,027,998	401,524	100,000	334,722	140,000	75,000	90,000	2,169,244
Diagnostic Missions	150,000	50,000	-	-	-	-	-	200,000
Training/Seminars/Workshops	333,031	167,827	120,000	195,000	155,000	99,451	-	1,070,309
Backstopping/Project Management	42,844	79,232	-	74,415	73,842	22,967	12,962	306,262
Other Costs (Evaluation, misc. etc.)	20,744	-	-	-	10,142	10,142	376,331	417,359
Total TA Provision/Delivery	2,174,617	1,480,298	626,790	1,003,220	758,173	333,623	479,293	6,856,014
Trust Fund Management Fee	152,223	103,621	43,875	70,225	53,072	23,354	33,551	479,921
Total Trust Charges	2,326,840	1,583,919	670,665	1,073,445	811,245	356,977	512,844	7,335,935

*Trust Fund Fee is 7 percent of funds utilized for TA delivery

TABLE 8. PFTAC FY2022 FINAL OUTTURN (US DOLLARS) BY PROGRAM

	Revenue	PFM	Macro	FSS	RSS	GFS	Other	Total
Resident Advisors (Long Term Experts - LTX)	371,997	598,610	300,749	285,316	241,526	88,520	-	1,886,718
LTX Travel	-	-	-	-	-	-	-	-
Short-Term Experts (STX)	661,566	95,300	62,814	81,431	150,623	56,949	-	1,108,683
Diagnostic Missions	-	-	-	-	-	-	-	-
Training/Seminars/Workshops	21,032	-	-	26,095	4,197	-	-	51,324
Backstopping/Project Management	38,098	-	-	761	24,291	28,060	14,518	105,728
Other Costs (Evaluation, misc. etc.)	-	-	-	-	-	-	195,699	195,699
Total TA Provision/Delivery	1,092,693	693,910	363,563	393,603	420,637	173,529	210,217	3,348,152
Trust Fund Management Fee	76,489	48,574	25,449	27,552	29,445	12,147	14,715	234,371
Total Trust Charges	1,169,182	742,484	389,012	421,155	450,082	185,676	224,932	3,582,523

*Trust Fund Fee is 7 percent of funds utilized for TA delivery

TABLE 9. PFTAC FY2022 FINAL OUTTURN (PERCENT) BY PROGRAM

	Revenue	PFM	Macro	FSS	RSS	GFS	Other	Total
Resident Advisors (Long Term Experts - LTX)	73%	88%	85%	83%	75%	82%	-	82%
LTX Travel	0%	0%	0%	0%	0%	0%	-	0%
Short-Term Experts (STX)	64%	24%	63%	24%	108%	76%	0%	51%
Diagnostic Missions	0%	0%	-	-	-	-	-	0%
Training/Seminars/Workshops	6%	0%	0%	13%	3%	0%	-	5%
Backstopping/Project Management	89%	0%	-	1%	33%	122%	112%	35%
Other Costs (Evaluation, mis. etc.)	0%	-	-	-	0%	0%	52%	47%
Total TA Provision/Delivery	50%	47%	58%	39%	55%	52%	44%	49%

FUND RAISING wound down in FY2022 with a final donor contribution of US\$ 500,000 received from Korea, reaching total contributions of US\$ 34.68 million from the seven donors⁴. Three additional member contributions totaling US\$ 152,000 were received, making a total of US\$ 3.06 million. These included a final payment from **Fiji**, an additional payment from **Niue**, and following the signing of a Letter of Understanding (LOU) during the year, an initial contribution was received from **Palau** that amounts to 73 percent of their anticipated contribution for the entire phase. With six of 16 member countries having made their full contributions, US\$ 0.84 million remains outstanding from the other nine countries that have made at least one contribution including US\$ 0.55 million due from **Timor-Leste** that first requires an LOU to be signed. Donor and member contributions plus brought forward Phase IV funds, makes total available Phase V funds of US\$ 38.25 million. Excluded from PFTAC fund-raising, accounting, and governance is the Japanese government financed Public Debt Management program over three years through end-FY2024 from a US\$ 3.0 million contribution.

Projected Phase V expenses through the end of FY2022 total US\$ 29.15 million including the trust fund fee. Available Phase V funds contributed by donors, member countries, and rolled-over balances from Phase IV total US\$ 38.25 million, leaving a budget envelope for the remainder of Phase V of US\$ 9.1 million. As elaborated in Section III, a very ambitious FY2023 budget of \$US 9.3 million has been proposed for endorsement. While the budget marginally exceeds known available funds at the start of the year, some additional outstanding member contributions could close that gap, but in any case, there is very little chance of an overspend with close monitoring of program and budget execution that would have to be exceptionally high and record-breaking to pose any risk. Phase V will conclude on April 30, 2023, regardless of the balance of unused funds.

TABLE 10. PROPOSED FY2023 BUDGET (US DOLLARS MILLIONS)

	Program Document Budget	Tot Ph V Expenses to end-FY21	FY2022 Projected Outturn	% of Prog Doc Budget thru end-FY22	FY2023 Proposed Budget	Phase V Outturn	
						Total end FY23	PD Diff.
Resident Advisors (Long Term Experts - LTX)	\$12.6	\$9.3	\$1.9	89%	\$2.9	\$14.2	(\$1.6)
LTX Travel	\$2.3	\$1.3		59%		\$1.3	\$0.9
Short-Term Experts (STX)	\$11.4	\$7.1	\$1.1	72%	\$5.7	\$13.9	(\$2.5)
Diagnostic Missions	\$1.2	\$1.0		83%		\$1.0	\$0.2
Training/Seminars/Workshops	\$6.0	\$2.7	\$0.1	46%		\$2.8	\$3.2
Backstopping/Project Management	\$1.9	\$1.2	\$0.1	68%		\$1.3	\$0.6
Other Costs (Evaluation, misc., etc.)	\$1.6	\$1.1	\$0.2	84%		\$1.3	\$0.3
Total TA Provision/Delivery	\$36.9	\$23.8	\$3.3	73%	\$8.7	\$35.8	\$1.1
Trust Fund Management Fee*	\$2.6	\$1.7	\$0.2	73%	\$0.6	\$2.5	\$0.1
Total Trust Charges	\$39.5	\$25.5	\$3.6	73%	\$9.3	\$38.3	\$1.2
IMF and Host Country In-Kind Contribution	\$2.6						
TOTAL	\$42.1		\$3.6		\$9.3	\$38.3	

*Trust Fund Fee is 7 percent of funds utilized for TA delivery

⁴ Small differences between commitments and contributions received are due to exchange-rate factors in conversion to USD.

TABLE 11. STATUS OF FINANCIAL CONTRIBUTIONS FOR PHASE V (AS OF APRIL 30, 2022)

	Currency*	Commitments		Contributions received (U.S. dollars)	Payments pending (U.S. dollars)
		(partner currency)	(U.S. dollars)		
PARTNERS					
ADB	U.S. dollar	800,000	800,000	800,000	0
Australia	Aust. dollar	12,600,000	9,494,573	9,267,500	0
Canada	Can. Dollar	1,500,000	1,128,329	1,136,191	0
European Union	Euro	6,000,000	7,013,442	6,829,368	0
Korea	U.S. dollar	2,500,000	2,500,000	2,500,000	0
New Zealand	NZ dollar	18,000,000	12,411,168	12,144,520	0
United States	U.S. dollar	2,000,000	2,000,000	2,000,000	0
SUBTOTAL, PARTNERS			35,347,512	34,677,579	0
MEMBER COUNTRIES					
COOK ISLANDS	U.S. dollar		110,000	90,040	19,960
FIJI	U.S. dollar		687,500	687,500	0
KIRIBATI	U.S. dollar		82,500	65,975	16,525
MARSHALL ISLANDS (RMI)	U.S. dollar		110,000	50,000	60,000
MICRONESIA (FSM)	U.S. dollar		110,000	40,000	70,000
NAURU	U.S. dollar		82,500	81,968	532
NIUE	U.S. dollar		27,500	19,975	7,525
PALAU	U.S. dollar		110,000	80,000	30,000
PAPUA NEW GUINEA (PNG)	U.S. dollar		1,375,000	1,375,000	0
SAMOA	U.S. dollar		165,000	165,000	0
SOLOMON ISLANDS	U.S. dollar		165,000	167,646	0
TOKELAU	U.S. dollar		11,000	11,000	0
TIMOR-LESTE	U.S. dollar	LoU Pending	550,000	0	550,000
TONGA	U.S. dollar		110,000	49,975	60,025
TUVALU	U.S. dollar		27,500	17,500	10,000
VANUATU	U.S. dollar		165,000	150,000	15,000
SUBTOTAL, MEMBER COUNTRIES			3,888,500	3,051,579	839,567
BROUGHT FORWARD FROM PHASE IV					
Australia	U.S. dollar			159,480	
European Union	U.S. dollar			157,216	
Korea	U.S. dollar			46,196	
New Zealand	U.S. dollar			153,742	
SUBTOTAL, FUNDS BROUGHT FORWARD				516,634	
GRAND TOTAL			39,236,012	38,245,792	839,567

REVENUE ADMINISTRATION

MAIN ACHIEVEMENTS

- (1) Supporting the tax administrations of member countries that intend or have signed up to be a PACER Plus signatory to prepare to offset trade tax losses with support delivered to **Cook Islands, Niue, Samoa, Solomon Islands, and Tonga**;
- (2) Ongoing assistance provided to **Palau** with major tax reforms that include the implementation of the Goods and Services Tax (GST) and the Business Profit Tax (BPT). Assistance is also being provided to the **FSM** with tax policy options and revenue analysis in preparation for possible future tax reforms;
- (3) Supporting **Samoa** and the **Cook Islands** with international tax issues, with a specific focus on meeting Base Erosion and Profit Shifting (BEPS) and Automatic Exchange of Information (AEOI) requirements;
- (4) Undertaking diagnostic reviews of the **Timor-Leste** and **Niue** tax administrations to develop modernization roadmaps that prioritize areas for improvement and reform;
- (5) Facilitating improvements to tax administration organizational arrangements such as the introduction of function-based structures;
- (6) Developing and implementing risk-based compliance improvement strategies, including strategies and action plans focused on the impact of COVID-19 on taxpayer compliance and revenue;
- (7) Elevating the importance of taxpayer services and improving its effectiveness;
- (8) Strengthening the focus and compliance management of the large taxpayer segment;
- (9) Facilitating improvements to the management of tax return filing and tax arrears management;
- (10) Facilitating improvements to the effectiveness of tax audits; and
- (11) Modernizing tax legislation including Income Tax, VAT, and Tax Administration Acts.



PFTAC Director David Kloeden and Revenue Advisor Katrina Williams with Fiji Revenue and Customs CEO Mark Dixon

WORK PROGRAM EXECUTION

PFTAC supports member countries to strengthen their tax administration capacity, mobilize tax revenue, improve taxpayer compliance, respond to the COVID-19 impact on revenue collections, and promote the role of taxpayer citizenship that contributes towards fiscal sustainability.

The Revenue Administration Program focuses on two key objectives: (1) strengthened revenue administration management and governance arrangements; and (2) strong core tax administration functions. These include an accurate taxpayer base, quality taxpayer services that support voluntary compliance, and improvements to on-time return filing and payment, as well as tax audit and investigations; that are supported by fit-for-purpose legal frameworks. The program is delivered by two resident tax administration advisors (up from one since October 2021) and draws on an extensive pool of tax experts from across the world. Specialized resources are provided from the IMF's Legal (LEG) Department to draft new or revised tax legislation to support the revenue program objectives, and tax policy expertise is provided by FAD to review and provide advice on tax policy options.

In FY2022, the Revenue program (including Legal) delivered 49 missions or activities (totaling 1,006 TA days) comprising 45 missions to member countries, 4 regional remotely delivered workshops, and contribution to one regional conference. Against the FY2022 workplan that was updated in December 2021 to reflect ongoing COVID restrictions that impeded travel and a return to in-person CD delivery, this was an outturn of 68 percent of planned missions/activities (49 of 72), and 82 percent of planned TA days (1,006 of 1,220), of which 108 TA days were delivered by the resident advisors and 898 TA days by STX. The outturn against the baseline workplan approved by the 2021 SC meeting was 58 percent of planned missions/activities (49 of 84 planned activities) and 77 percent of TA days

(1,006 of 1,313 planned TA days). The midyear update of the workplan saw a modest reduction in the number of planned missions and needed TA days to reflect the delayed resumption of travel that had been expected to restart in the second half of the year, but resulted in all CD being delivered virtually.

Given its large scale, most Revenue CD is delivered by STX plus a few HQ staff-led missions with the resident advisors mostly managing and overseeing the extensive program. The appointment of a second resident advisor now allows for the management of the program to be shared with a modest shift in the balance between STX and LTX delivery as the resident advisors are now able to participate in more direct CD delivery. With budget savings from no travel, an opportunity arose to broaden and deepen the pool of STX, including improving gender diversity by introducing several new highly experienced and qualified STX. As a result, the number of female STX regularly used by PFTAC has risen to a total of seven compared to just one female STX three years ago. The pool of female STX bring a range of experiences to PFTAC CD. They include ex-deputy commissioners and senior leaders from the ATO and NZ Inland Revenue; women with first-hand experience working in revenue administration in the Pacific; and experience working with large corporates in the private sector and international tax expertise. The pairing of experts on select missions has enabled effective on-boarding and assessment of new STX, increasing the average resource utilization per mission, but a worthwhile investment that ultimately creates a more diverse and experienced expert pool.

The provision of PFTAC assistance was impacted by a variety of factors in FY2022, including natural disasters and leadership instability more than normally experienced. **Samoa** had a period of political uncertainty and transition following the May 2021 general election. Leadership of the Samoan revenue agency remains pending with the tenure of the former

chief executive ending with the position remaining unfilled. As is normal practice, the Samoan authorities announced a mission-free period in April and May. Leadership uncertainty and the mission blackout period saw Samoa decline from being consistently one of the largest beneficiaries of PFTAC revenue support. The **Fiji**, **Vanuatu**, and the **Nauru** revenue administrations also went through extended periods of leadership vacancies over the past year and in November 2021, the long serving FSM Assistant Secretary of Customs and Tax Administration, Salvador Jacob, passed away. Assistance to **Tonga** had to be postponed after the volcanic eruption and tsunami in November 2021 causing a complete shutdown in communications. This was followed by a COVID-19 outbreak and lockdown in Tonga.

COVID-19 outbreaks are having a significant impact on the region, with **Tuvalu**, **Nauru** and **FSM** now the only remaining PICs that have not recorded any cases. Most PICs have managed the impact of COVID-19 on the community through a mix of lockdowns, curfews, health responses, and economic responses. Many of these have required the national tax administration to adapt quickly, in particular, where they have been responsible for the delivery of COVID-19 stimulus packages and policy changes in response to the pandemic.

Several PICs are heavily dependent on tourism revenue. Most PICs have had to strengthen revenue collection in areas adversely impacted by COVID-19 with specific initiatives on revenue collection action planning.

The extensive scaling-up of the revenue program, made possible by extra funding from Australia, continued to address high demand for revenue CD during FY2022. The scaling-up of the revenue program started in mid-FY2019, and extended PFTAC's provision of tax policy advice, tax legislation drafting, and extensive tax administration CD with a significant

proportion of the expansion directed to countries that intend to be or are signatories to the PACER Plus trade agreement and who may face lost trade tax collections under the trade agreement. The scaling-up is not a short-term undertaking, and indeed, with the appointment of the second revenue advisor in late 2021 creates a more appropriate balance between the demand and supply of revenue CD.

The trend in CD delivery over the past five years by the PFTAC Revenue

Administration Program illustrates the extent of the scaling-up in TA delivery.

PFTAC Assistance	FY18 (pre scaleup)	FY19 (6 mos. of scaleup)	FY 20 (1-yr. scaleup – 2 mos. COVID impacted)	FY 21 (1-yr. scaleup – full year COVID impacted)	FY 22 (1-yr. scaleup – full year COVID impacted)
TA missions	28	53	50	48	45
Training events	7	5	7	6	4
Number of TA days	482	726	799	877	1,006

BOX 2. REGIONAL INITIATIVE TO IMPROVE TAXPAYER SERVICES AND COMMUNICATION

A virtual workshop on improving taxpayer services and communication in the COVID-19 pandemic context was delivered across five days to 54 participants from 14 member countries in the Pacific region. The workshop supported these revenue authorities by providing participants with a good understanding of both the theoretical concepts behind the taxpayer service function and the practical application of those concepts. Workshop participants shared their country experiences, and each country developed a high-level report aimed at improving and

prioritizing taxpayer service and communication processes. The reports show progress and priority of improvement strategies against key service function elements. These reports were reviewed as part of the workshop and participants were encouraged to discuss these reports with their executive managers and incorporate them into existing business and operational plans.

The workshop introduced good practice techniques that included taxpayer segment thinking

approaches, use of behavioral insights, and user centered design approaches. The respective TADAT Performance Outcome Areas were also reinforced. The materials presented in the workshop were supported by OECD and IMF good practice publications and practical international examples.

The participants recognized the importance of taxpayer services in improving voluntary compliance and developing differentiated approaches for taxpayer segments. Segmentation and risk-based approaches were emphasized to effectively tailor assistance approaches. The importance of bringing a range of views from across the tax administration and taxpayer feedback to assist in taxpayer service design and delivery were discussed. Through workshop exercises and practical international examples, participants learned the value of this approach. Countries were particularly interested in operational techniques to assist with delivering taxpayer service in this challenging pandemic environment.



PFTAC, in partnership with the Pacific Island Tax Administration Association (PITAA) delivered four training events that were identified as priorities from the annual PITAA training needs analysis. This includes a leadership, integrity, and governance program that started in October 2021 and carries into FY2023. Other workshops covered the taxpayer registration

process and data integrity; taxpayer services and communication. A total of 204 participants attended the FY2022 regional training workshops and country-specific skills development programs.

CD delivery in FY2022 partly shifted from the countries that received a high level of support during the previous

two years, turning to countries that received limited or no support during the same period such as **Timor-Leste**, **Niue**, and **Palau**, and PFTAC also effectively provided CD to **Papua New Guinea** after the assistance funded by the Revenue Mobilization Trust Fund (RMTF) program concluded in mid-2021.

Assistance continued to be delivered remotely. Although it has certain advantages such as flexibility, responsiveness, and the ability for more people to attend training, a return to in-country assistance and a blended approach of in-country and remote

assistance is needed. The advantages of in-country work includes closer interaction and time for discussions/coaching and receiving data and other information quickly.

In addition to the collaboration with

PITAA, OECD, ADB, and OCO on regional initiatives and support to countries, cooperation has been established with the ADB, EU, DFAT and the World Bank on assistance being provided to **Kiribati, Palau, Vanuatu, and the Solomon Islands.**

BOX 3. REVENUE ADMINISTRATION LEADERSHIP WORKSHOP SERIES

PFTAC, in partnership with PITAA, is presenting a series of workshops on Leadership, Governance, and Integrity over eight sessions between October 2021 and August 2022. The purpose of the workshops is to provide a platform to discuss leadership and topical management issues and risks, utilizing the wide range of knowledge, experience and learning of current senior leaders in the Pacific region. The focus is on practical application of good revenue administration leadership practice supported by case studies and discussions, and not theory. This was identified as a priority development need through PITAA's annual learning needs analysis.

Revenue administration leaders face many leadership and management challenges. These include balancing the delivery of government priorities, serious capacity and technology constraints, and a sharp focus on revenue results. Leaders are expected to create an environment where people are engaged, performing to the best of their abilities, set direction, and lead with integrity and courage. Leaders in revenue administration need a system-wide perspective, connecting and influencing across government and with stakeholders to optimize revenue collection. In addition to these priorities, the impact of COVID-19 on revenue collection also requires leaders to respond to this "never experienced before challenge" in new ways.

The workshops introduced contemporary good practice techniques to deal with these

challenges. This included the importance of a comprehensive tax policy and legislative framework, effective governance and institutional arrangements, technology driven multi-tiered taxpayer services, and comprehensive compliance and enforcement programs. The use of TADAT is re-enforced as a tool to improve revenue administration. The workshop materials presented are supported by OECD and IMF good practice publications and practical international examples.

Participants expressed strong support for the continuation of the seminar program. The first phase seminars were short, sharp, and practical in their delivery. The participants welcomed the practical examples used to support the seminar material and the opportunity for discussion. Post evaluations showed a high level of satisfaction with the seminars and

usefulness of the material – particularly the sharing of experience and the knowledge of the presenters. Participants expressed a desire to have more time for further interaction resulting in consensus that the workshops be extended by 30 minutes from 90 minutes to 2-hour sessions.

The sessions to date have covered the following topics: (1) the role of the CEO/Commissioner in leading effective revenue administration; (2) characteristics of modern tax administration; (3) enterprise risk management; and (4) compliance risk management. Sessions planned for FY 2023 include: (1) governance and integrity; (2) strategic and operational management (including COVID-19 responses; (3) people leadership; and (4) managing change in a complex environment.



PFTAC-PITAA Leadership Series: Enterprise Risk Management, February 2022

In the **Cook Islands** PFTAC assistance led to:

- (1) Debt and return filing strategy, collections manuals and guidelines, case management, and improved external communication as well as measurement of return and debt collection performance developed. Tax collector skills were also developed;
- (2) Design of new business processes supported by standard operating procedures (SOPs) to improve end-to-end core business processes in line with the Revenue Management Division's modernization plan;
- (3) Improving identification of tax evasion and improving compliance through strengthening processes to meet the Organization for Economic Development (OECD) requirements for AEOI; and
- (4) Review of reform progress over past two years, noting that good progress is being made notwithstanding capacity constraints and additional administrative responsibilities to implement the government's pandemic support measures.

Support to **Fiji** included the following:

- (1) Review of the implementation and functionality of the New Tax Information System (NTIS) that focused on the ease of use and simplicity from the taxpayer perspective, the self-assessment process, data availability, integration with other systems, and security;
- (2) Review of the Fiji Revenue and Customs Service (FRCS) Customs business processes benchmarked against current international good practice and FRCS use of ASYCUDA World. Suggested modernization activities were recommended including national plans for a single window for international

trade, and options for ICT enhancements and approaches to support the modernization initiatives; and

- (3) Review of the implementation of the VAT monitoring system (VMS), its impact on revenue collection, and recommendations on future steps.

Assistance to **FSM** covered:

- (1) Review of previously unimplemented tax reforms plans. Looking towards the future, tax policy advice and revenue estimates were provided on possible tax reform options that could include introduction of VAT with general advice on the potential economic impact on the economy from tax reform.

Tax administration assistance for **Kiribati** was scaled down in the context of two revenue advisors funded by the EU, with only one PFTAC mission undertaken:

- (1) Review of PFTAC's previous CD recommendations and progress made with tax administration reforms. While progress is noted on revenue collections and improvements in tax administration capacity, challenges around capacity, processes, technology, and legislation remain.

PFTAC CD support to **Niue** assisted with:

- (1) Diagnostic review of core tax administration functions and the current organizational structure, providing a roadmap for improvements and opportunities to strengthen revenue collection; and
- (2) Implementation of a new function-based structure, new job descriptions relating to core tax functions, training across the new functions, reporting capability across the core functions, and a segmented approach to manage large taxpayers.

PFTAC assistance to **Palau** expanded substantially in FY2022 helping with:

- (1) Support for tax reforms, including finalizing legislation and plans to implement the Palau Goods and Services tax (PGST) and Business Profit Tax (BPT);
- (2) Corporate strategy, organizational structure, role statements for senior staff, and reporting templates;
- (3) Functional Information and Communication Technology (ICT) specifications for the PGST and BPT systems; and
- (4) Implementation of new divisional working arrangements, new divisional operational plans, communications strategy and products, training material and training to staff, and tax reform implementation planning.

In **Papua New Guinea**, the PFTAC Revenue program assisted with:

- (1) Two missions focused on the new organizational structure to support effective and efficient operations consistent with a modern tax administration.

Assistance to **Samoa** was significantly less than previous years comprising:

- (1) Development of an Information Technology Strategy including the Tax Invoice Monitoring System (TIMS), tax administration reform review by the PFTAC advisors, noting the long period of uncertainty and instability was impacting progress with reforms.

Engagement with the **Solomon Islands** contributed to:

- (1) Renewal of the Compliance Improvement Strategy (CIS) with a focus on the large taxpayer segment and identification of sources of internal and third-party data to depict taxpayer compliance levels/ views and structure the data to develop risk profiles.

BOX 4. COOK ISLANDS – DETERRING TAX EVASION AND ENCOURAGING TAX COMPLIANCE

The Cook Islands government seeks to maintain the integrity of its tax system and since 2015 is one of many jurisdictions that has committed to a global initiative led by the Organisation for Economic Co-operation and Development (OECD) on the automatic exchange of financial account information using the Common Reporting Standards (CRS).

The OECD AEOI initiative sets a global standard for sharing information with the objective of minimizing tax evasion, requiring institutions to file information on foreign account holders and the owners of financial assets to the local tax authority. They then transmit the information to the appropriate foreign jurisdictions to ensure everyone pays the right amount of tax in their tax resident jurisdiction.

Globalization has made it easier for all taxpayers around the world to make, hold, and manage investments through financial institutions outside of their country of residence. Offshore tax evasion has been identified as a serious problem for jurisdictions all over the world.

With the aim of deterring tax evasion and encouraging tax compliance in the Cook Islands, the Director of the Cook Islands Revenue Management Division (RMD), Xavier Mitchell sought PFTAC assistance in developing a strategy, processes, and systems to strengthen RMD's ability to collate, report, and use third party financial information for risk analysis purposes. Meeting the external and in this case international requirements can be very difficult for a small tax administration like the Cook Islands. They often do not have the time and expertise to review their systems and processes, and importantly, to document their procedures.

The real value to RMD of investing in strengthening its procedures around tax evasion is that it enables collection of high-quality data that can be analyzed, exchanged, and then used to monitor and target effective compliance. The RMD has a small international tax team that 'owns' the work in this area, however the CD highlighted that AEOI is part of the overall intelligence system which involves the international team, those that undertake risk analysis, auditors and external stakeholders. The overall strategy, operational plan and processes developed will not only enhance knowledge and collaboration between different functional units at RMD but also assist in implementation of cost-effective mechanisms to improve overall taxpayer compliance in high-risk areas such as tax evasion which is often difficult to detect.

RMD will be subject to an external review of their AEOI administrative procedures on reporting and using third party information. They are going into this with confidence that they will be able to meet the standards expected.

Timor-Leste received the following assistance with the first PFTAC CD for many years:

- (1) High-level diagnostic assessment of the newly established Timor Leste Tax Authority (TLTA), and a reform roadmap based on priority areas and the sequencing of a CD program;
- (2) Training on TADAT; and
- (3) Enhancement of domestic tax system information, expanding the range of forms and guides for taxpayers, as well as a review of the channels used to communicate with and provide information to taxpayers.

In **Tonga**, PFTAC assistance included:

- (1) Awareness of an effective strategic management framework, internal/external environment scan, and workshops with senior management staff to redefine and agree the new strategic direction; and drafting a new corporate plan and business plan for the first year of execution;
- (2) Internal and external guidelines for the Point of Sale (POS) system being introduced by the Revenue and Customs Ministry; and
- (3) Renewed CIS and a Revenue Collection Action Plan focusing on the biggest compliance risks and improving efficiencies across core tax functions, taking account of the COVID-19 challenges and measures to mitigate their impact.

Tuvalu received TA to assist with:

- (1) Development of Corporate Strategic Plan, Operational Plan, CIS as well as finalization of the Business Continuity Plan (BCP);
- (2) Core tax functions, focusing on the newly developed 2022 Operational Plan with emphasis on collectively strengthening the taxpayer experience, influencing taxpayer behavior, and improving the quality of the registration and filing processes; and
- (3) Review of tax administration reforms and examination of the many challenges, including impending integration of the tax and customs departments.

BOX 5. PALAU TAX REFORM

After many years, with several IMF and PFTAC missions since February 2013 to support the authorities' tax reform, the Tax Reform Bill was signed into law on September 29, 2021. This was a remarkable achievement for Palau and the first major tax reform in the Pacific region since 2014. PFTAC assistance played a key role in the passage of the tax reform bill into law, as acknowledged by the Minister of Finance and the Bureau of Revenue (BRT) and former Taxation Director. The legislation sets the implementation date for January 1, 2023.

The centrepiece of the law is the introduction of the Palau Goods and Services Tax (PGST). The law also introduces the Business Profits Tax (BPT) for PGST-registered businesses, and converts certain import duties into an excise tax, and on petroleum products into a carbon tax. Other import duties are reduced to zero being replaced by the PGST. The existing gross revenue tax continues to apply to non-PGST registered businesses. The law also makes amendments to the salary and wages tax.

During the initial phase of PFTAC support, considerable time was spent with the authorities in explaining the legislative intent, answering questions and explaining how the new tax system might operate. Alternate tax policy proposals that were put forward by the Senate and other stakeholders were reviewed from an administration perspective and comparative analysis documentation prepared to assist the authorities in deliberations with the National Congress. External tax reform communication and training strategies were designed to inform all stakeholders of the impacts of the proposed changes. Information bulletins (i.e., fact sheets) explaining the price impacts of the tax reforms on the cost of living were prepared and assistance provided in formulating communications and training strategies.

After the Tax Reform Bill was passed, PFTAC helped the Palau BRT to improve its operational capabilities in preparation for the implementation of the wide-ranging tax reforms. This covered: (a) outlining the key tasks involved in moving to an implementation footing; (b) implementation of the BRT Operational Roadmap (based on previous PFTAC recommendations) aimed at aligning and further developing all aspects of its operational capabilities and modernization implementation plans including corporate strategy, structure, role statements and management reporting; (c) training of staff; (d) internal and external communication strategy and products; and (e) new tax implementation planning. Assistance was also provided with an assessment of the current Information and Communication Technology (ICT) system to identify the need for the implementation of the tax reforms, either with continued use of the current system or other alternatives. This was followed with support being provided on the development of ICT functional specifications for the PGST and BPT systems.

PFTAC is working closely with the BRT long-term resident tax administration advisor funded by the ADB and will continue to assist the BRT in preparation of the tax reform implementation.

Vanuatu's, PFTAC support contributed to:

- (1) Review of implementation and functionality of the Revenue Management System, both as implemented and as anticipated with the introduction of new upgrades;
- (2) Management of outstanding returns and tax debt with tailored treatment and escalation approaches for different risks and behaviors, implementation of a Significant Tax Arrears Case Review Panel, and skills development of collectors through short interactive training workshops;
- (3) Strengthening the tax audit function by renewal of the audit strategy for the 2021 to 2023 tax

years as well as development of SOPs and guidance material for the auditors;

- (4) Improving taxpayer services and communication through a service and communication strategy with a focus on a segmented approach and training delivered based on identification of key capability gaps;
- (5) Training on TADAT; and
- (6) Review of tax administration reforms, with progress noted on the gradual implementation of the Tax Administration Act and other reforms despite persistent barriers and challenges such as the impact from COVID-19 and Cyclone Harold.

Regional assistance included:

- (1) Completion of the 2021 ISORA Survey. Quality and completeness of responses significantly improved when compared with earlier versions of the survey with the most complete ISORA submissions from PFTAC countries;

Legal assistance was provided to support significant tax law reform efforts by PICs. The reforms primarily involve updating and modernizing tax legislation, particularly income tax and VAT laws:

- (1) The **Cook Islands** received assistance with the consultation draft of the Tax Administration Act (TAA) along with a detailed technical note. Additional assistance was provided on drafting the consequential amendments to the VATA, ITA,

and Departure Tax Act;

- (2) Support was provided to **Fiji** to finalize the VAT legislation in line with the April 2021 tax policy review recommendations;
- (3) **Niue** legal CD included revision of the Tax Administration Bill and finalizing the consequential amendments to the Income Tax Act, Niue Consumption Tax Act, and the Departure Tax Act, and preparing the Tax Administration

Regulations;

- (4) **Palau** legal support covered a review of the Tax Reform Bill as passed by the Senate on August 21, 2021, with suggested amendments falling into three categories – policy changes made in the Senate; technical changes that can be implemented through Regulations; and drafting changes that can be referred to Parliamentary Counsel;

- (5) Support was provided to **Samoa** with the legislative measures to implement Base Erosion and Profit Shifting (BEPS) reforms; and
- (6) Legal support to Timor-Leste assisted with a review of the Taxes and Duties Act and first draft of the amendments to the Timor-Leste Taxes and Duties Act to implement the electronic tax system.

BOX 6. WEBINAR ON TAXPAYER REGISTER AND DATA CLEANSING

A virtual workshop on improving the integrity of the taxpayer register and supporting registration processes was delivered as a joint initiative of PFTAC and the PITAA Secretariat to 52 participants from 14 member countries in the Pacific region. The workshop provided participants with a good understanding of: (1) the legal and policy framework for taxpayer registration; (2) IT system requirements for a high integrity register; (3) requirements for maintaining and cleansing data to deliver an accurate and reliable registration database; (4) organizational capability needs; (5) strategies to identify unregistered taxpayers; and (6) designing the future of registration. This workshop built on the registration issues raised in the PFTAC Pacific Island Review of Tax Reforms (2017 – 2020).

Participants, both at managerial and operational levels improved their understanding of contemporary international good practice and were equipped to practically develop and implement improvements to their registration database and supporting processes. Good practice to improve

voluntary compliance and identify unregistered taxpayers was also shared with participants. Other contemporary good practice techniques introduced were: (1) taxpayer centered design approaches; (2) use of third-party data; (3) emerging technologies; and (4) reinforced by respective TADAT Performance Outcome Areas. The workshop materials presented were supported by OECD and IMF good practice publications and practical international examples.

The criticality of having an accurate and reliable registration database as

well as a supporting legal and policy framework to support the work of the revenue administration was emphasized. Through workshop exercises and practical international examples, participants learned the value of these approaches. Each of the participating countries developed and presented a high-level report showing progress and priority improvement strategies against key elements of the taxpayer registration function. Participants were encouraged to discuss these reports with their executives and incorporate them into existing business and operational plans.



PUBLIC FINANCIAL MANAGEMENT

MAIN ACHIEVEMENTS

- (1) Completed the Agile PEFA Assessment for **Cook Islands** as well as the PEFA and Gender Responsive Assessment for **Nauru**;
- (2) Supported the formulation of a country-led PFM roadmap in the **Cook Islands** to strengthen PFM areas of weakness and to complement government strategies in response to the pandemic;
- (3) Modernized PFM legislation in **Niue, Tonga, and Kiribati** to support the reform agenda and to strengthen fiscal responsibility, accountability and transparency;
- (4) Enhanced budget practices by aligning budget resources with national development priorities in **Tokelau** and promoted greater transparency in budget documentation including the publication of the budget book in the **Marshall Islands**;
- (5) Strengthened financial reporting in **Nauru, Tonga, and Tuvalu**, including the adoption of cash based international Public Sector Accounting Standards (IPSAS) and improved asset management to ensure government assets are properly recorded, valued, and reported as required under law; and
- (6) Strengthened internal control through the implementation of risk-based audit practices in accordance with the Institute of Internal Auditors (IIA) standards in **Fiji and Samoa**.



PFM Development Partners - Pacific Islands Forum Secretariat and UNDP counterparts with PFM Resident Advisor

WORK PROGRAM EXECUTION

In FY2022, the PFM program delivered 14 missions or activities (totaling 238 TA days) comprising 12 missions to member countries and 2 regional workshops delivered virtually, including one in conjunction with PIFS. Against the FY2022 workplan that was updated in December 2021 to reflect ongoing COVID restrictions, this was an outturn of 54 percent of planned missions/activities (14 of 26), and 51 percent of planned TA days (238 of 465), of which 106 TA days were delivered by the resident advisors and 132 TA days by STX. However, the outturn against the baseline FY2022 workplan that envisaged a resumption of travel and in-person missions in the second half of the year that did not eventuate, only 44 percent of planned missions/activities (14 of 32 planned activities) were delivered utilizing 39 percent of budgeted TA days (238 of 607 planned TA days). It should be noted also that some countries struggled to take up planned missions, in the absence of long term in-country advisor support financed from other sources. In most cases uncompleted missions have been carried forward into FY2023.

During FY2022, PFTAC completed the Agile PEFA assessment for **Cook Islands** and the PEFA and Gender Responsive Assessment for **Nauru**. The assessments highlighted the strengths and weaknesses of the PFM systems and processes in both countries. For **Nauru**, the assessment also measured the extent to which PFM systems are responsive to gender considerations.

The PEFA assessment results provide the platform to develop the PFM Roadmap highlighting the targeted areas for implementation under a PFM Reform agenda. Taking on board the results of the PEFA assessment, the ongoing PFM reforms, and the government's effort to tackle the adverse impact of the pandemic, the Roadmap complemented **Cook Islands** fiscal response to COVID-19

and the recovery plan as well as ensured the fiscal risks are managed in a sustainable manner.

In response to country requests to modernize PFM legislation, **Tonga**, **Niue**, and **Kiribati** received TA support to review and draft updated legislation to support ongoing PFM reforms.

Tokelau received TA support to cost out the delivery of its national priorities and align its national strategies to the financial envelope to determine whether or not services are delivered in the most cost effective manner. Further support was provided, as part of an ongoing project, to **the Marshall Islands** to enhance transparency in the presentation of the budget book, which was presented to parliament along with the appropriation bill. Advice was also provided on the Financial Management Information System (FMIS) configuration to underpin transparency of the budget and budget execution reporting.

Support was provided on strengthening budget execution and control, through implementation of the IIA's internal audit standards and risk-based audit practices in **Fiji** and **Samoa**, and via the implementation of robust warranting and commitment control processes in **Tuvalu**, which will ultimately be incorporated into the new FMIS.

In support of improved financial reporting based around the adoption of IPSAS Cash, PFTAC provided TA to **Tonga** and **Tuvalu** to take the first steps towards adoption of the standards. This included assisting the Ministry of Finance elaborate a policy of adopting IPSAS Cash Basis and utilizing Part 2 of the standard (encouraged disclosures) to progressively publish appropriate supplementary data, including balance sheet items. Furthermore, **Tonga** received support to strengthen the management of government assets to avoid qualified opinions and to ensure a framework was in place to properly

record and report government fixed assets, and guidance was provided to **Tuvalu** on further refinements to the chart of accounts.

Guidance was provided to **Samoa** on strengthening the oversight and management of State Owned Enterprise (SOE) fiscal risks—a part of the public sector significantly impacted by COVID-19. This included the presentation of an Excel based tool designed to assist and streamline the analysis of SOE performance to determine the extent of risk and possible impact on the government.

At the regional level, PFTAC plays an active role in coordinating its programs with those of other partners to leverage synergies and maximize impact and return to countries. PFTAC collaborated with PIFS in hosting the **PFM Symposium** held March 22 – 25, 2022. PFTAC delivered the opening presentation focused on the PFM successes over the past decade, PFTAC/IMF CD delivery modalities; challenges faced in the recent past; and opportunities from a strategic approach to PFM reform. PFTAC also moderated the final session on the last day. The Symposium brought together Ministry of Finance heads, senior officials, private sector representatives, civil society representatives, and development partners to share knowledge and network on topical PFM issues currently facing the region, particularly in view of the COVID-19 environment and the ensuing recovery measures.

PFTAC also hosted the virtual **SOE Fiscal Risk** workshop to discuss institutional arrangements and good practice for monitoring and overseeing fiscal risks of SOEs, and how to strengthen governance and transparency to minimize risk exposure. The workshop also discussed regional approaches to managing and mitigating the specific fiscal risks arising from the COVID-19 pandemic.

BOX 7. NAURU PEFA AND GENDER RESPONSIVE ASSESSMENT

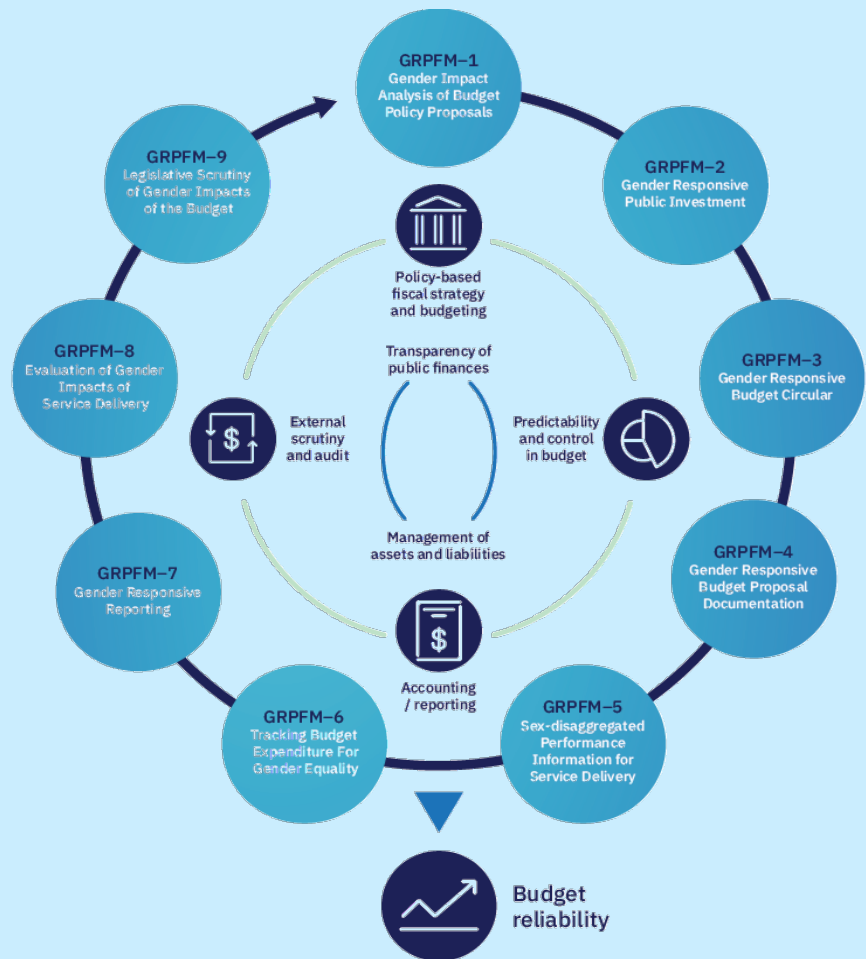
On March 2, 2021, the Nauru Secretary for Finance, wrote to PFTAC requesting support to undertake an Agile PEFA and Gender Responsive assessment. The assessment aimed at: (i) measuring the current performance of the PFM system and track progress made since 2016; (ii) assess the extent to which the PFM system responds to gender related issues; and (iii) identify areas of progress and weakness, including gender related issues that could be the focus of PFM reforms going forward.

The last PEFA assessment was completed in 2010 followed by a self-assessment in 2016. These assessments highlighted many issues required to strengthen PFM system to improve efficiency, accountability, and transparency in the use of public funds and to ensure effective service delivery for the benefit of the community.

Nauru's limited capacity and resources to generate revenues domestically to meet its development needs underscore the importance of having strong public financial management systems, processes, and institutions. The 2016 self-assessment highlighted notable improvements since the 2010 assessment, but weaknesses remained in many areas. These included unclear information on government fiscal operations, weak budget controls, poor management of assets and liabilities, weak internal controls, the absence of debt management strategy, and weak external scrutiny.

The roadmap, developed following the self-assessment, targeted the areas of weakness identified and were progressively implemented by the government since 2017, illustrating the government's commitment to continue to improve its PFM systems and processes to support prudent economic management and improved service delivery.

The preliminary assessment results have been completed and will be discussed with the Oversight Team for their perspective on the basis of the ratings. The assessment was ably supported by the Oversight Team chaired by Ms. Novena Itsimaera, Secretary for Finance; and included Mr Isikeli Voceduadua - Deputy Financial Secretary; Mr Atunaisa Baleimatuku - Chief Accountant; Ms. Stephanie Tebouwa - Director Budget; and Mr Rosco Cain - Director Planning.



The Seven Pillars of PFM Performance



Budget reliability



Transparency of public finances



Management of assets and liabilities



Policy-based fiscal strategy and budgeting



Predictability and control in budget execution



Accounting and reporting



External scrutiny and audit

BOX 8. NAURU PEFA AND GENDER RESPONSIVE ASSESSMENT - ATTACHMENT

PFTAC encourages the involvement of staff of Ministries of Finance in PEFA assessments. It provides a great opportunity for them to get hands-on experience on the process involved, understanding of the PEFA indicators and broaden their knowledge of the challenges faced in reforming PFM systems and processes. That learning invariably enhances the staff's ability to better design and implement PFM reforms in their own country.

That arrangement was adopted in the Nauru PEFA exercise where Ms. Kelera Kolivuso-Ravono (Manager Social Services Sector, Budget and Planning Division, Ministry of Economy, Fiji) participated as a member of the assessment team. She was responsible for the assessment of the gender related indicators.



This is what she says about the experience.

"...My involvement in the Public Financial and Expenditure Accountability (PEFA) assessment on the Gender Responsive Public Financial Management (GRPFM) for the Government of Nauru from February to April 2022 has contributed tremendously to the enhancement of my PFM systems knowledge and assessment skills. This has also helped me improve my understanding on the use of the supplementary framework for assessing GRPFM and the nine performance indicators to be able to gauge the degree to which a country's PFM system acknowledge the different needs of men and women and promoting gender equality. I'm sincerely grateful to PFTAC for giving me this opportunity to develop myself which will further progress the gender responsive budgeting work that the Ministry of Economy is currently doing since its inception in our 2020-2021 Budget. I trust that more capacity development will be provided to further progress our Government's goal to reduce gender gaps and address gender equality".

PFTAC plans to have more country representatives on PEFA missions as well as other PFTAC programs, as appropriate opportunities arise.

In the **Cook Islands** PFTAC:

- (1) Provided support to analyze the PEFA results following the completion of the PEFA assessment to highlight areas of strength and weakness, helping the authorities frame the strategies that will form the PFM Roadmap taking into account the relative priority of each action and their overall importance to strengthen PFM in the Cook Islands.

Support to **Fiji** included:

- (1) Follow on work to strengthen internal audit practices through the adoption of IIA standards and risk-based auditing techniques. This is part of an ongoing project where significant progress has been made in the past few years.

In **Kiribati**:

- (1) Work commenced on updating the Finance law to develop a modern PFM Act to provide appropriate

support to ongoing PFM reforms and strengthen transparency and accountability. The drafting of the revised PFM Act will continue into FY2023.

Further support to the **Marshall Islands** was provided on:

- (1) Enhancing transparency in the presentation of the budget, specifically regarding the publication of the budget book including presentation of budget allocations by administrative and economic item classifications in accordance with international standards. This work is part of an ongoing project where progressive improvements in the budget book are envisaged over successive years. Support included the presentation of a template for the budget book for the FY2021/22 Budget, and a second mission early in the budget cycle for FY2022/23 laid the foundations for further improvements in the upcoming budget book to be tabled to the Nitijela (parliament).

In response to a request from the **Nauru** authorities:

- (1) The **Agile PEFA and Gender Responsive assessment** was launched in February 2022 with the assessment aimed to measure the current performance of the PFM system and track progress made since 2016; assess the extent to which the PFM system responds to gender related considerations; and identify areas of progress and weaknesses, including gender related issues that could be the focus of further PFM reforms going forward. The Gender Responsive component illustrates PFTAC's commitment to incorporate gender issues. Further support to develop the PFM Roadmap following the completion of the assessment is envisaged in FY2023.

PFTAC assisted **Niue** with:

- (1) Drafting specific sections of a modernized PFM Act. However, finalization has been delayed

awaiting review and feedback from the authorities with further work planned for FY2023.

Support to **Samoa** comprised:

- (1) Assisting the Ministry of Public Enterprise to strengthen its fiscal risk management framework through the use of tools to streamline the analysis of SOE performance and associated risk channels. Additionally, guidance was provided to support the assessment of risks resulting from contingent liabilities.

Tokelau benefitted from PFTAC support:

- (1) To align national strategies with the 2021-26 Tokelau National Strategic Plan to budget resources, provide estimated costs to implement each strategy, and prepare user-friendly monitoring and evaluation framework for the authorities to track implementation. This will strengthen the integration of national objectives with budget allocation. The TA involved extensive consultations with the island communities to gauge their perspective of government service

delivery and to develop priorities they would like the government to provide.

Multiple shocks adversely affected PFM efforts in **Tonga**:

- (1) Causing modernization of Tonga's PFM Act to face lengthy delays due to COVID-19 and the volcanic eruption and resulting tsunami. Further support will be provided to conclude the legislation update once the situation normalizes and appropriate feedback can be sought and considered; and
- (2) As strengthened management of Government assets is reflected as a priority in Tonga's PFM Action Plan, PFTAC supported the formulation of the Asset Management Framework as a critical first step towards improving the recording, reporting, and overall management of fixed assets. Necessary policy documents, procedures, and templates were developed to enable the Ministry of Finance to complete a stock take of property, plant and equipment in accordance with the IPSAS Cash. Training materials to implement the new policy have also been

completed.

In **Tuvalu** assistance centered on:

- (1) Strengthening financial reporting practices by focusing on the implementation of the core elements of cash based IPSAS. This will provide a platform for progressively extending the coverage of encouraged disclosures in accordance with Part 2 of the Cash IPSAS over the coming years. Advice was also provided on the Chart of Accounts, including alignment with standards such as *GFSM 2014*; and
- (2) Strengthening budget execution and control through the introduction of quarterly warranting, commitment controls, and templates and processes for tracking and managing expenditure arrears. Guidance was also provided on modalities for configuring new modules in the FMIS designed to strengthen system-based budget execution controls. A template for periodic update of cash flow forecasts was provided, and further work in this area is scheduled for FY2023.

BOX 9. COOK ISLANDS PFM ROADMAP

Following the completion of the Agile PEFA assessment in August 2021 and following a request from the Ministry of Finance and Economic Management (MFEM), a remote PFTAC mission assisted the authorities between August and December 2021 to formulate a PFM Roadmap.

The mission analyzed the results of the PEFA assessment, highlighted the areas of strength and weakness, and provided advice to the authorities to help frame the strategies that will form the PFM Reform Implementation Plan or Roadmap. The mission also took into account the government's pandemic response efforts.

In view of the severe impact of the pandemic on the tourism industry and the economy, the PFM Roadmap had to be re-cast to support the government's Economic Response Plan (ERP). With that in mind, the priority activities focused on the provision of timely and comprehensive cash management, budget monitoring and reporting; collection of revenue arrears to increase cash inflows; reprioritization of projects; monitoring of fiscal risks from SOEs; continuation of the FMIS roll-out; and preparatory steps for new reforms.

The second round of reforms centered on updating the medium-term fiscal

strategy and implementing the medium-term revenue strategy, external financing strategy, and sustained fiscal risk management as well as expanding the FMIS coverage, develop the TSA system and decentralizing the accounting system.

A key takeaway from this TA is the need to be flexible to take account of the key issues facing the country and adjust the Roadmap focus accordingly to give priority to the reforms that support the country's efforts. This improves the practicality and relevance of the PFM reform agenda.

MACROECONOMIC PROGRAMMING AND ANALYSIS

MAIN ACHIEVEMENTS

The PFTAC Macroeconomic Program delivers CD to countries on the basis of demand in four key areas:

- (1) **Macro-fiscal modelling** – Many countries want to better understand their short and long run economic and fiscal outlook, particularly in relation to debt sustainability and appropriate revenue and expenditure settings;
- (2) **GDP modelling** – Both Finance Ministries and Central Banks are interested in improving their GDP forecasting techniques to more accurately predict their economic outlook and inform the most appropriate policy actions to respond. Understanding the

impact of government spending as well as key exogenous variables, such as the price of oil and food, is an important part of this process;

- (3) **Tax modelling** – the program has supported major tax reform processes through the provision of tax modelling to contribute to the development of policy reform options;
- (4) **Other support** – these have recently included inflation forecasting, analysis of specific industry contribution to the economy and assistance in Budget format presentation of key macro-fiscal indicators;

During FY2022:

- (1) Ten PFTAC member countries received TA from the Macroeconomic program;
- (2) Two workshops were delivered, with 54 and 48 participants respectively attending from across the Pacific;
- (3) Collaboration with STI in delivering advanced IMF Financial Programming training in three countries; and
- (4) Provided support to Palau's tax reform initiative and it's legislated decision to introduce VAT.

Projecting potential output

Centered moving average of GDP, e.g. five years

$$Y_t^p = \frac{Y_{t-2} + Y_{t-1} + Y_t + Y_{t+1} + Y_{t+2}}{5}$$

A centered moving average is used because potential output is a function of what happened in the past (e.g. drought destroyed crops) and expected economic activity.

Firms will increase productive capacity today if demand is expected to increase next year or the year after.

Firms will reduce capacity, e.g. not replace retiring workers, if demand is expected to slow.

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Joint PFTAC STI Webinar on GDP Forecasting, July 2021

WORK PROGRAM EXECUTION

In FY2022, the Macro program delivered 14 missions or activities (totaling 259 TA days) comprising 12 missions to member countries and 2 regional workshops delivered virtually. Against the FY2022 workplan that was updated in December 2021 to reflect ongoing COVID restrictions, this was an outturn of 74 percent of planned missions/activities (14 of 19), and 99 percent of planned TA days (259 of 262), of which 152 TA days were delivered by the resident advisor and 117 TA days by STX. The outturn against the baseline FY2022 workplan that envisaged a resumption of travel and in-person missions in the second half of the year that did not eventuate, was actually higher than against the revised workplan with 82 percent of planned missions/activities (14 of 17 planned activities) delivered utilizing 146 percent of budgeted TA days (259 of 177 planned TA days). Despite a continuation of all CD being delivered virtually in the second half of FY2022, the Macro program was the only PFTAC program to expand its workplan, targeting three additional missions utilizing a greater number of STX days.

FY2022 saw many countries contemplating what their post COVID19 economic recovery may look like and what its implications would likely be for revenue, expenditure, deficits, and ultimately debt sustainability. This led to a number of economic forecasting missions being requested by country authorities as they sought to better understand their options and constraints going forward in relation to their fiscal settings.

This situation has been recently further complicated by the emergence of strong inflationary pressures, driven by energy and food prices. While this has benefited some commodity exporting countries in the region, for many others this shock is causing rising prices while simultaneously placing downward pressure on economic growth. In this context detailed macro-fiscal modelling, including through the medium and long run, is critically important.

PFTAC's assistance in relation to these and other issues has been carefully calibrated to be 'fit for purpose', with some countries working toward the publication of straight forward budget estimates and macro-fiscal indicators, and others looking to adopt more sophisticated forecasting approaches to better predict their economic outcomes.

Tax modelling has also featured heavily in the Macroeconomic program over FY2022 as countries seek to make their tax systems more efficient and provide a more stable revenue base for government operations. For example, tax modelling work carried out in **Palau** assisted authorities in legislating to introduce a VAT as well as to move toward the abolition of less efficient taxes. The impact of tax reform on low income earners was also modelled so that appropriate compensation packages could be provided.

Other examples include the modelling of the likely revenue impact of the possible introduction of a VAT in **FSM**, along with the abolition of less efficient taxes. In **Samoa** revenue impacts associated with potential changes in the regulatory treatment of the international financial sector were also modelled, enabling authorities a clearer understanding of the likely implications of policy decisions.

In the **Marshall Islands**, the Macroeconomic program delivered two remote missions in FY2022. The first in June 2021 assisted the authorities in undertaking new economic and revenue forecasts for their upcoming Budget. This entailed a detailed analysis of the impact of COVID-19 on GDP industry sectors as well as on individual government revenue lines. Donor funding and fishing revenues were also estimated as part of this process. A second mission delivered in conjunction with the PFM program provided advice concerning the appropriate presentation of macro-fiscal indicators in the new Budget that was to be published for the first time.

In June 2021, **Nauru** was able to construct a ten year forward looking

macro-fiscal model for undertaking scenario analysis with the assistance of PFTAC experts. Key scenarios that were examined included changes in government expenditure, changes in contributions to, and drawdowns from Nauru's Sovereign Wealth Fund, as well as the impact in the event of closure of the Refugee Processing Centre. These, and other modelling options allow the authorities to make accurate forecasts of macro-fiscal outcomes under a range of possible scenarios and take appropriate action in response. Extensive training was also provided to Ministry of Finance staff during these missions.

In response to a request from the **Niue** authorities, a review and analysis of possible reforms and adjustments to the system of NTR was completed in November 2021. NTR options were modelled to provide indicative forecasts for consideration by the authorities of likely revenue outcomes should the proposed changes be adopted. The mission also examined tax expenditures and made recommendations concerning the appropriate share of government revenue including the contribution from NTR.

Major tax reforms are underway in **Palau** that both the Revenue and Macroeconomic programs are supporting. In August 2021, the Macroeconomic program produced a comprehensive tax reform package proposal for the consideration of the Palauan authorities. This entailed the detailed modelling of Palau's tax system and the production of forecasts of existing and proposed new taxes under different scenarios. This tax reform package included the introduction of VAT and the abolition of some existing taxes. In addition, the impact of the proposed tax reforms on households was modelled to allow for the delivery of appropriate compensation packages for affected households. The Palau legislature subsequently passed a comprehensive tax reform package signed into law by the President that included targeted compensation for affected households. This tax reform package is expected to significantly increase the efficiency of

the Palau tax system, boosting both fiscal sustainability and long term economic growth.

PFTAC's Macroeconomic program, in conjunction with the IMF's Singapore Training Institute (STI), conducted the first stage of a Financial Programing mission with **Papua New Guinea** Ministry of Finance and Bank of Papua New Guinea staff in June of 2021. This consisted of intensive training in Macroeconomic Accounts and Macroeconomic Diagnostics. Future stages of this program are planned that could ultimately lead to the construction of a sophisticated model for use in macroeconomic analysis and forecasting.

With assistance of the Macroeconomic program provided in February and March 2022, the **Samoa** authorities were provided with an analysis and modeling of the economic and revenue impact of possible changes to the regulatory and tax treatment of Samoa's International Financial Sector. This was intended to provide the authorities with a better understanding of issues surrounding the European Union's listing of Samoa as a non-compliant jurisdiction from their current regulatory treatment of the international financial sector. This was requested by the authorities to follow-up on 2020 PFTAC support that modelled the economic and government revenue contribution of Samoa's international financial sector.

At the request of the Central Bank of the **Solomon Islands** a new inflation forecasting model was constructed with in-depth training provided to the authorities on its operation. This sophisticated, econometrically based model was designed with a strong focus on user friendliness and the ability to run a range of scenarios. In order to ensure model accuracy, particularly in the short run, each of the 66 components of the CPI were independently calibrated with a range of economic parameters, including the world price of oil, other commodity prices, Australian and Chinese CPI, and the money supply. Changes in the supply of domestic betelnut was also found to be a significant contributor to

changes in headline inflation. While changes in aggregate domestic demand was also found to be a contributor to inflationary pressures, Solomon Islands as a very small and an open economy means that world prices and inflation in major trading partners are, in general, stronger contributors.

The PFTAC Macroeconomic program in conjunction with STI conducted the first of two stages of a Financial Programing mission for the **Timor-Leste** Ministry of Finance and Central Bank in FY2022. The first component consisted of intensive training in Macroeconomic Accounts and Macroeconomic Diagnostics and the second component comprised an analysis of Timor Leste macroeconomic statistics and the initial construction of a sophisticated model for use in macroeconomic analysis and forecasting. Future stages of the program are planned for FY2023.

The **Tuvalu** Ministry of Finance authorities were assisted to construct a new GDP(P) forecasting model incorporating the Tuvalu Statistics office new National Accounts time series. As part of the TA mission, a range of proxy forward indicators were utilized to estimate future growth among each of the industries that make up the Tuvalu economy. The mission helped produce an estimate for both market and non-market GDP, an important distinction when examining the sustainability of the macro-fiscal outlook, given that non-market GDP usually falls outside of the revenue base of the government.

The PFTAC Macroeconomic program in conjunction with STI conducted the first stage of a Financial Programing mission for the **Vanuatu** Department of Finance and Treasury and the Reserve Bank of Vanuatu. The mission consisted of intensive training in Macroeconomic Accounts and Macroeconomic Diagnostics. Further tranches of the program will focus on an analysis of Vanuatu's Macroeconomic Statistics and the construction of a sophisticated model for use in macroeconomic analysis and

forecasting. Future support is planned for FY2023.

In July 2021, the PFTAC Macroeconomic program in conjunction with STI conducted a 3-day virtual workshop on **GDP Forecasting** for 54 Central Bank and Ministry of Finance officials from 11 PICs. The workshop team used a blended learning approach, combining synchronous videos from the online Macroeconomic Diagnostics Course (MDSx) with live workshops using Fiji data. The July workshop featured a Nowcasting session using data from PICs, which proved to be popular with participants. Feedback from participants included: *"Economic modelling development is greatly required. Nowcasting training including the use of Eviews should be rolled out to all Pacific countries. Nowcasting to my opinion is very relevant and useful."* Though some participants expressed a preference for in-person delivery once travel resumes: *"Prefer face-to-face sessions, due to multi-tasking between the course and daily output can be quite daunting".*

In October 2021, the PFTAC Macroeconomic program in conjunction with STI conducted a 3-day workshop on **Inflation Forecasting** for 48 Central Bank and Ministry of Finance officials from 11 PICs. The seminar included a combination of formal and informal training and drew upon examples from Fiji and the Solomon Islands. Traditional supply and demand forecasting frameworks were analyzed along with disaggregated or 'bottom up' econometrically based forecasting approaches. The Reserve Bank of Australia also presented their own inflation forecasting techniques and its role in monetary policy decision making. Participants also shared their unique country experiences, with the Reserve Bank of Fiji presenting to the group their approaches on inflation forecasting. Many countries identified improvements that they could make to their existing inflation forecasting techniques, including with potential future PFTAC assistance. The workshop achieved a high average participant satisfaction rating of 4.6/5,

and comments from course participants included: “*The course is well-covered - the case experience for selected Pacific countries during the sessions was also useful and indeed informative*” and “*The course gives useful tools that we might apply in our own country forecasting.*”

In November 2019, Central Bank

Governors from nine Pacific Central Banks comprising **Australia, Fiji, New Zealand, Papua New Guinea, Samoa, Solomon Islands, Timor Leste, Tonga, and Vanuatu** decided to pursue the implementation of a regional Know Your Customer (KYC) facility. The aim of the facility would be to allow for more efficient regional remittances, as well as the

strengthening of Correspondent Banking Relationships (CBR) through ensuring better Anti Money Laundering and Counter Terrorism Financing (AML/CFT) compliance. The Macroeconomic Program continued to provide Secretariat support to this project throughout FY2022.

BOX 10. PFTAC MACROECONOMIC PROGRAM COLLABORATION WITH IMF SINGAPORE TRAINING INSTITUTE (STI)

To enhance PFTAC member countries' understanding of the interrelations between different sectors within their respective economies, a more formalized and longer term training approach was adopted as potentially being more beneficial to Pacific authorities. This is why PFTAC's Macroeconomic Adviser, in conjunction with STI are in the process of conducting two long term training and modelling missions in Timor-Leste and Vanuatu.

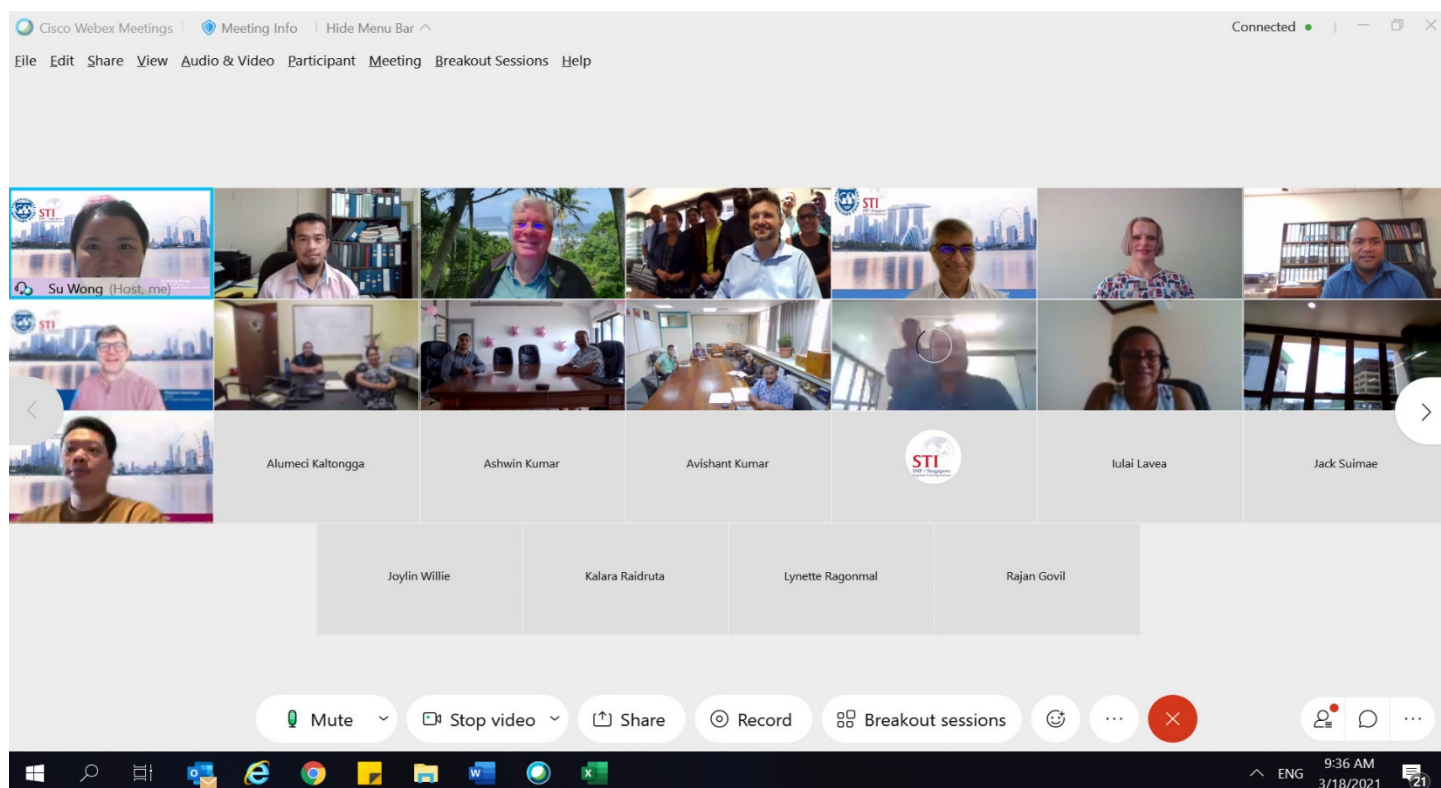
These missions start with participants undertaking formalized IMF courses on

Macroeconomic Accounts, Macroeconomic Analysis or Macroeconomic Forecasting. These courses are conducted by the PFTAC and STI Advisers and are designed to be very interactive for attendees while allowing the presenters to overlay the course with additional judgement and experience.

The next step is the joint construction of a Financial Programming model with the authorities. This entails a detailed analysis of existing economic and fiscal data, an exploration of the linkages between each parameter and

other parts of the economy or government accounts, and the eventual modelling of these relationships.

The final product of these program missions will be a sophisticated macro-fiscal model which the authorities will be able to utilize in order to understand the impacts of changes in economic policy or shocks on their economies. This analysis will also be enhanced as a result of participants improved understanding of the range of dynamic relationships occurring within their economies.



Macroeconomic Programming Joint Training with STI

MACROECONOMIC STATISTICS

MAIN ACHIEVEMENTS

- (1) Extending the coverage of national accounts by implementing expenditure side;
- (2) Introducing seasonal adjustment techniques to adjust quarterly national accounts;
- (3) Supporting the initiative for high frequency economic indicators by further expanding compilation of quarterly national accounts across the region;
- (4) Compilation, dissemination and improvement to timelines of GFS for the Budgetary Central Government (BCG) and expand coverage to the General Government (GG);
- (5) Expanding coverage to the rest of the public sector by using audited financial statement where available and bridging financial data to the *GFSM 2014*.
- (6) Increase the coverage for public sector debt statistics (PSDS) compilation and dissemination; and
- (7) Review and improve compilation and dissemination procedures and business process documentation.



Fiji Bureau of Statistics Representative with PFTAC Centre Director

WORK PROGRAM EXECUTION

GOVERNMENT FINANCE STATISTICS

The GFS program has been winding down since the assignment of the GFS advisor concluded on August 31, 2021. The FY2022 workplan was delivered virtually given the impact of the ongoing COVID-19 pandemic travel restrictions.

Over FY2022, 6 GFS missions (totaling 51 TA field days) were delivered: 10 days by the PFTAC GFS resident advisor and 41 days by STX. This is effectively 86 percent delivery (TA days) of the workplan as adjusted at mid-year.

The regional workshop planned for March 2022 was postponed to August 2022 to allow for travel conditions to improve with the aim of delivering the workshop in person. Delivering an in-person workshop will allow an opportunity to take stock of countries' GFS and PSDS implementation status and to properly close out the Phase V GFS program and update action plans ahead of the start of Phase VI.

The main themes in FY2022 for the GFS program were:

- (1) TA in **FSM, Palau** and **RMI** continued to expand coverage with compiling consolidated general government fiscal statistics. Expanding coverage, the rest of the public sector by bridging public financial and non-financial corporations audited data to the GFSM 2014 also started;
- (2) In **Samoa**, assistance focused on integrating stocks and flows in the fiscal accounts by using the government public account balance sheet data. Improvements were also made in the classification of the functions of government expenditure data;
- (3) Improvements were suggested to budgetary central government quarterly fiscal statistics for **Papua**

New Guinea, and recommendations were made in expanding the GFS coverage in the national budget volume II and the classification of the functions of government expenditure;

- (4) CD synergies between PFTAC funded activities and the headquarters Data for Decisions (D4D) trust fund were achieved by delivering TA to **FSM, Papua New Guinea**, and **Solomon Islands** to increase coverage in the compilation of PSDS. Training on the GFS framework and practical application was provided to **Timor-Leste** GFS compilers under the D4D trust fund;
- (5) Review and update of business process documentation for GFS and PSDS compilation were completed for **FSM, Palau**, and the **RMI**.

REAL SECTOR STATISTICS

The ongoing COVID-19 pandemic with its travel restriction has continued to impede in-person missions in FY2022. Nevertheless, 13 RSS TA missions were provided to the region during FY2022 with 5 of them conducted by STX and one mission to Tuvalu covering External Sector Statistics.

Two regional workshops were delivered remotely with one on annual national accounts with a special focus on correctly recording COVID-19 related fiscal and economic items in the national accounts framework, and the other on QNA and seasonal adjustment.

The most important achievements in FY2022 in macroeconomic statistics were:

- (1) Reviewing and finalizing experimental GDP(E) compilation in **Samoa**;
- (2) First time compilation and publication of QNA data adjusted

for seasonal and calendar variations in the **Cook Islands**; and

- (3) Starting implementation of a QNA program in the **Solomon Islands**.

The sole objective of the RSS program is to *strengthen macroeconomic and financial statistics compilation and dissemination*.

The COVID-19 pandemic has increased the demand for timely QNA to better inform recent economic developments and support effective and evidence based economic policymaking. Governments, businesses, and citizens require timely, high frequency data to track the depth of the recession and the pace and shape of the recovery.

In the **Cook Islands**:

- (1) an STX mission helped refine the applied methodology for compiling GDP(E), extended the series to 2020, and developed an experimental quarterly series;
- (2) the mission incorporated quarterly GFS into both annual and quarterly GDP(E), improving the coherence of the estimates; and
- (3) a further mission assisted the authorities with the compilation and finalization seasonal and calendar adjusted QNA data with a following first time publication of results.

In **Fiji** the statistical office was supported by:

- (1) the introduction of new annual benchmarks in QNA compilation; and
- (2) a review of new annual national accounts estimates for FY20 and providing advice on the upcoming rebase.

BOX 11. GDP BY EXPENDITURE

While the production side of GDP(P) derives GDP by observing the output and input of producing units (e. g. companies), the expenditure approach tries to derive GDP by summing up the expenditure on products for final use (consumption, investment, and exports) and deducting all products produced abroad (imports).

$$YE = C + I + (X - M)$$

Typically, the source data used in this approach is less reliable than for the production side as data about expenditure on investment is scarce. However, the components of expenditure side GDP are more informative and useful for fiscal and economic policy makers than those

included in GDP(P). Consumers and investors form more heterogeneous groups concerning their behavior than the different branches of enterprises as reflected in GDP(P). This makes GDP(E) better suited for modelling economic reactions to fiscal stimuli and for forecasting.

In theory, both approaches should produce same GDP numbers. In empirical work, however, a numerical difference emerges which ideally should be as small as possible. One method that harmonizes both GDP measures is to find data inconsistencies between both sides by setting up a Supply and Use Table (SUT) framework. On a detailed product basis, this tries to track the

allocation paths of all products e.g., from imports to consumption, company input or investment. SUTs are not only a method for harmonizing GDP(P) and GDP(E) data, but also an analytical tool on its own.

Furthermore, SUT provide the data basis for more detailed Input-Output tables (IOT). This statistical product allows for the tracking of stimulus to the domestic economy on a detailed industry basis as triggered by certain fiscal policy measures, like the domestic value-added by branches of a public investment project. Therefore, PFTAC tries to improve the usefulness of national accounts by introducing GDP(E) programs in all of its member countries.

Technical assistance to **FSM** included:

- (1) reviewing and updating national and state government GFS working files and align to the GFSM 2014. Compiled public sector gross debt statistics;

In **Kiribati**, TA mainly focused on:

- (1) an update of annual GDP(P) and GDO(E) to 2020; and
- (2) the introduction of new benchmark statistics in national accounts.

Nauru was supported with:

- (1) an update of annual national accounts to the fiscal year 2020; and
- (2) capacity supplementation from headquarters to compile annual BCG fiscal data for FY2019 and FY2020.

Niue received an STX mission helping with:

- (1) updating the national accounts estimates for 2019 and 2020; and

- (2) introduction of updated and improved data sources to the accounts.

In **RMI**, TA helped:

- (1) the authorities to compile value-added for several market producing industries;
- (2) deliver training on the recommended method to compile value-added for non-market producers and its application to public administration, education and health service;
- (3) provide advice on the appropriate price adjustment of taxes and subsidies on products; and
- (4) assist in refining quarterly GFS and expanding coverage to report consolidated general government fiscal statistics.

In **Palau**, PFTAC's support contributed to:

- (1) expanding coverage to report consolidated general government fiscal statistics. Compile public sector gross debt statistics.

In **PNG**, support mainly focused on:

- (1) review and refine the national budget volume II classifications to align to *GFSM 2014*;
- (2) review quarterly GFS compilation and narrow down statistical discrepancies; and
- (3) review and improve the classification of the functions of government expenditure.

In **Samoa**, developments included:

- (1) assisting the Samoa Bureau of Statistics with an STX mission improving experimental GDP by expenditure estimates and finalizing the data for publication; and
- (2) expanding coverage to include stocks and flows for the budgetary central government statement of operations and balance sheet.

In the **Solomon Islands**, the PFTAC program provided:

- (1) an LTX who conducted a remote mission to assist the Central Bank

with training and the start of the implementation of a QNA program; and

- (2) a remote STX mission led by the IMF's Statistics Department assisted the Central Bank with the start of an SUT program.

The focus of PFTAC assistance to **Tonga** was:

- (1) the continuation of the implementation of an experimental QNA programs with two missions.

In **Tuvalu PFTAC assisted in:**

- (1) compiling the balance of payments and international investment position (IIP) for 2019; and
- (2) strengthening the compilation framework and provide hands-on training to the staff.

FINANCIAL SECTOR SUPERVISION

MAIN ACHIEVEMENTS

- (1) Contributing to financially inclusive macroeconomic stability and growth through stable, well-supervised financial institutions;
- (2) Supporting and facilitating financial sector legislative reforms;
- (3) Providing enhancements to the existing prudential and risk

management standards to align them with the Basel Framework, applying proportionality and developing new prudential standards on matters not otherwise covered by the prudential standards issued by the PIC authorities⁵; and

⁵ The Basel Framework is the full set of

- (4) Upgrading off-site supervision and supervisory action planning frameworks.

standards of the Basel Committee on Banking Supervision (BCBS), which is the primary global standard setter for the prudential regulation of banks. It includes Basel Core Principles contained in BCBS document entitled “Core Principles for Effective Banking Supervision”, September 2012.



Virtual Workshop on Pillar 2 (SREP, ICAAP, ILAAP) and Basel III, April 2022

WORK PROGRAM EXECUTION

FINANCIAL SECTOR SUPERVISION

The FSS FY2022 program contributed to significant enhancement and reform of the financial sector regulatory and supervision frameworks of member countries, further aligning them with the Basel Framework and Basel Core Principles applying proportionality. PFTAC delivered TA continued to assist countries modernize their risk-based supervision (RBS) frameworks and provide support in reforming some long-standing gaps and inefficiencies in regulatory frameworks and supervisory systems. Work continued with the Supervision Framework Enhancement Program (SFEP), Banking Regulatory Reforms, and the Insurance Regulatory Reform project.

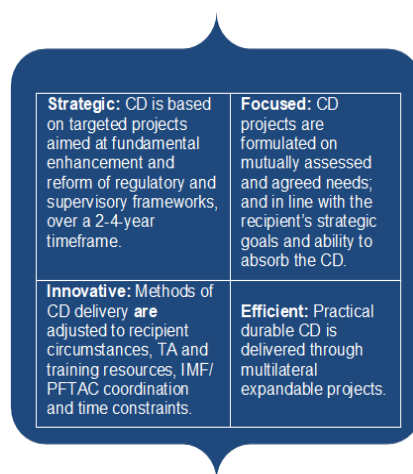
Owing to travel restrictions due to COVID-19 across the Pacific and climatic and political events in a few countries, the annual workplan had to be frequently revised over the year. TA activities that could only effectively be delivered on-site within country were postponed, while in many cases the authorities' priorities themselves changed as they were preoccupied in addressing the impact of COVID-19 on their economy and financial systems. In responding to the pandemic, PFTAC reprioritized TA topics to focus on those that would strengthen the safety and soundness of the financial system and enhance supervisory capacity to analyze financial risks that banks face.

PFTAC also increased its informal interaction with the authorities to discuss the regulatory and supervisory challenges created by the crisis, offering guidance based on the policies developed by the IMF. With the support of MCM, a virtual workshop on addressing climate risks in prudential supervision and regulation was jointly organized to raise the awareness and establish contact with/among banking supervisors from Pacific countries on climate-related risks and emerging supervisory practices. The webinar targeted senior and middle level bank supervisors from the region. Another workshop conducted jointly with MCM

provided training to the supervisory authorities in the PICs in regulation and supervision of cyber security risk as part of the PFTAC/ MCM joint initiative to build cyber resilience and capacity in the PICs.

Overall, the FSS program delivered 13 of 16 planned missions/activities (81 percent outturn) of the FY2022 workplan adjusted at midyear, using 203 days of remote field TA versus 254 planned days (80 percent outturn), comprising 104 LTX days and 99 STX days. Though the outturn during FY2022 in terms of missions and TA days was significantly lower than the original baseline plan that was ambitiously developed on the expectation that travel would resume by midyear (13 of 42 missions delivered or 30 percent, and 203 of 352 TA days, or 58 percent outturn), the number of TA missions conducted, and TA days used in FY2022 were respectively only marginally lower than that in the previous year. This reflected the strong commitment of the authorities to continue regulatory reforms despite COVID-19 and other disruptions.

Figure 1: Four Pillars of PFTAC TA on FSS



The achievement of PFTAC's FY2022 workplan is mostly attributed to a strategic focus that builds on foundational efforts around four key pillars: Strategic, Focused, Innovative, and Efficient (see Figure 1).

FINANCIAL SECTOR LEGISLATIVE REFORMS

Financial sector legislation must support strong prudential regulation and supervision of financial institutions. All PFTAC missions on the review/ development of prudential standards undertaken during FY 2022 involved supervisory reviews of relevant financial sector legislation to ensure that they support alignment of domestic prudential standards with the international standards (**Palau, Solomon Islands, Tonga**).

ENHANCEMENTS TO PRUDENTIAL AND RISK MANAGEMENT STANDARDS

Three countries (**Palau, Solomon Islands, Tonga**) benefitted from PFTAC's support to upgrade their prudential and risk management standards aimed at ensuring that banks identify, measure, and control their risks adequately. The focus of this TA was to align the domestic standards with Basel Framework. The TA covered prudential standards relating to governance, risk management, capital adequacy, large exposures, foreign currency open positions, credit risk management, interest rate risk management, business continuity management, liquidity risk management, operational risk management, and IT and cyber security risk management. The proposed enhancements reflect the application of proportionality to make the standard appropriate to the small size and lower complexity of the financial systems of PICs. The standards also contained significant guidance for banks in the form of annexes to the standards were provided as appendices to the TA Reports. Follow-up missions to **RMI** and **Papua New Guinea** assisted authorities in conducting impact studies of the enhanced prudential standards to guide their implementation in a non-disruptive manner. The status of implementation of prudential standards in six PICs where the PFTAC is actively engaged with the authorities in reviewing/

developing the prudential standards is indicated in Table 12.

ENHANCEMENTS TO OFF-SITE SUPERVISION FRAMEWORKS

The offsite supervision frameworks for banks were strengthened and aligned

with the upgraded prudential and risk management standards and to support RBS. The improvements involved revisions to the prudential returns, identification of key risk indicators (KRIs) to serve as an early warning system and to monitor the evolution of risks in banks, training staff in risk

analysis, development of templates for maintaining risk profile of banks, and preparing banking system risk reports based on information received through prudential returns (**Solomon Islands**).

TABLE 12. PRUDENTIAL STANDARDS – ALIGNMENT WITH BASEL FRAMEWORK

Countries*	Definition of Capital	Leverage Ratio	Credit Risk	Counterparty credit risk	Market Risk	Operational risk	LCR	NSFR	Large Exposures	Related Party Transactions	IRRBB
C1	●								●	●	●
C2	●								●		
C3	●						●		●	●	●
C4							●		●	●	●
C5					●					●	
C6									●	●	

TABLE 13. RISK MANAGEMENT STANDARDS – ALIGNMENT WITH BASEL CORE PRINCIPLES AND BASEL III GUIDANCE

Countries*	Governance	Risk Management	Fit and Proper	Credit Risk	Forex risk	IRRBB	Operational risk	Business Continuity Management	Outsourcing	Cyber Risk	Liquidity Risk	Stress Testing
C1	●	●	●	●	●	●	●	●			●	
C2				●								
C3	●	●	●	●	●	●		●		●	●	
C4	●	●	●	●	●	●	●	●	●		●	
C5	●	●	●	●	●		●	●	●		●	
C6	●	●		●	●						●	
C7	●	●		●								

	PFTAC TA not yet commenced
●	Draft under preparation
●	Standard Issued and in force

* In Tables 12 & 13, C1 to C7 refer to seven countries – Vanuatu, Cook Islands, FSM, RMI, Samoa, Solomon Islands, and PNG. For confidentiality reasons, the countries have not been displayed in the charts in any specific order.

INSURANCE REGULATORY REFORM

PFTAC has been implementing an insurance reform project in the PICs with support from MCM. No TA could be delivered during FY2022 to further the insurance regulatory reforms in PICs due to the authorities pausing the insurance reforms while they focused on other priorities arising from economic impact of COVID-19.

CYBER RISK REGULATION AND SUPERVISION CAPACITY DEVELOPMENT PROJECT

With MCM assistance, PFTAC has been implementing a cyber risk regulation and supervision CD project in the Pacific since FY2020. The project has two components: (i) Cyber risk regulation CD, and (ii) Cyber risk supervision CD. Following a cyber risk workshop held at the 2018 AFSPC

Annual Meeting, the four participating countries (**Fiji, Papua New Guinea, Samoa, and Tonga**) have been working to finalize their national prudential standard on cyber security drawing on an example prudential standard provided to all PFTAC members to use in developing their own country-specific standards. All four countries are close to finalizing their draft prudential standards. While it has not been possible to organize

the cyber risk on-site examination due to suspension of interventional travel in the wake of COVID-19, a virtual

workshop covering various supervisory aspects of cyber security including the on-site examinations was delivered

during FY 2022.

BOX 12. HIGH LEVEL WEBINAR ON ADDRESSING CLIMATE RISKS IN PRUDENTIAL SUPERVISION AND REGULATION

MCM and PFTAC jointly organized a remote regional webinar on addressing climate risks in prudential supervision and regulation. The webinar aimed to raise awareness and establish contact with/among banking supervisors from PICs on climate-related risks and emerging supervisory practices. Approximately 30 supervisors, senior managers and board members from **FSM, Fiji, Marshall Islands, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, and Vanuatu** participated in the webinar.

The webinar introduced regulatory topics focused on climate risk which are relatively new for agencies in the region. The presentations provided information about the latest development in regulation of climate related financial risks, including the latest work of the Basel Committee for Banking Supervision (BCBS) and other international organizations. Basic concepts of climate related risk regulation were explained.

The representatives of the international supervisory community shared their experience in establishing the agenda across supervisory topics. The participants had an opportunity to learn about approaches from the

authorities in the United States, the Philippines, and Malaysia. The presentations had a broad focus, to allow contextualized understanding of climate related risks and sustainability concepts. Detailed presentations of these country cases also elaborated prioritized steps that the countries had to take and the challenges they faced. This provided a solid ground for discussions that took place after each session.

Preceding the webinar, a stock taking questionnaire elaborated by MCM facilitated an understanding of the perceived importance of climate related risks, existing initiatives to address climate related risks, and expectations from the authorities regarding the identification, assessment, management, and supervision of climate-related risks. The survey revealed that the authorities were becoming increasingly aware of the relevance of climate-related risks in regulation and supervision of financial institutions, though supervisory interventions to address these risks were still not a short-term priority for most countries. Nearly half of the countries that responded to the survey had an implicit mandate to address climate-

related risks as part of their responsibility to maintain financial stability. However, for various reasons including the lack of expertise, insufficient data, and non-availability of appropriate processes and methodologies to analyze climate risks, most countries had not yet analyzed the materiality and potential sources of climate-related risks, or formulated a strategy to embed climate-related risks into regulation and supervision, though they were monitoring emerging practices.

PFTAC will maintain dialogue with the supervisors about regulation of climate related financial risks in order to identify their TA needs and provide essential guidance about the sources of relevant information. The authorities will benefit from the documents provided in the webinar to further enhance their awareness. The FSS resident advisor will also monitor the development of the climate change related agendas across the region.

Bilateral TA will be ready to start once the international standards/framework are adopted and MCM is sufficiently experienced with their application, and when specific requests are received for TA.

G

PUBLIC DEBT
MANAGEMENT

MAIN ACHIEVEMENTS

- (1) Commencement of the inaugural PFTAC Public Debt Management Program and development of country specific CD programs;
- (2) Helping countries to strengthen debt transparency through the understanding and
- implementation of key concepts and practices, including recording, analysis, reporting, and monitoring;
- (3) Improving capacity to develop and implement debt and risk management strategies that are
- focused on a public debt management objective; and
- (4) Evaluating and strengthening institutional frameworks for public debt management that ensure good governance and improve efficiency.



Palau Debt Management Policy Virtual Mission, March 2022

WORK PROGRAM EXECUTION

The inaugural Public Debt Management Program for the Pacific region, funded by the Government of Japan and situated within PFTAC, commenced at the end of FY2021. COVID-19 border restrictions delayed the relocation of the Public Debt Management Advisor to Fiji, however the work program commenced remotely.

FY2022 began with a focus on country engagement and needs assessments to develop tailored country CD programs. This programmatic approach builds the foundation for good debt management practice and allows for the absorption of TA where country resources are constrained.

Work program activities in FY2022 were conducted entirely remotely, due to continued COVID-19 restrictions. Remote delivery of TA was conducted successfully, achieved the desired intentions, including communication of recommendations. While connectivity occasionally presented obstacles, these were overcome with flexibility by both sides.

In FY2022, the Debt Management program delivered 6 missions (totaling 148 TA days), comprising 5 missions to member countries, and one remotely delivered regional training workshop. Relative to the FY2022 workplan (updated in December 2021 to reflect the development of the Debt Management program), this was an outturn of 75 percent of planned missions (6 of 8), and 98 percent of planned TA days (148 of 151), of which 35 days were delivered by the Debt Management Advisor, and 113 days by STX.

However, the outturn was lower against the initial planning phases of the Debt Management program workplan, that ambitiously anticipated a higher utilization of TA by member countries. Mission outturn was 50 percent (6 of 12 planned activities) and 64 percent of TA days (148 of 233

planned TA days). This lower-than-expected outturn was due to lower absorptive capacity of TA by member countries, particularly during the ongoing pandemic.

Given the relative infancy of debt management in the region, assistance was focused on establishing a sound foundation for debt management, including institutional arrangements and debt transparency. Providing assistance in the development of debt management policy, the organizational structure for debt management, establishment of good governance, and comprehensive and accurate recording and reporting of public debt are important areas for many PFTAC members.

In the **Cook Islands**:

- (1) The Debt Management Advisor and STX Juan Vilanova, worked closely with country officials to increase capacity in the utilization of the Medium-Term Debt Management Strategy (MTDS) framework and analytical tool (MTDS AT) leading to development and eventual implementation of a Debt Management Strategy (DMS) that is aligned with the overall debt management objective. A DMS is a plan for the evolution of the public debt portfolio that operationalizes the debt management objectives given the constraints, and specifically the government's preferences with regard to cost-risk trade-offs.

At the request of the **Palau** authorities:

- (1) A mission by the resident Debt Management advisor and STX Lars Boman assisted the authorities to develop a high-level Debt Management Policy. The Debt Management Policy provides the framework for debt management operations and risk management, guiding Palau with internal direction to implement key elements of debt management

operations and policy.

In **Papua New Guinea**:

- (1) Remote training was delivered by STX Juan Pradelli and Sanga Sangarabalan on financial and loan analysis to the Papua New Guinea Department of Treasury officials. CD for officials in financial and loan analysis forms part of the foundations for improving debt management practices;
- (2) The training focused on building capacity in financial and market concepts, debt and liability management operation instruments, loan structures and cashflows, and portfolio risk indicator analysis;
- (3) STX Michele Robinson and Laszlo Buzas also provided assistance to review the institutional arrangements for debt management, specifically the organizational structure of the debt management functions.

At the request of the **Tongan** authorities:

- (1) A mission by the resident Debt Management advisor and STX Michele Robinson assisted the authorities in developing and strengthening capacity in debt management reporting and monitoring;
- (2) Hands-on and country-specific training was provided to officials to enhance capacity in debt reporting with the training focused on understanding debt data and debt coverage, aggregating debt data for reporting, cost and risk in debt management, presenting debt data, and monitoring debt; and
- (3) Tongan debt management officials produced an enhanced quarterly debt bulletin template at the conclusion of the training.

BOX 13. REMOTE WORKSHOP ON FUNDAMENTALS OF DEBT REPORTING AND MONITORING

The PFTAC Public Debt Management Advisor, alongside STX, delivered a regional training workshop during FY2022 on the Fundamentals of Debt Reporting and Monitoring. Despite the remote delivery modality, and its associated challenges, the workshop achieved good participation, with 29 participants from 12 countries in the Pacific region undertaking the training. This was the first training workshop under the new PFTAC debt management program.

The workshop was undertaken over half-days during a two-week period, with by a week's gap to facilitate country work demands and to reduce virtual training fatigue. Exchange of country experience proved successful, with officials sharing their knowledge, leading also to peer-to-peer engagement outside of the workshop.

The workshop provided capacity building on sound practices in debt reporting and monitoring, supporting debt management operations and debt transparency. It enabled participants to understand the benefits and key requirements of publishing reliable, comprehensive, timely, and accurate debt data. It also builds on the joint IMF-WB Multipronged Approach on Debt Vulnerabilities (MPA) and its emphasis on strengthening debt transparency.

The participants developed an understanding of the institutional arrangements necessary for good transparency practices, understanding debt data requirements and standards, how to effectively use this data for reporting purposes and understanding the cost and risk within the debt portfolio, and how to effectively communicate key messages within the debt data to external and internal stakeholders. Individual and group exercises allowed participants to put their new knowledge into practice, culminating in a final group exercise that required participants to develop and present a debt bulletin.

Feedback verified that participants recognized the importance of reliable, comprehensive, and frequent debt reporting, and the importance of this training to their work.



Papua New Guinea Financial and Laon Analysis Virtual Workshop, November 2021

SECTION III

WORK PROGRAM

(MAY 2022 – APRIL 2023)

A

SUMMARY AND
OVERVIEW

This section summarizes the work programs developed for delivery over the period May 1, 2022, to April 30, 2023, corresponding to the 2023 IMF fiscal year (FY2023). This period constitutes a one-year extension of Phase V that was otherwise due to end on April 30, 2022, made possible by significant budget savings in the previous 26 months due to the impact of COVID-19 that halted all travel with both TA missions and training shifting to virtual modalities.

WORKPLAN DEVELOPMENT

FY2023 is the second year since the introduction of the IMF's reengineered business processes for the management and delivery of CD. Beyond significant internal procedural and accounting changes associated with the new CD-MAP information technology platform, this is particularly manifested in the timeline for developing and endorsing the annual work program and budget. Scheduling of the annual Steering Committee meeting now occurs after the start of the fiscal year (in late June in 2021, and late May in 2022), and after production and publication of the annual report.

Development of the annual workplans is an iterative process. It entails continuous dialogue with the counterparts and authorities of the CD beneficiaries of the 16 PFTAC member countries, particularly in the context of subsequent steps that arise from ongoing CD delivery efforts, and identification of new priorities. Regional workshops and training events often give rise to interest and requests for new bilateral CD related to the workshop topics or from awareness of developments in peer countries. Also from a regional perspective, demand for PFTAC support and services is often generated from the engagement of regional groupings like PITAA and

AFSPC. Indeed, the identification of training priorities for the PFTAC Revenue program is a collaborative effort with PITAA in the development of their annual training needs assessment.

Reflecting the close integration between the CD and surveillance mandates of the IMF, the PFTAC team is in frequent contact with the APD mission chiefs and teams for the 13 of the 16 PFTAC member countries that are IMF members. While communications occur constantly as issues unfold, at least twice a year, more formalized meetings are scheduled. These conversations cover ongoing CD projects and reforms, identification of new or emerging priorities, particularly in the context of responding to the COVID-19 crisis and the policy dialogue between member countries and the IMF teams, and issues around scheduling, sequencing, and remote delivery of CD. To help inform these discussions and to document country programs, PFTAC updates a summary note for each country twice a year that covers the ongoing CD engagement with the country.

In the context of the FY2023 workplan development, meetings between the PFTAC and APD teams were convened between December 2021 and February 2022 with the set of country notes all updated. By late

March 2022, workplans had been formulated for delivery from May 2022. Given the ongoing difficulties with remote CD delivery in FY2022 that has persisted for more than two years, and the challenges faced by several member countries with COVID-19 closures, natural disasters, and political change, a significant portion of FY2022 plans that could not be executed has been carried forward and included in the FY2023 plans after confirmation they remained priorities for the beneficiary countries.

PFTAC has produced detailed FY2023 workplans for review and endorsement at the May 25, 2022, SC meeting in the same format as recent years, presented from two perspectives: (1) by program (e.g., PFM), structured around country projects defined by an RBM objective working towards achievement of one or more targeted outcomes; and (2) by country, similarly documented by programs and RBM-defined projects. These workplans are also provided in summarized tabular form in the respective chapters for the various PFTAC programs in this section of the Annual Report

WORKPLAN ASSUMPTIONS

From early 2022, travel restrictions began to ease from near shutdown of all international travel for almost two years. Mission travel can now be contemplated for several PFTAC member countries without inordinate complications such as quarantine requirements under normal circumstances for vaccinated travelers. Provided pandemic developments continue to move in a positive direction, straight-forward travel to more PICs is expected to be possible as 2022 unfolds. To that end, workplans have been developed on an assumption that in-person mission travel will be possible to select countries from May 2022 that will increase over time to all countries by the end of 2022. For the first half of FY2023, a mix of virtual and in-person missions is planned where travel is considered feasible. While there is enormous pent-up demand for a return to in-person CD, the pandemic has demonstrated that virtual engagement

can be effective and even superior under certain circumstances. Accordingly, some activities will be undertaken virtually where optimal, and virtual engagement will complement and extend in-person missions to further improve overall mission effectiveness.

Plans remain flexible to adjust to unforeseen events or if there is a slower resumption of travel than anticipated. Optimism of travel resuming earlier in FY2022 did not eventuate with all workplans having to be delivered virtually, or as was increasingly observed, many activities were postponed until FY2023 in expectation of travel resuming. Travel to individual countries by the PFTAC experts based in Fiji or by STX located elsewhere is expected to be reasonably manageable, although uncertainties exist regarding the resumption of flight schedules and routes after little activity for several years. Although all PFTAC staff are fully vaccinated against COVID-19, the risk of infection while on duty travel must also be managed, including the health implications and the possibility of forced delays to isolate before continuing travel. Additionally, flight services and already sparse routes may not return to pre-pandemic times given the financial difficulties faced by many regional airlines. This could lead to challenges for experts to travel to and from countries without onerous layovers or delays, possibly at greater cost than before the crisis. These risks will need to be carefully managed, and will be important considerations in the mix and budgeting of CD modalities between in-person and virtual engagement.

BUDGET ISSUES

Despite relatively strong execution of the work programs over the past three fiscal years notwithstanding the impact of the pandemic (experienced in the final few months of FY2020 and all of FY2021 and FY2022), cumulative budget savings are very large at the start of FY2023, the final year of Phase V. Funds available on May 1, 2022, are expected to be approximately \$US 9.2 million. This

exceeds the largest ever annual budgeted PFTAC workplan of \$US 8.5 million developed for FY2020 before COVID-19 struck. This presents a formidable challenge to effectively utilize these resources, but provided travel returns at the pace anticipated, the very ambitious workplans developed for FY2023 in response to high pent-up demand for in-country CD should significantly utilize these funds with a high level of delivery. In FY2022, SC members agreed to an extension of Phase V for one-year. However, national restrictions for at least one donor will preclude a further extension, setting a hard deadline of April 30, 2023, to end Phase V regardless of the balance of unspent funds remaining on hand. Hopefully most, if not all member countries as well as most donors will support and be allowed to approve a carry-forward of their pro-rated share of unspent Phase V funds to Phase VI, but approximately 25 percent of the balance must be returned to at least one donor.

Costing for the very ambitious FY2023 workplans is close to \$US 9.4 million, slightly exceeding the expected \$US 9.2 million available funds. However, this modest overplanning is a deliberate strategy to maximize utilization of the available funds, and minimize the likelihood of a sizeable unspent balance at the mandatory end-date of Phase V. Even in the most active and highest outturn pre-COVID year, an 85 percent expenditure outturn is a very strong result. Accordingly, if the ambitious FY2023 workplans are executed at a very high level even exceeding 90 percent of the budget, and assuming costs are accurately budgeted, the actual final expenditure would still be within the budget enveloped of \$US 9.2 million.

PROPOSED EARLY LAUNCH OF PHASE VI INITIATIVES

The intended early launch of several Phase VI initiatives partly contributes to the sizeable and ambitious FY2023 workplans and budget. The Phase VI Program Document outlined an expansion in the number of resident advisors from 7 to 10 (excluding the

Government of Japan financed Debt Management program and advisor). This entails: (1) the return of a resident advisor supporting the GFS/ PSDS program; (2) the appointment of a third PFM advisor focused on climate change issues; and (3) the launch of a new Macroeconomics Frameworks program and resident advisor. These new, revamped, or expanded programs were due to commence with the start of Phase VI in FY2024. However, given the large budget envelope available for FY2023, endorsement is sought at the SC meeting on May 25, 2022, to launch these Phase VI initiatives during the second half of FY2023. Subject to SC endorsement, the timeline for the three

additional advisors to join PFTAC would be around the middle of FY2023, namely October/November 2022 given the processes for international competitive recruitment. The FY2023 budget impact is mostly for the half-year salary costs for each of the three new advisors, plus very modest introductory CD for the development/expansion of their programs to ensure they have seamlessly reached expected operating levels at the start of Phase VI in FY2024.

STAFFING CHANGES

Beyond the recruitment of three new advisors, and barring unforeseen

circumstances, only one change in the current team of PFTAC resident experts is anticipated in FY2023. The original revenue advisor, Mr. Georg Eysselein is expected to finish his PFTAC assignment in October 2022 after four years, and recruitment of a successor will be launched to facilitate a smooth hand-over. Continuity of the large revenue program is assured since the recruitment of Ms. Katrina Williams as the second resident revenue advisor in October 2021. With COVID-19 travel restrictions easing, particularly for Fiji, all advisors are expected to be Suva-based.

TABLE 14. FY2023 PLANNED WORKSHOPS/ SEMINARS

Sector	Partner	Location*	Topic	Estimated Date	Duration (Days)
Macro		Hybrid	Revenue Forecasting	Jul 4 - 8, 2022	5
Macro			Economic Leadership	Sep 26 - 30, 2022	5
Macro			GDP(E) Forecasting	Mar 1 - 3, 2023	3
FSS		Virtual	AFSPC Meeting	Aug 23 - 26, 2022	4
FSS			Stress Testing	Nov 1 - 4, 2022	4
FSS			Insurance Sector - Review of experience and way forward	Mar 7 - 10, 2023	4
GFS		Fiji	GFS and PSDS methodological training	Aug 1 - 5, 2022	5
RSS		Fiji	Annual National Accounts Compilation	Oct 31 - Nov 4, 2022	5
RSS	CARTAC	Washington	CARTAC/PFTAC Workshop on Resources of Statistical Offices	Feb 13 - 17, 2023	5
PFM			Forecasting Fisheries Revenue	Aug 29 - 31, 2022	3
PFM	PEFA Sec.		PEFA and PFM Reform Prioritization Workshop	Sep 5 - 8, 2022	4
PFM			Gender Budgeting	Jan 24 - 27, 2023	4
PFM	CARTAC	Washington	Leadership Workshop	Feb 13 - 17, 2023	5
DM			Medium-term Debt Management Strategy Framework and AT	March, 2023	5
Revenue			Leadership, Integrity and Good Governance	May 2 - Jun 10, 2022	4
Revenue	OCO/ PITAA		Tax Investigations - VAT	May 31 - Jun 6, 2022	4
Revenue			Debt and Arrears management	Jun 21 - 28, 2022	5
Revenue			Operational Leaders	Aug 8 - 17, 2022	5
Revenue			Regional Sharing of Business Continuity Responses	Jul 11 - 20, 2022	2
Revenue			Data and Analytics	Oct 24 - 31, 2022	5
Revenue			Regional Assessment of Small Country Tax Information System	Dec 5 - 16, 2022	3
Revenue			ISORA	Jan 23 - 27, 2023	2
Revenue			Regional Tax Information System	Jan 23 - Feb 3, 2023	5
Revenue			Performance Management	Feb 8 - 20, 2023	5
Revenue			Regional Policy and Revenue Forecasting	Mar 6 - 15, 2023	2
Revenue			Legal Interpretation	Apr 3 - 12, 2023	5
			TOTAL		108

* contingent on COVID-19 scenario

TRAINING/WORKSHOP EVENTS at the regional or sub-regional level are expected to significantly shift from virtual events necessitated by pandemic restrictions to a strong return to in-person training. Overall, 26 events are planned for delivery in FY2023 (including one for Debt Management), going beyond pre-pandemic levels that peaked at 18 in FY2019, and declined to 13 events in FY2022. This represents a doubling in planned events from FY2022, entailing more than twice the number of training days.

All programs will deliver at least one event (including Debt Management), most averaging three, with the Revenue program targeting 11 events. Most programs are aiming for in-person events, predominantly convened in Fiji where the travel and accommodation sector has rebounded. However, as necessary, events will be scheduled to accommodate virtual connection for those unable to travel, but by the second half of FY2023, travel is expected to have fully resumed. As many as 7 revenue workshops are planned to be convened virtually, particularly those scheduled early in FY2023 when travel restrictions may still prevail. Some events however lend themselves to effective virtual delivery that are planned throughout the year. These virtual revenue events will provide significant cost savings allowing an even more ambitious Revenue training program.

As was common before COVID-19, several events will be held across programs. The PFM and Macro programs will jointly convene a fishing revenue workshop, a topic previously tackled across both programs that was highly appreciated by PFTAC member countries that are endowed with rich fishing resources.

Another innovative event is planned along the lines of two previous joint Caribbean/Pacific/Small Island State conferences held at IMF headquarters in Washington on revenue mobilization in 2018 and PFM and disaster resilience in 2019. The event planned for FY2023 will not only be jointly

convened between CARTAC and PFTAC, but also jointly across the RSS and PFM programs of both centers. The aim is to bring together finance ministry budget directors as well as government statisticians from both regions, to exchange views and experiences on strengthening budget planning with a particular focus on National Statistical Offices (NSO) that are often resource constrained, but have multiple mandates.

Finally, another innovative training event that is planned will target strengthening leadership skills of economic managers in the Pacific, particularly heads of agencies of the finance ministry, financial regulators, statistics, and revenue.

This intensive and bespoke event is planned in collaboration with the Small Countries Financial Management Center (SCFMC) emulating a similar experience at one of the IMF's African centers that had positive outcomes. Drawing on headquarter expertise on gender related fiscal issues, a gender budgeting workshop is planned for early 2023 and as a prelude to stepped-up gender related engagement in Phase VI.

FY2023⁶ WORK PROGRAM strives for a very ambitious increase on pre-COVID activity levels to respond to the substantial pent-up demand for delivery (particularly in-person) of new and delayed CD:

- 3,962 TA Field days are planned (849 LTX and 3,133 STX), up 105.4 percent from 1,929 days.
- 228 Activities are planned (203 missions and 25 workshops/regional events), also up 105.4 percent over 111 activities (99 missions and 12 workshops/regional events).

The respective workplans are summarized in annexes to the following program chapters. Full FY2023 plan details are available at www.pftac.org from two perspectives, program-by-program and additionally by country.

Changes to the overall work program are as follows:

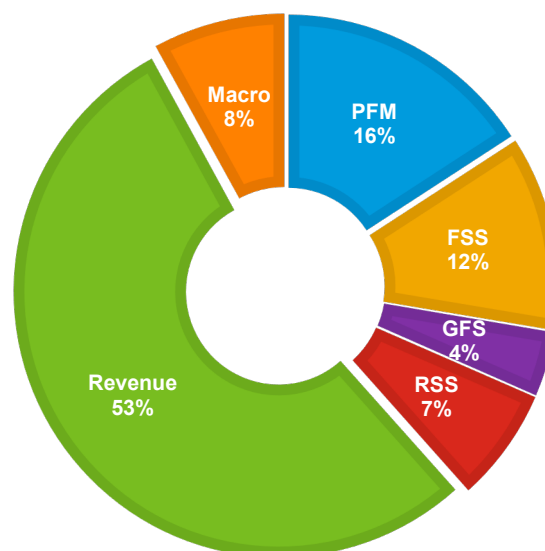
- Planned CD delivery under all existing Phase V programs will expand substantially in FY2023 versus actual FY2022 results, ranging from 40 percent more RSS missions to 137 percent more Revenue/Legal missions. With two exceptions, all programs plan to more than double the number of TA delivery days, with the increases ranging from 22 percent for the Macro program, 58 percent for RSS, through 202 percent for the reinvigorated GFS/PSDS program. Most of the increases in planned TA days result from a stepped-up usage of STX given that the number of LTX days per year is a constrained resource, other than where new advisors come on board if endorsed for the PFM and GFS/PSDS programs.
- The scaling-up of the Revenue program that began in FY2019 has now transitioned from a temporary to a steady-state arrangement, particularly with the recruitment of a second resident advisor in October 2021 that will continue throughout Phase VI. Until mid-FY2022, the burden on the single advisor became unsustainable to single-handedly manage such a large program that is predominantly delivered by a pool of highly experienced and competent STX. A sharing of this program management will alleviate pressures and facilitate a smooth transition when one of the advisors is replaced later in FY2023. Additionally, it will allow for some direct CD delivery by the advisors to supplement the efforts of the STX. Overall, the number of missions and activities will grow 137 percent over FY2022 (116 up from 49). The planned number of TA days will grow

⁶ PFTAC workplan numbers and budget figures excludes the Debt Management (DM) program that is financed separately with different reporting and governance obligations. However, details of the proposed FY2023 DM work program is provided separately in this report with 15 planned missions/activities using 339 TA days, comprising 70 LTX days and 269 STX days.

111 percent, up from 1,006 to 2,126 days. Planned LTX field days will remain steady at 102 days, while STX utilization will increase significantly by 125 percent (898 to 2,024 days).

- The PFM program will bounce back in FY2023 with the delivery of various activities postponed from FY2022 due to travel restrictions that saw a decline in missions from FY2021, but a similar utilization of TA days reflecting the need for more resources and time to remotely deliver a range of quite challenging missions. The number of planned missions will increase by 107 percent in FY2023 (14 to 29), but with a significant 164 percent growth in TA days (238 to 628), with increases in both STX usage up 194 percent (132 to 388 days) and 126 percent more LTX days (106 to 240 days), reflecting greater efforts by the existing resident advisors and the appointment of the third PFM advisor in mid-FY2023 focused on climate change issues.
- The FSS program will also bounce back in FY2023 with several stalled projects across a number of countries being reactivated (e.g., insurance) with the ability to resume travel, and growth in topics leading into Phase VI such as introduction of Basel standards. The number of missions are expected to increase by 100 percent (from 13 to 26), but with even higher growth in the number of TA days needed to deliver the program up 130 percent (203 to 467 days), disproportionately from 234 percent greater STX utilization (from 99 to 331 days), but only marginally more LTX effort up 31 percent (104 to 136 days).
- Unlike other programs that delivered similar or slightly fewer missions in FY2022 compared to FY2021, the Macro program saw significant expansion, with twice as many missions using 125

CHART 8. DISTRIBUTION OF FY2023 MISSION DAYS (3,962) BY PROGRAM



percent more TA days than FY2021. With the Macro program already substantially scaled-up during a challenging year, further expansion in FY2023 will be more modest that is also a reflection of the planned launch of the Macroeconomic Frameworks program later in FY2023 that will complement the existing Macroeconomic Analysis program. Accordingly, 64 percent more missions are planned in FY2023 (up from 14 to 23), but utilizing just 22 percent more TA days (259 to 315 days), of which STX days will grow 20 percent (117 to 140 days), and LTX days by 23 percent (142 to 175 days).

- Overall, the volume of activity under the two Statistics programs will increase 61.9 percent in FY2023 (21 to 34 missions), with more than doubling of GFS/PSDS missions (up 117 percent from 6 to 13 missions) with the reappointment of a resident advisor in mid-FY2023, and up a modest 40 percent for the RSS program (15 to 21 missions). A total of 426 TA days are planned, up 91.0 percent from 223 TA days in FY2022, from 58.1 percent growth in the RSS program (from 172 to 272 days, of which STX days are up from 81 to 155 days, with LTX days up from 91 to 117 days), while the GFS program TA days will grow 202 percent (51 to 154 days), with LTX days up from 10 to 79, plus modest growth in STX days up from 41 to 75 days.
- Subject to SC endorsement, the new Macroeconomic Frameworks program will launch in FY2023 ahead of Phase VI with the recruitment of a resident advisor around mid-FY2023. If these plans eventuate, a modest 3 missions are anticipated utilizing 75 TA days of the new LTX.

While all programs will grow in FY2023, if accomplished, the extraordinary growth in the Revenue program would see its share of PFTAC activity (excluding Debt Management) once again exceed half of all PFTAC activity at 53 percent, up from the previous peak of 52 percent in both FY2022 and FY2021. Growth in the PFM program will see its share rise from 12 to 16 percent, pushing the share of fiscal related CD in FY2023 to an all-time high of 69 percent as measured in TA days. With varying FY2023 growth rates of the other programs, there is some modest movement as a proportion of total delivery with the FSS program up slightly (from 11 to 12 percent), the Statistics program share down from 12 to 11 percent, and the Macro program share down from 13 to 8 percent, but still above its 7 percent share in FY2021 reflecting its extraordinary growth in FY2022.

COUNTRY LEVEL planning will see slightly more than half of the 3,962 days of field delivery in FY2023 provided to six countries, with **Fiji** (12.9 percent), **Papua New Guinea** (8.3 percent), **Samoa** (8.0 percent), **Tonga** (8.0 percent), **Vanuatu** (7.9 percent), and **Cook Islands** (7.3 percent). The rankings of some countries and the share of CD they receive will shift in FY2023 with an easing of the travel impediments from the pandemic, natural disasters, and political developments experienced in FY2022. For example, Fiji fell to third largest user in FY2022 from its usual top place due to COVID-19 lockdowns, but will rebound to top place in FY2023 with a large reform agenda as the economy recovers.

The next five countries will account for 29.4 percent of PFTAC resources, with **Timor-Leste** (7.1 percent), **Palau** (6.4 percent), **Kiribati** (6.2 percent), **RMI** (4.9 percent), and **Solomon Islands** (4.8 percent). And the final group of five countries accounts for the remaining 10.3 percent of activity, with **Tuvalu** (4.6 percent), **FSM** (3.0 percent), **Niue** (1.4 percent), and **Nauru** (1.3 percent), with nothing planned for **Tokelau** at this point.

Despite the impact of the volcanic eruption and COVID-19 outbreaks, **Tonga** received significant CD in FY2022 that is expected to continue in FY2023, and **Samoa** will make a rebound into third place after a substantial decline in FY2022 arising from the pandemic and a lengthy election period as the new administration took office. For another year, **Palau** will continue to be elevated to the middle-tier of CD users with its extensive tax reforms supported by PFTAC that will reach implementation, and plans for a PEFA assessment in FY2023. For most of Phase V, **Timor-Leste** was a very modest user of PFTAC services that began to change in FY2022 and continues to grow in FY2023, particularly with revenue administration support that only recently began. A rebound in support to **Papua New Guinea**, **Vanuatu**,

and to a lesser extent **Solomon Islands** has been planned as borders reopen and a wide range of reforms that were paused reactivate.

CHART 9. FY2023: 228 PLANNED MISSIONS/ ACTIVITIES

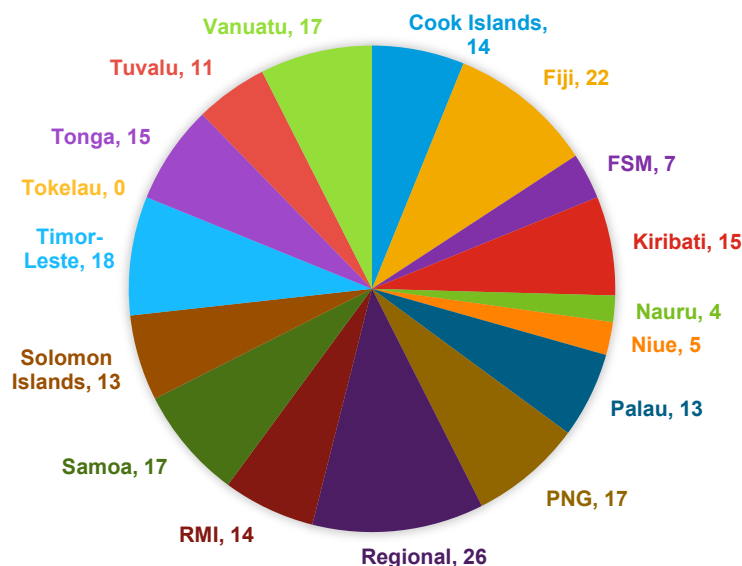
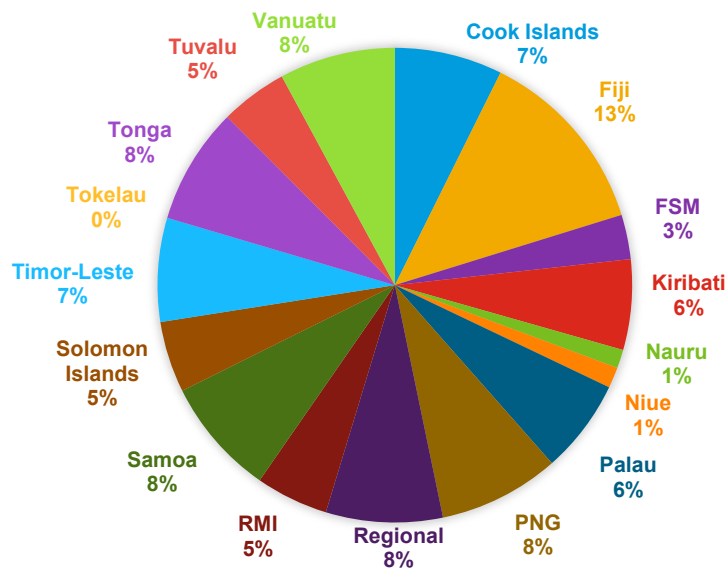


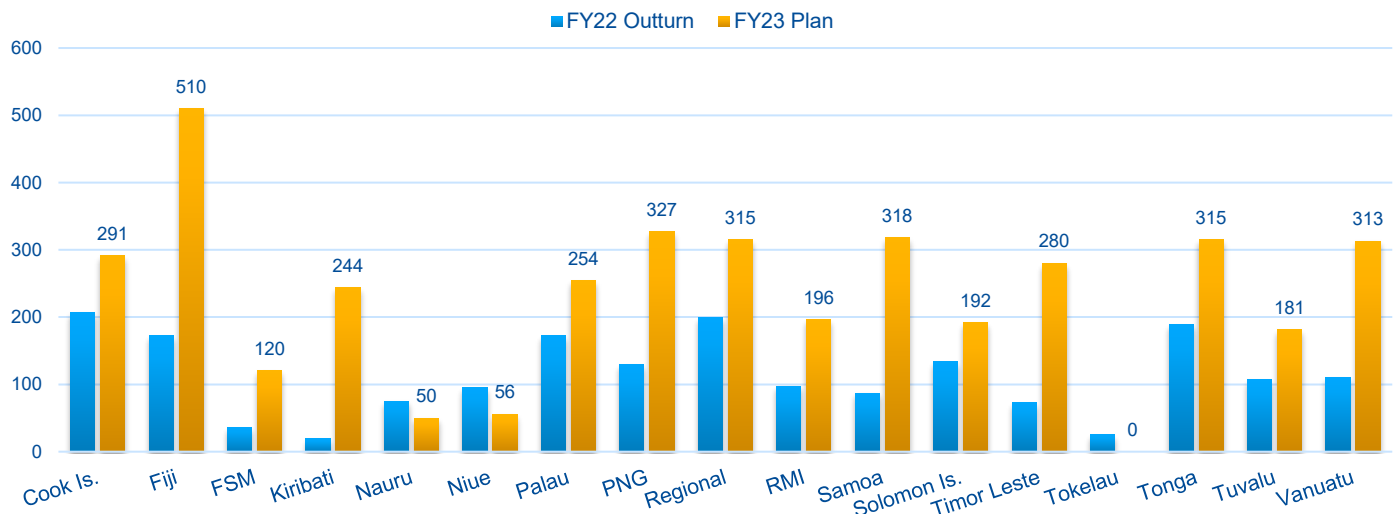
CHART 10. FY2023: 3,962 PLANNED TA DAYS



Current plans foresee additional CD for all countries, in most cases, very large increases, with three exceptions, namely the micro-states of **Nauru**, **Niue**, and **Tokelau** who all saw their share of support significantly higher in FY2022, but will return to more typical lower levels in FY2023. However, if new needs arise for any of these countries, the plans are sufficiently flexible to respond. Other small states including **FSM**, **RMI**, and **Tuvalu** will receive more support as their borders reopen, with the biggest growth expected in **Kiribati** given most recent support had been postponed awaiting a return to travel.

The share of CD planned for the seven PFTAC member countries that the IMF classifies as Fragile and Conflict Affected States (FCS) will rise substantially in FY2023 to 39 percent of planned TA days (1,540 of 3,962 days), a very large rise from the FY2022 share of 31 percent (597 of 1,929 days), which was below the pre-COVID average of 34 percent, but a rise from just 24 percent in FY2021. This growth is in line with the IMF's new strategy for heightened attention and CD resources for FCS, and is

CHART 11. FY2023 WORKPLAN (3,962 DAYS) vs. FY2022 OUTTURN (1,929 DAYS)



reflective of ambitious plans in several FCS in expectation of travel to the countries where in-person engagement is so critical. The growth also reflects a surge in support for Timor-Leste, particularly in revenue administration to assist in tackling urgent revenue mobilization imperatives.

A further 8.0 percent of PFTAC resources (315 TA field days) are

currently earmarked to regional activities, primarily in the preparation and delivery of 25 planned workshops, seminars, or other events, including remote training.

Finally, the 3,962 TA Field Days that constitutes the FY2023 work program excludes the time spent by the resident advisors in managing and overseeing their respective programs from the PFTAC office in Fiji, or until the reduction in COVID-19 constraints, from a remote location. This has been tracked, attributed to the beneficiary countries, and reported in the FY2022 results and amounted to an additional 925 days of advisor time, but is expected to decline in FY2023 with advisors devoting more time to direct field delivery. Each resident advisor has approximately 220 available working days per year, and in FY2022, each advisor delivered an average of 80 TA field days that is planned to increase to an average of 106 TA field days per advisor in FY2023.

TABLE 15. BUDGET EXECUTION vs PHASE V PROGRAM DOCUMENT & FY2023 BUDGET (US DOLLARS MILLIONS)

	Program Document Budget	Tot Ph V Expenses to end-FY21	FY2022 Projected Outturn	% of Prog Doc Budget thru end-FY22	FY2023 Proposed Budget	Phase V Outturn	
						Total end FY23	PD Diff.
Resident Advisors (Long Term Experts - LTX)	\$12.6	\$9.3	\$1.9	89%	\$2.9	\$14.2	(\$1.6)
LTX Travel	\$2.3	\$1.3		59%		\$1.3	\$0.9
Short-Term Experts (STX)	\$11.4	\$7.1	\$1.1	72%	\$5.7	\$13.9	(\$2.5)
Diagnostic Missions	\$1.2	\$1.0		83%		\$1.0	\$0.2
Training/Seminars/Workshops	\$6.0	\$2.7	\$0.1	46%		\$2.8	\$3.2
Backstopping/Project Management	\$1.9	\$1.2	\$0.1	68%		\$1.3	\$0.6
Other Costs (Evaluation, misc., etc.)	\$1.6	\$1.1	\$0.2	84%		\$1.3	\$0.3
Total TA Provision/Delivery	\$36.9	\$23.8	\$3.3	73%	\$8.7	\$35.8	\$1.1
Trust Fund Management Fee*	\$2.6	\$1.7	\$0.2	73%	\$0.6	\$2.5	\$0.1
Total Trust Charges	\$39.5	\$25.5	\$3.6	73%	\$9.3	\$38.3	\$1.2
IMF and Host Country In-Kind Contribution	\$2.6						
TOTAL	\$42.1		\$3.6		\$9.3	\$38.3	

*Trust Fund Fee is 7 percent of funds utilized for TA delivery

The budget envelope based on funds expected to be on hand at the start of FY2023 is approximately \$US 9.2 million, comprising carried-forward Phase IV funds and all donor and member contributions received so far. Phase V expenses through the end of FY2021 totaled \$US 25.58 million, plus projected outturn of \$US 3.58 million in FY2022; total expenditure of \$US 29.15 million

through end-FY2022. Funds received over the course of Phase V from donor and member country contributions, plus the brought forward Phase IV balance are \$US 38.3 million, leaving available funds for the final year of Phase V of approximately \$US 9.2 million. Some additional minor contributions or other credits may still arise during FY2023 that could marginally increase the budget envelope. Targeted Phase V fund-raising as per the 2016 Program Document was \$US 39.5 million, versus actual receipts of \$US 38.3 million, a shortfall of \$US 1.2 million. This apparent fund-raising gap has been more than offset from operational efficiencies earlier in the phase and significant COVID induced savings that allowed for the phase to be extended for a full year through 6½ years at a lower total cost than was originally anticipated to finance 5½ years of operations.

TABLE 16. PROPOSED FY2023 BUDGET BY PROGRAM (US DOLLARS)

	Revenue	PFM	Macro	FSS	RSS	GFS	MF	Other	Total
Resident Advisors (Long Term Experts)	680,000	850,000	351,790	342,083	360,000	180,000	180,000	-	2,943,873
Direct TA Delivery	2,785,932	809,351	345,000	737,598	398,173	377,226	30,000	253,889	5,737,169
Total TA Provision/Delivery	3,465,932	1,659,351	696,790	1,079,681	758,173	557,226	210,000	253,889	8,681,042
Trust Fund Management Fee	242,615	116,155	48,775	75,578	53,072	39,006	14,700	17,772	607,673
Total Trust Charges	3,708,547	1,775,506	745,565	1,155,259	811,245	596,232	224,700	271,661	9,288,715

*Trust Fund Fee is 7 percent of funds utilized for TA delivery

THE PROPOSED FY2023 BUDGET of \$US 9.3 million including the management fee is more than double the projected FY2022 outturn of \$US 3.6 million that was severely impacted by the prolonged COVID-19 induced travel restrictions and waning appetite for virtual CD engagement while member countries awaited a return to in-person delivery. While the costed workplans are very ambitious, the overall budget is less than 10 percent higher than similarly ambitious plans developed for FY2020 before the outbreak of COVID-19. As also noted, the launching of several Phase VI initiatives during FY2023 will contribute to delivery of the largest program expected in PFTAC history. The basis for the individual program budget allocations are:

- Continued management of the Revenue program by two LTX, with rotation of the longest-serving advisor by mid-year. As throughout Phase V, the revenue program is the largest and most ambitious, reflecting the continued strong demand and engagement of all member countries, and the increased urgency for revenue mobilization to rebuild economic buffers after the pandemic. More

than 95 percent of the program will be delivered by STX and to a very modest extent by headquarters staff, giving rise to the largest direct TA delivery budget line of \$US 2.78 million out of the PFTAC total of \$US 5.73 million. This 48 percent budget share is consistent with the 53 percent share of PFTAC's entire FY2023 workplan measured in TA days.

- The PFM budget will finance the two existing LTX plus the recruitment of a third LTX focused on climate change from mid-year, plus underwrite a substantial expansion in mission delivery.
- The budget allocations of the Macroeconomic Analysis and RSS programs are similar to pre-COVID budget provisions that will be accommodate their expanded FY2023 workplans returning to or exceeding activity levels before the pandemic.
- The FSS program has a budget allocation about 15 percent higher than pre-COVID levels to finance a significant program resurgence that will draw heavily on STX.
- The GFS/PSDS program will return to pre-COVID levels once the LTX is recruited mid-year with STX delivery in the first half of the year backstopped by headquarters.
- If endorsed, the proposed new Macroeconomic Frameworks program will launch mid-year with recruitment of an LTX who will then commence developing the program to be at steady-state from the start of Phase VI.

The complete overhaul of the IMF's accounting and budget system from the start of FY2022 eliminated the previously used accounting categories that tracked the budget and outturn under categories such as the travel costs of the resident advisors, STX costs comprising salaries and travel, separate itemization of CD delivered by headquarters staff financed by PFTAC, training and workshop costs, and backstopping and project management overheads. Most of these costs are collectively grouped as Direct TA Delivery for budgeting purposes, as well as resident advisor (LTX) costs, although they can be reasonably disaggregated given their relatively fixed nature. Accordingly, the FY2023 budget is presented very

simplistically under these two broad budget categories that total \$US 8.6 million. With the addition of the 7 percent trust fund fee, a grand total of \$US 9.3 million would eventuate, although actual expenditure at this level is extremely unlikely given historic execution

rates rarely exceed 90 percent, and actual costs often fall short of their budgeted expectations. Nevertheless, workplan execution and expenditure results will be very closely monitored as they eventuate throughout FY2023, first and foremost, to safeguard against any likelihood of overspending, but to respond to the more likely scenario that some workplan activities will not advance as expected giving rise to a likely underspend. In this case, opportunities to substitute alternative similarly costed activities will be constantly considered in the monitoring of workplan execution and the emerging budget outturn.

REVENUE ADMINISTRATION

PFTAC's FY2023 CD strategy for revenue administration maintains a continued focus towards:

- Objective 1: Strengthened revenue administration management and governance arrangements; and
- Objective 2: Strengthened core tax administration functions.

Under the proposed FY2023 workplan, 116 missions/activities are planned versus an outturn of 49 missions in FY2022, a 137 percent increase, requiring an expected 2,126 TA field days (102 LTX and 2,024 STX), up 111 percent from 1,006 in FY2022 (108 LTX and 898 STX). The FY2023 missions include 11 missions (136 STX days) to assist with tax legislation in 8 countries. The increase in the very ambitious TA delivery plan for FY2023 is made possible given the appointment of a second LTX since October 2021. The workplan also assumes that as countries reopen to travel there will be an increasing proportion of 'in-country' missions to address pent-up demand, complemented by remote engagement where practical.

In adjusting to a post-COVID world, five themes are expected to emerge as critical areas of focus for FY2023: (1) strengthening the foundations; (2)



preparing for the unexpected; (3) collecting more revenue; (4) planning for the future; and (5) working together. The program in FY2023 therefore will focus on:

- Strengthening the core foundations of tax administration of registration, taxpayer service, collection, and audit – all critical to support speedy mobilization of revenue in response to the effect on revenue collection of COVID-19 and recent shocks;
- Improving revenue collection to address areas adversely impacted by COVID-19;
- Aligning the CD program for each

country with their strategic plans and outcomes; and

- Re-establishing the relationship between PFTAC and PICs with a return to face to face engagement.

The resumption of in-country missions as borders reopen in FY2023 provides the opportunity to review the impact of recently delivered CD. Some countries that received significant remote CD have not been able to follow through with implementation during FY2022 because of other priorities. Therefore, the FY2023 work program includes several face-to-face reviews by the resident PFTAC advisors with PIC authorities to discuss progress; to get a first-hand account of the challenges

the revenue administrations have experienced; and to refresh and build strong working relationships for the future. While this can be tackled remotely, the value of PFTAC comes from the strong relationships of trust developed and maintained with the PICs that ensures an in-depth knowledge of the administrations supported. In-person relationships are a cornerstone to the way of work in Pacific and for PFTAC.

In FY2023 PFTAC will familiarize PICs with the **RBM framework**, working with the authorities to describe the outcomes targeted and the milestones associated with the planned CD. **The Tax Administration Diagnostic Assessment Tool (TADAT)**, will be used whenever feasible to measure targeted outcomes and milestones and the progress being made towards their achievement in the RBM system. PFTAC continues to promote the **annual International Survey of Revenue Administration (ISORA)**. Training and support will be provided to complete the survey and, in the use, and value of the data at the country level.

The **Virtual Training to Advance Revenue Administration (VITARA)** provides online courses for tax administrations and will form part of the CD toolkit in FY2023. PFTAC will encourage countries to utilize this resource and STX will leverage this platform in their CD delivery. The content is tailored to senior tax administration managers who are responsible for leading their administrations in good practice. With revenue collection challenges from economic shocks caused by epidemics, pandemics, and natural disasters, some countries may be seeking a reform pathway. PFTAC will continue to explore the adoption of a **Medium-Term Revenue Strategy (MTRS)** for countries considering substantive reform. The IMF priority areas of **Gender, Digitization and Climate Change** will be woven into CD delivery, in some cases explicitly. Where there is a direct connection with the CD, e.g., leadership development and gender, this will be reflected in CD tasks. Where the priority area is cross-

cutting, PFTAC advisors and STX will be guided by developments driven by IMF headquarters where new strategies are being developed and implemented, in topics including gender, digitization, climate change, and increased support to FCS. Advice must be tangible and relevant to Pacific revenue administrations and not merely theoretical or token.

AT THE REGIONAL LEVEL, the increase in the number of activities will rise from 4 in FY2022 to at least 12 in FY2023 and signals a shift in modality towards shared learning. The COVID pandemic highlighted the similarities (rather than differences) between PICs. Through the series of leadership seminars, revenue leaders recognized they were often trying to understand and manage similar problems. This recognition presents an opportunity to use the collective knowledge and experience across countries and facilitate a shift towards '**networks**' between PICs. It is intended to evolve the concept of '**networks**' into our practice during FY2023 working in partnership with PITAA. The following workshops have been identified for delivery in FY2023 in partnership with PITAA:

- **Leadership and management:** (1) Leadership, integrity, and good governance; (2) Strategic and operational management; and (3) Operational leadership;
- **Core revenue administration:** (1) Debt and arrears management; (2) Data and analytics; and (3) Business continuity responses and planning; and (4) Legal interpretation and powers;
- **Enabling effective revenue administration:** (1) Policy and revenue forecasting; (2) Tax Information Systems for small countries; (3) Performance management; and (4) ISORA.

IN TERMS OF COUNTRY

ACTIVITIES, a substantially increased CD program is planned with two resident advisors for the entire year and a very sizable budget. The ability

to respond quickly and remotely is a capability honed over the past two years, and where optimal, remote engagement will carry forward into the future. It provides for the tailored design of CD with mixed modalities.

FY2023 sees a shift from some of the higher users of TA in previous years towards **Timor Leste**, a relatively new beneficiary of Revenue CD from PFTAC, and a return in prominence of **Fiji** and **Samoa** - all countries affected by external and internal drivers of change.

The ability to absorb and respond to future economic shocks requires a solid foundation where voluntary compliance is a priority to provide additional capacity if required in the enforcement space. Consolidating recently provided CD is a key focus of FY2023, along with, business continuity planning, revenue collection action planning, data and risk management, strategic planning, and investing in people.

Cook Islands will benefit from nine missions to strengthen their audit capability, improve their filing and payment processes, refresh training products for taxpayer services and collections, and provision of training for staff on the new Tax Administration Act.

Fiji has undergone big changes in the past 12 months, so the focus for FY2023 is to be '*brilliant at the basics*'. Thirteen missions are planned for FY2023. Support will be provided to improve risk management and data analysis; implement the industry partnership strategy; improve management of tax return filing and tax arrears; further improve taxpayer services and communication; and continue with the tax audit skills development. People and culture are high on the agenda for FRCS, with change management, performance management and organizational design and the operating model planned for delivery in FY2023.

FSM did not feature strongly in the FY2022 plan, but have three missions planned for FY2023, including a

delayed diagnostic assessment of the tax administration, the development of a CIS and a review of reforms. The authorities are also considering far-reaching tax policy reforms following analysis and advice from the Macro program.

Kiribati will receive six missions to continue strengthening audit skills; improving the e-filing, payment, and VAT refund processes; to explore organizational design options; a Small Business tax; and the BEPS Inclusive framework. This complements assistance being financed by the EU.

The **Marshall Islands** will receive assistance for possible VAT implementation; make improvements to taxpayer services processes and skills development; potential support for an IT needs assessment; and help with developing a compliance risk management process.

One mission is planned for **Nauru** to review and renew the CIS with a focus on the large taxpayer segment and assistance with improving taxpayer services, debt and returns management, and the audit function.

For the coming year, three missions are planned for **Niue** to review progress on reform implementation and assist with rewrite of the Income Tax Act.

Seven missions are planned for **Palau** primarily to progress implementation of their substantial tax reform agenda, helping with the implementation of the taxes.

PFTAC will provide seven missions to **Papua New Guinea** to assist with the implementation of the approved organizational structure and the processes to enable the new operating model; refresh the Integrated Tax

Administration System (ITAS) project plan and assist with development and implementation of change management; support implementation of a taxpayer services strategy; and improve the integrity of the taxpayer register. Implementing a new performance management system and developing performance metrics and a resource utilization tool are key priorities.

With assistance to **Samoa** mostly paused over the past year, twelve missions are planned in FY2023. These include the renewal of the Corporate Strategy; improve risk management and data analysis; enhance the industry partnership strategy; implement the taxpayer services and communication strategy; further strengthen debt, and returns management; improve tax audit; and optimize TIMs. Additionally, a review of the organizational structure is planned as well as a compliance risk assessment and a focus on the EU blacklist and BEPS.

The assistance to the **Solomon Islands** will continue with five missions planned to support the implementation of VAT, a review of the organizational structure and Large Taxpayer Office, and change management. The design and implementation of an MTRS will continue to be explored.

With the completion of the diagnostic review for **Timor-Leste**, an ambitious program of twelve missions are planned for FY2023 that range from strategic planning to operational delivery. These include assistance with progressing debt and returns management; and tax audit including the development of standard operating procedures; redesigning, and refining the tax clearance process; modifying the approach to large taxpayers; and reviewing the TAA; and supporting the

implementation of VAT. The development of a strategic plan is a priority as well as the establishment of a planning, design and monitoring function; an assessment of the resource distribution across the administration; and a plan to relocate the registration function to TLTA control. Finally, a TADAT assessment is proposed in FY2023.

Following a good start to FY2022, **Tonga** was adversely affected by the volcanic eruptions on top of COVID outbreaks halting CD. Therefore, in FY2023, eight missions are planned to continue to strengthen core tax functions such as audit, debt and return management and taxpayer services, and to improve the integrity of their data and register. Assistance with the Point of Sale (POS) regulations continues and the finalization of the consumption tax rewrite. Business continuity planning is a high priority.

Tuvalu will receive four missions as support to embed and continue to progress the implementation of the CIS and operational plan. A review of the organizational arrangements will also be undertaken.

On the back of a very successful use of CD during FY2022, nine missions are planned in FY2023 for **Vanuatu** to further improve the management of return filing and tax arrears. A tax policy review and consideration of Income Tax legislation is also planned. Further support will focus on POS system, organizational arrangement, data analysis and business intelligence, strengthening audit and development of SOP.

Assistance with tax legislation work is included in the country summaries.

TABLE 17. FY2023 WORK PROGRAM – REVENUE ADMINISTRATION

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
STRATEGIC OBJECTIVE 1: BETTER REVENUE ADMINISTRATION, MANAGEMENT AND GOVERNANCE ARRANGEMENTS					
Cook Islands	LTX [in-country]	Implementation of Organizational Structure	Function based structure introduced by 12/31/2021	Economic impact of pandemic can impact on funding for new positions	Carry over from FY22
Cook Islands	STX [in-country]	Refresh Compliance Improvement Strategy	Current CIS requires renewal	New CIS	Impact of COVID reflected in focus of CIS
Cook Islands	LTX [in-country]	Review of reforms	Administration implementing CD recommendations and actions	Improvements as a result of implementing CD.	Annual review to assess progress on CD and future CD needs. Introduce new LTX.
Cook Islands	STX [remote]	Implementation of Tax Administration Act - training	TAA bill and technical notes complete	Training provided to staff	
Fiji	STX [remote]	Review of People Capability and Culture	New CEO requires independent view of culture, capability and people practices in FRCS	Current state view of employee experience and a prioritized road map for implementation	New CEO requires independent view
Fiji	STX [remote]	Strengthen Data Analysis and Risk Management	Has an effective RMD unit, however CD on ITAS identified gap in system requirements	Effective access to data for risk analysis from ITAS and processes in place to use data.	Carry over from FY22
Fiji	STX [in-country]	Compliance Improvement Strategy (CIS) and RCAP	CIS's due for renewal and data analysis to be enhanced	New CIS's implemented by 11/30/21	High-risk compliance can be improved through enhancing CIC's and data analysis. A carry over from FY22 however impacts of COVID to now be factored in
Fiji	STX [remote]	Develop Change Management Strategy	FRCS undergoing a number of changes, affecting people, processes, systems and taxpayers	A road map and plan to ensure a coherent approach to implementing changes and those affected by the changes	Follows from CD People and Culture Assessment and Current State Assessment of the Tax Administration
Fiji	STX [in-country]	Further assistance with the Industry Partnership approach	Industry partnership needs further enhancement and focus on high-risk industries	Industry partnership developed and implemented	Design industry partnership strategy to improve compliance in COVID-19 context. Carry over from FY22
Fiji	STX [in-country]	Organizational Design and Operating Model	New structure put in place following downsizing in Dec 2021	Fit for purpose organizational design and structure including FTEs	Will be informed by Current State Assessments
Fiji	STX [in-country]	Design and Implement Performance Management System	No clear line of sight between strategic plan and organizational and individual performance	A road map and plan to operationalize the strategic plan, and link to performance	The people and culture assessment and tax admin assessments should inform this work
Fiji	LTX [in-country]	Review reform progress	Administration implementing CD recommendations and actions	Improvements as a result of implementing CD.	Annual review to assess progress on CD and future CD needs. Introduce new LTX.
Fiji	STX/ HQ [in-country]	TADAT Assessment	Last TADAT self-assessment completed in 2017	TADAT assessment will highlight areas for improvement	Dependent on organizational readiness to undertake this. May be better in FY24
FSM	STX [in-country]	Diagnostic review of the Tax Administration.	Diagnostic review carried over from FY 21 as requested, ideally should be in-country	Identify need for modernization and reform and agree on TA	Diagnostic review will determine TA to be delivered. Carry over from FY22
FSM	STX [in-country]	Compliance Improvement Strategy	No CIS	CIS developed	Follow on from diagnostic assessment
FSM	LTX [in-country]	Review of reforms	Administration implementing CD recommendations and actions	Improvements as a result of implementing CD.	Annual review to assess progress on CD and future CD needs. Introduce new LTX.
Kiribati	STX [remote]	BEPs Inclusive Framework	Govt. considering signing up to BEPS inclusive framework	Outline of administrative considerations and requirements should the govt sign up to BEPs	
Kiribati	LTX [in-country]	Organizational Design	Consideration being given to location of a tax policy unit	An organization structure FFP for Kiribati, with options	While request must focus on tax policy this is an

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
				for tax policy	opportunity to set the scene for the longer term investment in tax admin
Kiribati	LTX [in-country]	Review reform progress	Administration implementing CD recommendations and actions	Improvements as a result of implementing CD.	Annual review to assess progress on CD and future CD needs. Introduce new LTX.
Kiribati	STX [remote]	Implementation of Small Business Tax	Exploring opportunities to increase revenue collection	A forecast of potential revenue of introducing a small business tax	Macro-economic/Tax Policy work
Marshall Islands	STX [remote]	Support for Tax Reform	Significant CD provided - little action by RMI	CD implemented-RMI able to implement reforms successfully	Little engagement or action by RMI administration
Marshall Islands	STX [remote]	Compliance Risk management	No CRM in place	CRM process in place	A future activity once reform planning complete
Marshall Islands	STX [in-country]	Implementation of VAT	Decision still to be taken on implementation of VAT	VAT implementation readiness by 10/31/22	Political support for tax reform needed. Carry over from FY22
Nauru	STX [in-country]	Enhance CIS and improve core tax functions	Minimal CD provided in recent times because of capacity and capability gaps in Nauru	A plan to address key risks and grow revenue	Administration has requested no CD until 2023 when its hoped there will be more certainty about resourcing
Niue	STX [remote]	Reform Program Progress Review	Administration implementing CD recommendations and actions	Improvements as a result of implementing CD.	Annual review to assess progress on CD and future CD needs. Introduce new LTX.
Niue	STX [remote]	Reform Progress Check	Administration implementing CD recommendations and actions	Improvements as a result of implementing CD.	Annual review to assess progress on CD and future CD needs. Introduce new LTX.
Niue	STX [in-country]	ITA Rewrite	Work started in previous years	Finalization of draft legislation	
Palau	STX [remote]	Review Tax Reform Implementation Progress	Administration implementing CD recommendations and actions	Improvements as a result of implementing CD.	Annual review to assess progress on CD and future CD needs. Introduce new LTX.
Palau	STX [remote]	ITC support for new taxes	Mix of activity underway including sourcing provider, scoping business processes and system requirements	Implementation plan and clarity on roles of different donors and resources in Palau	Many players in this space - risk of duplication
Palau	LTX [in-country]	Review of Tax Administration Reform Progress	Administration implementing CD recommendations and actions	Improvements as a result of implementing CD.	Annual review to assess progress on CD and future CD needs. Introduce new LTX.
Palau	STX [remote]	Tax Reform Bill Regulations	Regulations part complete	Regulations prepared	Dates are indicative
Palau	STX [in-country]	Implementation of tax reforms #2	Implementation planning CD provided	Implementation on track as per detailed plans	Very slow engagement and action with risk that implementation will not happen in time
Palau	STX [in-country]	Implementation of tax reforms #3	Implementation planning CD provided	Implementation on track as per detailed plans	Very slow engagement and action with risk that implementation will not happen in time
Palau	STX [in-country]	Implementation of tax reforms	Implementation planning CD provided	Implementation on track as per detailed plans	Very slow engagement and action with risk that implementation will not happen in time
Papua New Guinea	STX[remote]	Review ITAS project plan and change management implementation	Key interdependencies and more breakdown elements to be included in ITAS project plan	ITAS project plan and change management plan implemented by 12/31/21	Funding required for new ITAS project. Carry over from FY22
Papua New Guinea	STX [remote]	Develop process flows between HQ and Operations	Implementing new HQ and operations groups	Clear processes showing the interaction between HQ and operations	Timing dependent on new structures being in place
Papua New Guinea	STX [remote]	Develop Resource and Performance Metrics	IRC has not resourced to capacity	KPIs established and model implemented to determine the optimal staffing required	Requires new structures to have been operating for a period of time
Papua New Guinea	STX [remote]	Implementation of New Performance	Taking the theory of performance management into	A practical and usable performance management	Working to support HR

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
		Management System	practice	system	
Papua New Guinea	STX [remote]	Review Progress on Organizational Change Implementation	Large organizational changes taking place	Formal review of progress with implementation and outcomes	
Samoa	STX [remote]	New Organization Structure	Decision made to separate Customs and Tax	Draft structures and operating model for tax administration	Timing important
Samoa	STX [in-country]	Renewal of Corporate Strategic Plan	Strategic plan due for renewal in 2021	New Corporate strategic plan implemented by 10/31/21	New IT Strategy and TPS strategy to be incorporated into Corporate strategy. Carry over from FY22
Samoa	STX [in-country]	Renewing of industry partnership for high risk industries	Industry partnership needs to be reviewed and renewed with a focus on high-risk industries	Industry partnership developed and implemented by 11/30/2021	High-risk compliance can be improved through industry partnerships. Carry over from FY22
Samoa	STX [remote]	Compliance Risk Management	CRM approach requires updating	New CRM resourced and operating	
Samoa	STX [remote]	Improve data analysis	Data analytics in its infancy	Create tools, resources and provide training to improve data analysis	
Samoa	LTX [in-country]	Review of reform progress	Administration implementing CD recommendations and actions	Improvements as a result of implementing CD.	Annual review to assess progress on CD and future CD needs. Introduce new LTX.
Samoa	STX [remote]	BEPS Implementation	Initial work done on BEPS by legal expert (STX)	Meeting BEPS requirements 10/31/22	Decisions to be taken on BEPS requirements. Carry over from FY22
Solomon Islands	STX [remote]	Organization structure and LTO operations support	Approval given for restructuring as well as ADB funding to strengthen overall administration	Clarity on PFTAC CD	Coordination with ADB team required
Solomon Islands	LTX/ STX [in-country]	Assist with implementation of VAT	A decision to implement a VAT has been made with a request from the authorities to support implementation.	Implementation strategies and plans for VAT finalized by 12/31/21.	The COVID pandemic has impacted on plans to implement VAT. Carry over from FY22
Solomon Islands	STX [in-country]	Change Management	Approval given for restructuring as well as ADB funding to manage changes	Change management plan	Coordination with ADB team required
Solomon Islands	STX [in-country]	Assist with implementation of VAT	A decision to implement a VAT has been made with a request from the authorities to support implementation.	Implementation strategies and plans for VAT finalized by 12/31/21.	The COVID pandemic has impacted on plans to implement VAT. Carry over from FY22
Solomon Islands	LTX/ STX/ HQ [remote]	Design and Implementation of MTRS	Carried over from FY 2021	MTRS implemented by 4/30/22	FAD led mission. Commitment required to be able to move forward with MTRS design. Carry over from FY22
Timor-Leste	STX [in-country]	Assist with implementation of VAT	A decision to implement a VAT has been made with a request from the authorities to support implementation.	Implementation strategies and plans for VAT finalized by 12/31/21.	Full political support needed for VAT. Carry over from FY22
Timor-Leste	STX [remote]	Develop Strategic Plan	Recent diagnostic identified need to build the tax admin - and develop a strategic plan	Strategic plan and implementation road map	Diagnostic in late 2021 identified significant CD requirements
Timor-Leste	STX [remote]	Administration Support for return registration function to sole TLTA control	The registration functions sits outside the tax admin - need to bring back into TLTA	Business case or plan to locate the registration function in TLTA	This might be a multi-staged approach. Links with legal support assistance for the same
Timor-Leste	STX [remote]	Redefine and modify approach to Large Taxpayers	Recent diagnostic identified need to build the requirements of a modern tax admin	Plan to establish an LTO	
Timor-Leste	STX [in-country]	Review/update staff distribution in Accounting, Collections, Enforcement and Audit	Recent diagnostic identified need to ensure current structures and operating model is future fit	Review of org structure; and assessment of resourcing for core tax functions	
Timor-Leste	STX [in-country]	Develop planning, design and monitoring (head office) function	Recent diagnostic identified need to build the tax admin - and supporting infrastructure	Plan to establish D&M capability	Links to work on org structure
Timor-Leste	STX [in-country]	Support implementation of VAT	No decision made on VAT	Implementation planning commenced	Two year lead in for VAT implementation

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
Timor-Leste	STX [remote]	Draft VAT and TAA laws	Decisions not yet made on VAT or changes to TAA	Legislation drafted	Decision needed on whether VAT and/or changes to TAA will go ahead
Timor-Leste	STX [remote]	Legal Support for return registration function to sole TLTA control	Recent diagnostic identified need to bring responsibility for registration to TLTA	Business case developed to transfer registration function to TLTA	Will require cross govt support; legal input and administration processes developed
Tonga	STX [remote]	Development of Business Continuity Plan (BCP)	Recent events have highlighted need to have broad and flexible BCPs	BCP that can adapt to variety of events	Needs to accommodate expected and unexpected events that affect the administration
Tonga	STX [remote]	Review of Revenue Services Administration Bill and POS Regulations	Finalize Revenue Services Admin regulations	Final draft of regulations 2021 completed	Delayed because of adverse events
Tonga	STX [remote]	Review of POS regulations	Finalize Revenue Services Admin regulations	Final draft of regulations 2021 completed	Delayed because of adverse events
Tonga	STX [in-country]	Finalization of consumption tax rewrite	Legislation has to be finalized	Consumption tax rewrite implemented by 12/31/21	PFTAC supporting modernization of tax laws. Carry over from FY22
Tuvalu	LTX [remote]	Organizational structure for customs and tax administration	Merger of tax and customs	Review org structure to ensure fit for purpose	Could also involve business case support for additional resourcing
Tuvalu	STX [remote]	Monitor and review implementation of CIS and operational plan #2	Implementing CD	Regular monitoring and review of progress	Requested support to make sure CD is kept on track
Tuvalu	STX [in-country]	Monitor and review implementation of CIS and operational plan #3	Implementing CD	Regular monitoring and review of progress	Requested support to make sure CD is kept on track
Tuvalu	STX [in-country]	Monitor and Review Implementation # 4	Implementing CD	Regular monitoring and review of progress	Requested support to make sure CD is kept on track
Vanuatu	STX[in-country]	Tax Policy review	Previous work undertaken to consider policy options aligned with modern tax administration	Policy review undertaken	
Vanuatu	STX [remote]	POS System	Considering POS	Pros and Cons of implementing POS	
Vanuatu	STX [in-country]	Support on Organizational Arrangement	Administration is making a number of improvements to business performance	Review of current structure and operating model	
Vanuatu	STX [remote]	Data analysis and business intelligence	Low maturity in data and intelligence	Assist with set up of RMU	
Vanuatu	STX [in-country]	Review of Modernization Programme	A number of changes being implemented	Review and assess progress on modernization	
Vanuatu	STX [remote]	Income Tax Legislation	Previous work deferred	Refresh IT legislation	
Regional	LTX/ STX [remote]	Leadership, Integrity and Good Governance	Leadership capacity building required	Workshop on leadership delivered by 1/31/2022	As per PITAA training needs analysis priorities. Continuation of program.
Regional	LTX [remote]	Regional Sharing of Business Continuity Responses	Different levels of BCP in different countries	Consistent view of BCP; practical examples shared; minimum requirements agreed.	Draft BCP for each country
Regional	STX [in-country]	Data and Analytics	Follow-up to workshop delivered during FY 20	Workshop on Risk Management delivered by 8/31/2021	As per PITAA training needs analysis priorities. Carry over from FY22
Regional	STX [remote]	Regional Assessment of Small Country Tax Information System	No IT system that meets needs nor is affordable for small islands	Document requirements of small Pacific Island countries	Input to a business case for PITAA resource to investigate a RFP for a more fit for purpose and affordable IT solution.
Regional	STX [remote]	ISORA	Mixed response from PICs to annual survey	PICs complete the survey on time	STX available to help PICs; timing to be involved at the start of process
Regional	STX [remote]	Regional Tax Information System	Past work undertaken on a regional IT system - revisit in light of regional assessment	An input to possible solutions	Links to IT regional assessment

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
Regional	STX [in-country]	Performance Management	Mixed approach to performance management across PICS	Exposure to range of performance management approaches; minimum requirements understood	KISS principle
Regional	STX [remote]	Regional Policy and Revenue Forecasting	As countries come out of COVID govts will want to look at ways to increase revenue. An overview of policy and revenue forecasting will help in conversations with ministers	Understanding of the process of Policy development and revenue forecasting	
Regional	STX [remote]	Legal Interpretation	Countries need to understand their powers and know how to use them	Understanding of the legal levers available to PICS	A forerunner to how to use these levers
STRATEGIC OBJECTIVE 2: STRENGTHENED CORE FUNCTIONS EVIDENCED BY AN ACCURATE TAXPAYER BASE, TAXPAYER SERVICES SUPPORTING VOLUNTARY COMPLIANCE, IMPROVEMENTS IN FILING, PAYMENT AND AUDIT SERVICES					
Cook Islands	STX [remote]	Review Audit Training Products	Current training products are outdated	Training material for entry and intermediate level audit	Training will also be delivered as part of other CD
Cook Islands	STX [in-country]	Strengthen audit function	Improvements required for the audit function to meet the required standards	The audit function operating at improved efficiency levels by 30/4/2022 and measured against TADAT dimensions.	The authorities have requested TA to assist in building audit function and capability. Carry over from FY22
Cook Islands	STX [in-country]	Audit Skills Development	Auditor skills level low	Audit skills development program completed	Tax avoidance and evasion requires high level of audit skills. Carry over from FY22
Cook Islands	STX [in-country]	Progress review of Collections, E-Filing and Payments	Further improvement required for management of outstanding returns and tax arrears	On-time filing and payments operating at improved efficiency levels by 31/12/2021 and measured against TADAT dimensions.	Assistance requested by the authorities to improve current returns and payment compliance levels.
Cook Islands	STX [remote]	Review of Services and Collections Training Products	Current training products are outdated	Training material for entry and intermediate level	Training will also be delivered as part of other CD
Fiji	STX [in-country]	Strengthening tax audit	Improvements required for the audit function to meet the required standards	Quality of audits improved	Audit case work to be improved as requested by authorities. Carry over from FY22
Fiji	STX [in-country]	Improving taxpayer services and communication	Taxpayer service and communication strategy to be implemented	Increase in voluntary compliance and decrease in number of taxpayer complaints	Taxpayer services and communication important in COVID-19 context and to improve voluntary compliance. Carry over from FY22
Fiji	STX [in-country]	Strengthen Debt and Returns Management	Improvements required for the Collections function to operate optimally	Processes, systems strengthened; training provided	From CD Current State Assessment of the Tax Administration
Fiji	STX [in-country]	Audit Skills Development	Skills level of auditors and investigators to be improved	Audit skills development program completed	Build on first audit skills development program delivered during FY 2021. Carry over from FY22
Kiribati	STX [in-country]	Strengthen e-Filing, Payment and VAT Refunds process	Improvements required for the function to operate optimally	Increase in use of eservices	From CD Current State Assessment of the Tax Administration
Kiribati	STX [in-country]	Strengthening Tax Audit	Improvements required for the audit function to meet the required standards	Quality of audits improved	Auditing of cash based businesses with poor record keeping presents challenges. Carry over from FY22
Marshall Islands	STX [remote]	Improve Taxpayer Service Process and Skills Development	Improvements required to TPS	Increase in voluntary compliance and decrease in number of taxpayer complaints	Taxpayer services and communication important in COVID-19 context and to improve voluntary compliance.
Marshall Islands	STX [remote]	Debt and Returns Management, Improve Taxpayer Services and Audit	Ad hoc business changes	Diagnostic and plan to improve core tax functions	

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
Papua New Guinea	STX [remote]	Support implementation of taxpayer services strategy	Finalization, approval and implementation of taxpayer services strategy needed	Improved delivery of taxpayer services by 12/31/2021 and measured against TADAT dimensions.	Assistance with implementing taxpayer service strategy requested by authorities. Carry over from FY22
Papua New Guinea	STX [in-country]	Review cleansing of taxpayer registers #2	Taxpayer data is not current	Data quality improves and plan in place to manage in future	Second assignment to improve data quality
Samoa	STX [in-country]	Debt and Returns Management	On-time filing and on-time payment to be improved	On-time filing and payments operating at improved efficiency levels by 31/12/2021 and measured against TADAT dimensions.	Follow-up to assistance provided during FY 2021. Carry over from FY22
Samoa	STX[in-country]	Implementation of Taxpayer Services Strategy	Taxpayer service strategy already developed, needs to be implemented	Improved delivery of taxpayer services by 12/31/2021 and measured against TADAT dimensions.	Taxpayer services and communication important in COVID-19 context and to improve voluntary compliance. Carry over from FY22
Samoa	STX [remote]	Strengthen Audit and TIMS	Improvements required for the audit function to meet the required standards	The audit function operating at improved efficiency levels by 4/30/2022 and measured against TADAT dimensions.	Management of TIMS data and case selection key focus. Carry over from FY22
Samoa	STX [remote]	Outsourcing Debt Collection	Deferred from April 2022	Assist senior leaders with decision making on outsourcing	
Timor-Leste	STX [remote]	Redesign/refine the Tax Clearance process in collaboration with Customs	Recent diagnostic identified improve tax clearance process	Tax clearance process improved	Likely to need follow up CD
Timor-Leste	STX [remote]	Improve filing and tax arrears management	Recent diagnostic identified need to improve filing and tax arrears	Improvement in collections	Likely to need follow up CD
Timor-Leste	STX [in-country]	Audit, Accounting and Collections – redesign processes and develop SOPs	Recent diagnostic identified need to develop SOPs for all functions	SOPs developed and being used	Likely to need follow up CD
Tonga	STX [in-country]	Debt and Returns Management	On-time filing and on-time payment to be improved	On-time filing and payments operating at improved efficiency levels by 31/12/2021 and measured against TADAT dimensions.	Assistance requested to improve current returns and payment compliance levels. Carry over from FY22
Tonga	STX [in-country]	Strengthen tax audit and POS	Improvements required for the audit function to meet the required standards	The audit function operating at improved efficiency levels by 31/12/2021 and measured against TADAT dimensions.	Assistance with building audit function and capability requested. Carry over from FY22
Tonga	STX [remote]	Improving taxpayer services and communication	Improvements required to TPS	Improved delivery of taxpayer services measured against TADAT dimensions.	
Tonga	STX [in-country]	Improving register integrity and data-cleanup	Taxpayer data requires improvement	Data quality improves and plan in place to manage in future	
Vanuatu	STX [in-country]	Debt and returns management #2	CD of 2021 implemented	Next phase Collections actions implemented, reduction in outstanding debt and improvement in return filing	Part 1 completed in 2021
Vanuatu	STX [remote]	Strengthening audit and audit manual	Phased approach to audit strengthening	Next phase of work to strengthen audit	
Vanuatu	STX [remote]	Development of Standard Operating Procedures guidelines	Procedures not documented	SOPs developed and being used	
Regional	STX [in-country]	Debt and Arrears management	Previous CD has been implemented	Next phase for debt and return work	
Regional	STX [in-country]	Operational Leaders	Previous focus has been on executive level. Focus for 2023 is on operational leadership	Program in place for operational leaders to share experience and hear/see examples of practice	Program to be developed similar to leadership program for executives.
Regional	LTX/ STX [remote]	Tax Investigations - VAT	Identified by PITAA	Strengthen understanding of VAT auditing	

PUBLIC FINANCIAL MANAGEMENT

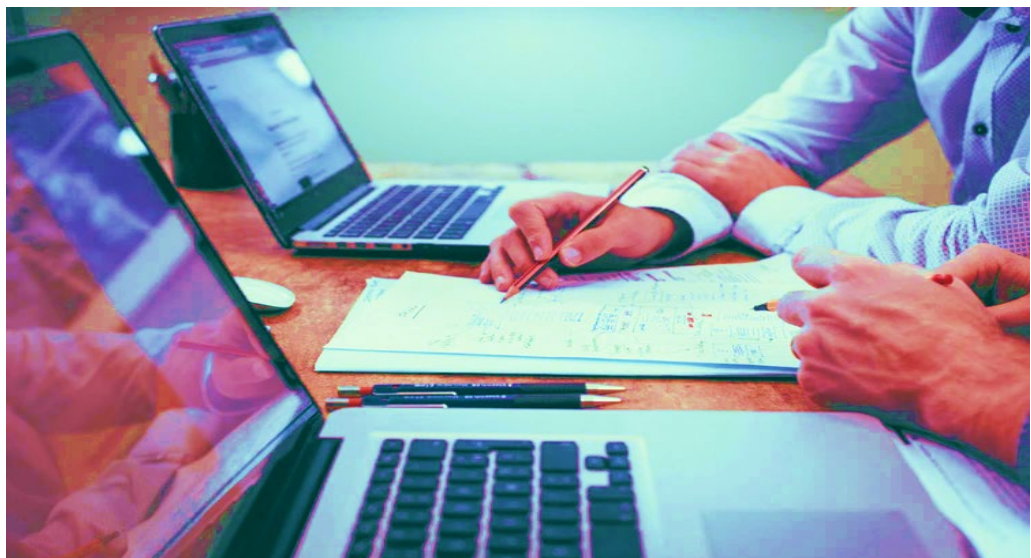
In FY2023, PFM support and CD will continue in all objective topic areas, including in on-going projects. Specific areas of planned support include:

- Continued support to updating PEFA assessments where existing assessments have now become outdated. These assessments will primarily utilize the Agile PEFA methodology which has shown to be more appropriate and less onerous for small island countries with small administrations. Agile PEFA's are planned for **Palau** and **Tuvalu** and a PEFA Climate assessment is planned for **Vanuatu**. A Public Investment Management Assessment (PIMA) is planned for **Cook Islands**;
- Developing and updating sequenced and prioritized PFM reform roadmaps, which realistically reflect institutional and capacity strengths and constraints, and completing ongoing work on modernizing and updating legal frameworks to provide a conducive enabling environment for the ongoing/planned PFM reforms;
- Enhancing transparency of budget documentation and budget credibility; strengthening budget execution and control—including Internal Audit; and stronger asset,

liability, and risk management;

- Strengthening the quality of fiscal reporting as well as in-year and annual financial reporting, and accountability, including the furthering the adoption of international standards, i.e., IPSAS and GFSM2014.

The FY2023 PFM work plan is ambitious, in the expectation that in-person missions will recommence for most countries early in FY2023, enabling the delivery of missions postponed in FY2022 due to COVID-19 restrictions and related challenges of accommodating multiple remote missions. PFM support will be delivered through a mix of resident advisor and STX led missions – with



388 of the 628 planned mission days delivered by STX, reflecting the ambition to deliver 29 missions/activities, up from 14 in FY2022. The planned number of TA days expected to be delivered by the resident advisors (LTX) is 240, up from 106 in FY2022. A return to in-country missions will contribute to part of this growth, as well as the anticipated recruitment of a third PFM advisor in the second half of FY2023 who will have a focus on climate related PFM issues as a prelude to the expansion of activity in this critical area in Phase VI from FY2024 on.

PFTAC will continue to coordinate with other providers of PFM TA to ensure consistency and sustainability in the impact of TA to members.

AT THE REGIONAL LEVEL, four regional workshops are planned drawing on the resources of the PFTAC resident advisors, FAD staff and STX:

- A workshop on formulating sequenced and prioritized PFM reform roadmaps, based on issues highlighted in PEFA assessments.
- A workshop sharing experiences in leadership for Ministers for Finance and Heads of National Statistics Offices;
- A workshop jointly conducted by FAD and PFTAC on Gender Responsive Budgeting; and
- A workshop on cash flow and fisheries revenue forecasting.

IN TERMS OF COUNTRY

ACTIVITIES, planned delivery includes the following:

In the **Cook Islands** a PIMA will be conducted to assess effectiveness of public investment practices and institutions.

In **Fiji** continued support will be delivered as part of an ongoing projects on Internal Auditing and the management of fiscal risks emanating from SOEs and Public Private

Partnerships (PPPs).

Assistance will be provided to **Kiribati** to finalize the updating of the PFM Act, preparing a prioritized and sequenced PFM reform roadmap, and strengthening cash management.

Ongoing support to the **Marshall Islands** on enhancing the transparency of budget documentation will continue in FY2023. Advice and guidance will also be provided on in-year budget execution reporting.

Following the FY2022 PEFA and Gender Responsive assessment in **Nauru**, assistance will be provided in formulating the PFM Roadmap.

Following support delivered in FY2022, the PFM Act will be finalized in **Niue**.

The PEFA assessment for **Palau** postponed from FY2022 will be undertaken in person in FY2023, and a PFM roadmap formulated based on the PEFA findings.

In **Papua New Guinea** PFTAC will support improved integration of cash and debt management functions, and commitment control management.

Ongoing projects will continue in **Samoa** strengthening internal audit institutional arrangements and refining warranting and cash flow forecasting

practices.

Support is planned in **Timor-Leste** strengthening top-down budget preparation processes based on binding medium-term budget ceilings. Guidance will also be provided in on strengthening oversight and management of SOE fiscal risks.

Tonga will be assisted in updating its medium-term fiscal framework, as part of focused support aimed at strengthening budget preparation.

An Agile PEFA is planned for **Tuvalu**, after which assistance will be provided for the formulation of a prioritized and sequenced PFM roadmap. Support will also be provided to assist the strengthening of budget preparation processes and practices; financial reporting through the implementation of quarterly budget execution reporting; and cash flow forecasting practices, implementing forecasting templates which engender good practice.

The second PEFA Climate Module assessment is planned for **Vanuatu** in FY2023—this will highlight areas needing reinforcement for responding to climate issues. Advice will be provided on financial reporting, specifically regarding modalities for addressing issues arising from recent audit reports.

TABLE 18. FY2023 WORK PROGRAM – PUBLIC FINANCIAL MANAGEMENT

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
STRATEGIC OBJECTIVE 1: IMPROVED LAWS AND EFFECTIVE PFM INSTITUTIONS					
Kiribati	STX [in-country]	Update PFMA	Current Public Finance Act long outdated - work initiated in FY22	A modern PFM Act which enables and reinforces effective PFM performance	Acceptance of revisions by parliament
Kiribati	LTX/ STX [in-country]	Develop PFM Roadmap	Reforms lacking strategic focus and MoF keen to develop a documented action plan which is cognizant of the country situation and constraints	More cohesive implementation of reforms	Small administration and capacity constraints - although advisor roles now filled
Nauru	LTX/ STX [remote]	Develop PFM Roadmap	The Roadmap will be based on the results of the Agile PEFA & Gender Responsive assessment to be completed soon.	A cohesive PFM Reform agenda implemented	Ability of government to define and implement required reforms.
Niue	LTX/ STX [remote]	Drafting the PFMA	Delayed as a result of lack of government engagement. Re-scheduled to early FY23 in line with commitment by local counterparts.	A modern PFM Act that incorporates best practice.	Commitment of counterparts and endorsement by government

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
Palau	LTX/ STX [in-country]	Agile PEFA Assessment	Postponed from FY21/FY22 due to COVID-19	Agile' PEFA undertaken findings used as foundation for the PFM reform roadmap.	Resource intensive activity which requires a return to travel.
Palau	LTX [in-country]	Develop PFM Roadmap	Reforms need to be based on an updated analysis of strengths, weaknesses and constraints	Reforms driven by an approved action plan which is prioritized and sequenced	Potentially competing activities and limited staffing numbers impacting on implementation
Tuvalu	LTX/ STX [in-country]	Agile PEFA Assessment	Existing PEFA now dated and many changes since previous PEFA	Updated assessment highlighting the priority areas for reform	Awaiting return to in-person mission as remote PEFA is very challenging
Tuvalu	STX [in-country]	Develop PFM Roadmap	Joint policy action matrix very broad and lacking prioritization	Reforms better sequenced and prioritized leading to effective implementation	Small administration and capacity constraints resulting in challenges in implementing the reforms
Vanuatu	LTX/ STX [in-country]	PEFA Climate Assessment	Earmarked for field based implementation in August 2022.	Improved integration of climate issues into PFM systems and processes	Capacity and commitment of local counterparts to provide data and relevant information.
Regional	LTX/ STX [in-country]	PEFA and PFM Reform Prioritization Workshop	Reform roadmaps in region not adequately sequenced, prioritized and cognizant of capacity constraints	Workshop delivered and roadmaps made more achievable	Constant pressure to address all issues, and capacity limitations in some countries.
Regional	LTX [in-country]	Regional Leadership Workshop for Heads of Finance, Central Banks, Revenue, and Statistics	Leadership skills is critical in driving and managing reform implementation. Strengthening leadership skills would impact positively on achieving reform outcomes.	Leadership at the officials level would be better equipped to drive and manage reform implementation.	Competing work agendas impacting participation
STRATEGIC OBJECTIVE 2: STRENGTHEN BUDGET PREPARATION TOWARDS MORE COMPREHENSIVE, CREDIBLE & POLICY ORIENTED BUDGET					
Marshall Islands	LTX/ STX [in-country]	Strengthening Budget Preparation	Budget presentation based on funds rather than GFS economic item	FY22/23 budget book includes economic item classification	Risk of limited capacity and staffing changes impact implementation of reforms
Marshall Islands	STX [in-country]	Strengthening Budget Preparation - follow-up	Significant scope for enhancing transparency of the budget	Foundations laid for FY23/24 budget cycle	Small administration and capacity constraints
Timor-Leste	LTX/ HQ [in-country]	Strengthening Top-Down Approaches to Budgeting	Medium term budget ceilings overridden resulting in excessive pressure on the budget	Medium-term Budget Ceilings become binding	Political level acceptance of recommendations
Tonga	LTX/ STX [in-country]	Review Tonga's Medium Term Fiscal Framework	Review the current framework for possible updates and training of local staff. Scheduled for Sept 2022.	A cohesive, updated medium term fiscal framework completed.	Local capacity to support and learn from the TA
Tuvalu	STX [in-country]	Strengthening Budget Process	Need for improved medium-term orientation and unification (recurrent and development) of the budget	Action plan developed for strengthening budget preparation practices	Small administration and capacity constraints
Regional	LTX [in-country]	Forecasting Fisheries Revenue	Workshop postponed from FY22 and broadened to cover cash flow forecasting	Skills imparted and revenue forecasts made more reliable	Capacity issues in some countries impact skills retention
Regional	LTX/ HQ [in-country]	Workshop on Gender Budgeting	Gender responsive budget a secondary consideration in some countries	Greater appreciation of the benefits from gender responsive approaches to budgeting	Competing urgencies reduces attention to gender concerns in some countries
STRATEGIC OBJECTIVE 3: IMPROVED BUDGET EXECUTION AND CONTROL					
Fiji	STX [in-country]	(i) QA Internal Audit and Internal Audit Committee Charters (ii) Advise on establishing an Internal Audit Quality Assurance program.	Significant work in recent years in implementing IIA standards and risk based auditing techniques - some institutional aspects still being finalized	Effective internal audit function	IAGG continues to progress well
Papua New Guinea	STX [in-country]	Arrears, commitment control and management of payroll expense	Payroll arrears in Provinces. Obligations only recorded at invoicing stage not at commitment	Action plan developed for strengthening commitment and expenditure controls	Risk of low compliance by Province officials

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
Samoa	STX [in-country]	Implementing Risk Based Audit	Risk based auditing and IIA standards have been adopted	Effective internal audit function	Next steps to consolidate government wide reports - IIAD rolling out training program to MDAs.
STRATEGIC OBJECTIVE 4: IMPROVE COVERAGE AND QUALITY OF FISCAL REPORTING					
Marshall Islands	STX [remote]	Strengthening Financial Reporting and CoA	Limited in-year budget execution reporting	Template for in-year budget execution reporting agreed and embedded in new FMIS	Significant work ongoing with FMIS contractors on reporting templates and the CoA
STRATEGIC OBJECTIVE 5: IMPROVED ASSET AND LIABILITY MANAGEMENT					
Kiribati	STX [in-country]	Consolidation and effective use of cash resources	Significant cash resources not adequately remunerated	More effective utilization and remuneration of cash resources	Current low market interest rates reducing imperative for reform
Papua New Guinea	LTX [in-country]	Review of institutional arrangements for debt and cash management	Institutional arrangements for debt and cash management fragmented	Debt and cash management functions better coordinated	Need for coordination and cooperation of units involved
Samoa	STX [in-country]	Progressing recent cash management reforms	Quarterly warranting and commitment controls ready for operationalization	Quarterly warrants implemented. Plan for consolidation of bank accounts agreed	Risk of competing activities impinging on cash management reforms
Tuvalu	STX [remote]	Strengthening Cash Management Practices	Annual cash plans not updated during the year	Cash flow forecasts are produced and updated monthly	Limited capacity to implement recommendations
STRATEGIC OBJECTIVE 6: STRENGTHEN IDENTIFICATION, MONITORING, AND MANAGEMENT OF FISCAL RISKS					
Fiji	LTX/ STX [in-country]	Improving fiscal risk analysis - Review Risk of Fiji Airways and PPPs	COVID-19 has exacerbated fiscal risks emanating from SOEs and PPPs	Fiscal risks from the selected assessments are quantified and discussed internally within MoE	The MoE and MPE have good capacity for taking fiscal risk management reforms forward
Timor-Leste	STX [in-country]	Strengthening SOE fiscal risk oversight	Timor-Leste has a growing SOE sector which has been deeply impacted by COVID-19	Training on good practice for SOE fiscal oversight delivered	Need for strengthened engagement with authorities
STRATEGIC OBJECTIVE 7: IMPROVE PUBLIC INVESTMENT MANAGEMENT					
Cook Islands	LTX/ STX [in-country]	Conduct a PIMA	Earmarked for field based implementation in October 2022.	Planning of public investments is strengthened to ensure sustainability	Local commitment to undertake the assessment.

MACROECONOMIC PROGRAMMING AND ANALYSIS

Over the course of FY2023, the Macroeconomic Analysis Program intends to deliver 23 CD missions to 11 of PFTAC's 16 member countries. These missions consist primarily of economic and fiscal forecasting, including macro-fiscal analysis, as well as the delivery of IMF Financial Programming training and model construction. Additional missions will also be accommodated as new requests are received by country authorities.

In addition, a new Macroeconomic Frameworks resident adviser is due to commence in FY2023 if endorsed by the SC. This Adviser will provide multi-year training and technical assistance on the use of advanced 'four sector' models by country authorities. These types of models are useful for examining all of the interrelationships within an economy.

Four regional workshops are planned: revenue forecasting; fishing revenue; economic leadership; and GDP forecasting. The Economic Leadership training event is planned to be delivered collaboratively with the Small Countries Financial Management Center (SCFMC). These workshops will, travel permitting, be held in person so as to maximize the benefit for participants.

Under the Macroeconomic



Programming these missions and workshops will contribute toward four key outcomes:

- **Outcome 1:** Timely, high quality macroeconomic monitoring, analysis, and research available for policymaking.
- **Outcome 2:** Ready public access to key monetary, fiscal, and financial soundness information.
- **Outcome 3:** Sound medium-term macroeconomic framework.
- **Outcome 4:** Strong institutional structures for macroeconomic policy making.

Macro-fiscal modelling is an area of key interest to most PFTAC member country authorities. Given the varying degrees of sophistication of countries' macro-fiscal projections, assistance is tailored closely to countries' needs. This assistance can be broadly divided into four steps, with assistance aimed at progressing along these steps:

- (1) **Basic budgeting** – ensuring the use of a basic budget execution model with relevant economic parameter inputs. Includes forward estimates. National government and development budgets should (ideally) be integrated. This includes: (1) expenditure and revenue

forecasts; (2) economic parameter forecasts; (3) ideally on a GFS basis; and (4) incorporation of the model into the budget process.

- (2) **Medium term forecasting** - use of a fully integrated macro-fiscal model for medium to long run forecasting.
- (3) **Scenario analysis** – use of a macro-fiscal model to undertake shock and scenario analysis to aid understanding of the relationships between fiscal and other macroeconomic variables.
- (4) **Fiscal strategy** - countries devise, publish, and implement (including in legislation where appropriate) prudent fiscal frameworks.
- (5) **Broader macroeconomic policy** - overall, incorporating the

relationships between fiscal policy, monetary policy, and exchange rate regimes into macroeconomic policy making, that is critical for the promotion of stable economic growth and development.

Macroeconomic Context

The start of FY2023 sees many PFTAC member countries with high vaccination rates, open borders and economies that are recovering from the impacts of COVID-19. Other countries, though, especially those with low vaccination rates, are still experiencing outbreaks with their economies still closed to the outside world.

This means that the type of macroeconomic TA that countries may require is likely to vary.

For those on a recovery path, many countries are likely to be looking at long term macro-fiscal modelling and the development of fiscal frameworks that put them on a sustainable debt pathway.

For others still experiencing the direct effects of COVID-19, there may be a stronger interest in understanding the role of government spending in supporting their economy and how quickly their economies can recover once pandemic related restrictions are lifted.

All missions and workshops will be conducted in person, where country travel rules allow.

TABLE 19. FY2023 WORK PROGRAM – MACROECONOMIC PROGRAMMING AND ANALYSIS

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
STRATEGIC OBJECTIVE 1: WELL FUNCTIONING MACROECONOMIC POLICY AND INSTITUTIONS: IMPROVED MACROECONOMIC POLICY ADVICE TO GOVERNMENT AND CENTRAL BANK MANAGEMENT					
Fiji	LTX/ STX [in-country]	Macro-Fiscal Modelling	Well-developed economic and fiscal forecasting methodologies.	Improved GDP(P) and (E) forecasting. Improved revenue forecasting. Stronger macro-fiscal forecasting and analysis skills.	No constant price GDP(E) data
FSM	STX [in-country]	Macro-Fiscal Modelling	Basic economic forecasting techniques	Improved macro-fiscal forecasting	
Kiribati	STX [remote]	Macro-Fiscal Modelling for Budget Preparation	Basic economic forecasting techniques	Improved macro-fiscal forecasting	
Marshall Islands	LTX [in-country]	Macro-Fiscal Modelling	Basic economic forecasting techniques	Improved macro-fiscal forecasting	
Palau	LTX [remote]	Macro-Fiscal Modelling	Developed economic forecasting techniques	Improved macro-fiscal forecasting	
Papua New Guinea	STX [remote]	Financial Programming Training 2.0	Developed economic forecasting techniques	Development of sophisticated 'four sector' economic model	Preference for in person delivery
Samoa	STX [remote]	Support for Macro-Fiscal Model	Developed economic forecasting techniques	Improved macro-fiscal forecasting	
Solomon Islands	LTX [in-country]	Macro-Fiscal Forecasting	Basic economic forecasting techniques	Improved macro-fiscal forecasting	
Timor-Leste	LTX [remote]	Financial Programming Training 2.0	Basic economic forecasting techniques	Development of sophisticated 'four sector' economic model	Oil sector of key importance
Tonga	STX [remote]	Macro-Fiscal Framework	Developed economic forecasting techniques	Improved macro-fiscal forecasting	
Vanuatu	LTX [remote]	Financial Programming Training 2.0	Developed economic forecasting techniques	Development of sophisticated 'four sector' economic model	
Regional	LTX/ HQ [hybrid]	Revenue Forecasting Workshop	Will cater to a wide range of users	Improved revenue forecasting accuracy	

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
Regional	LTX [in-country]	Fishing Revenue Workshop	Lack of appropriate forecasts in many countries	Improved economic and revenue forecasting of the fishing sector	Parties to Nauru Agreement allocations key determinant
Regional	LTX [in-country]	Economic Leadership Workshop	Varies	Improved economic leadership	
Regional	LTX [in-country]	GDP(E) Forecasting	Few countries utilize	Better understanding of impact of government sector within the economy	Only a small number of countries produce GDP(E) data
Regional	LTX [remote]	Establish a Regional Know Your Customer Facility	Inefficient remittance flows. De-banking pressures	Improved remittance efficiency and reduced de-banking pressures	Significant logistical and regulatory challenges

MACROECONOMIC STATISTICS

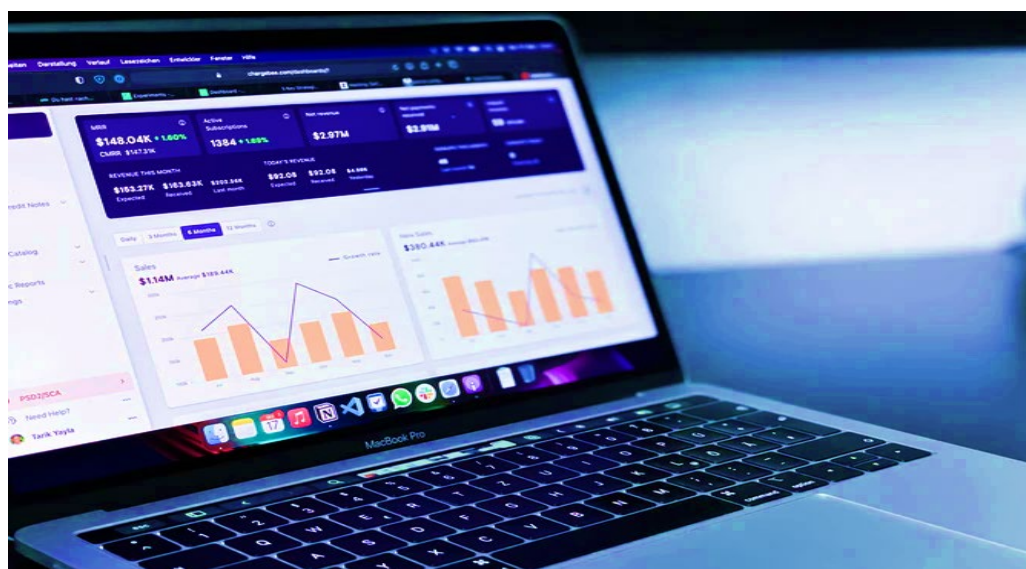
The macroeconomic statistics program that comprises sub-programs for GFS and RSS with a small component for External Sector Statistics (ESS) works towards one broad objective:

- Objective 1: Strengthen compilation and dissemination of data on macroeconomic and financial statistics for decision making according to the relevant internationally accepted statistical standards, including developing/improving statistical infrastructure, source data, serviceability and/or metadata.

GOVERNMENT FINANCE STATISTICS

PFTAC member countries are at various stages of compilation and dissemination on GFS and PSDS. Similar to the RSS and BOP programs, small island and fragile states are impacted by capacity and source data constraints when it comes to GFS and PSDS. In several countries there is only one dedicated compiler who is often assigned to compile and disseminate the full suite of the macroeconomic data set. To address these constraints, capacity substitution solutions may be considered.

The GFS and PSDS workstreams will focus efforts on assisting countries to improve their coverage and timeliness



of fiscal and debt statistics to facilitate informed policy analysis and decisions. It will also draw on the benefits achieved from the ongoing PFM and SOE reforms. Particular attention will also be given to debt sustainability and debt issues, improving sectoral and instrument coverage of debt data, and closely coordinated with the debt management program. Selected countries would need to complete the delineation of the public sector and expand sectoral coverage to include the general government. Countries will strengthen their classification systems to align to the latest *Government Finance Statistics Manual 2014* (GFSM 2014) and the *Public Sector Debt Statistics Guide for Compilers and Users 2011* (PSDSG 2011). For

countries with stronger institutional capacities, CD will be focused on improving availability of reliable, consistent, and timely source data on SOEs to expand GFS and PSDS coverage to public nonfinancial corporations. To enhance data transparency and create the strong synergies between dissemination and surveillance by having comprehensive, timely, and accessible statistical data available, PFTAC will encourage participating countries to regularly review and upload official statistics onto the National Data Summary Page. This process will be inclusive of updating metadata which supports the underlying data sets. TA, regional workshops, and online learning offerings will aim at strengthening

human and institutional capacities. The GFS resident adviser position will be revitalized in FY2023, with the aim of having the advisor in place by October 2022, subject to SC endorsement.

IN TERMS OF COUNTRY

ACTIVITIES, in FY2023 the GFS program plans to deliver 13 CD activities, comprising 12 TA missions to 11 member countries and 1 regional workshop. The CD modalities planned are a combination of virtual and field based. In addition, headquarters plan to deliver 3 activities funded from the D4D trust fund to **PNG, Timor-Leste, and Vanuatu**.

Refining compilation techniques by using various administrative data and narrowing down GFS statistical discrepancies for the central and general government will be the key focus of TA for the **Cook Islands, Fiji, Nauru, Timor-Leste, Tonga, and Vanuatu**.

Support will be provided to countries to investigate source data and expand the coverage of PSDS by compiling the central and general government debt statistics and prepare the inputs for submission to the World Bank quarterly public sector debt statistics database—**Cook Islands, Fiji, Nauru, Timor-Leste, Tonga and Vanuatu**.

TA to **FSM, Marshall Islands and Palau** will continue to expand coverage of PSDS which started during previous missions by compiling and reporting gross debt statistics for public financial and nonfinancial corporations. Updating the entire public corporation's data sets established during previous missions with the latest financial information will also be encouraged.

In **Kiribati**, PFTAC will assist in refining the classification for general government fiscal statistics aligned to the *GFSM 2014* and updating and expanding the data set and time series on public nonfinancial corporation's fiscal accounts that was compiled during the previous mission. Reconciliation of donor funds and its integration to the statement of operations will be further examined.

In **Samoa**, assistance will aim to continue the reconciliation of stocks and flows and incorporate transactions in financial assets and liabilities in the statement of operations as well as the stocks in the balance sheet for general government units.

Headquarters D4D funded missions will further assist **Papua New Guinea** and **Vanuatu**, Treasury Department, Financial Management Divisions to expand PSDS instrument and time series coverage for public nonfinancial corporations started during the January 2022 and January 2021 missions respectively.

A headquarters D4D funded mission to **Timor-Leste** will continue to build on the conceptual and methodological GFS training that was conducted in March and April 2022, to equip GFS compilers to resume annual and quarterly reporting of GFS for the general government.

REAL SECTOR STATISTICS

The real sector and external sector statistical CD needs vary significantly over the PFTAC member countries. While some small countries struggle to keep up regular work due to an insufficient number of staff, others are able to improve quality, scope, and timelines of their National Accounts statistics. The RSS program tries to cover all such needs, from CD to limited capacity substitution.

As countries emerge from the first round of direct COVID-19 effects, governments across the region face an acute need to map out medium term strategies to stabilize their fiscal positions and cope with the debt that some have taken on during the crisis. In order to do this, they are turning to Macro-Fiscal forecasting models that depend on the projection of government and household expenditures within a coherent macroeconomic framework. This has, in turn created an increased need for more and stronger estimates of GDP from the expenditure side (see box). Meanwhile the acute need experienced during the first months of

the pandemic to track the quarter to quarter economic impacts of the crisis have receded slightly. PFTAC has supported, and will continue to support both quarterly disaggregation of annual GDP estimates made from the production side, and improvements to annual expenditure side estimates, but during FY2023 the emphasis will shift towards the latter. In making this shift, we will take great care to coordinate with and facilitate the efforts of other PFTAC advisers and their colleagues across the region to strengthen Macroeconomic Forecasting and PFM. As one reflection of this shift, the annual national accounts workshop for FY2023 will have a particular focus on expenditure side estimates.

IN TERMS OF COUNTRY

ACTIVITIES, in FY2023 the RSS program plans to deliver 21 TA missions to 13 member countries, more than in FY2022 (15 missions to 9 countries and desk-based assistance to the Fiji Bureau of Statistics (FBOS)). Additionally, two regional training events are planned, namely a workshop on annual National Accounts for PICs, and an event planned jointly with the IMF's Caribbean center (CARTAC) to be convened at IMF headquarters in Washington bringing together government statisticians and budget directors from Caribbean, Pacific, and other small island states to discuss optimizing budget resource allocation for effective national statistical office operations. Finally, PFTAC will fund two Balance of Payments missions in the Pacific in FY2023.

Note that while we will strive to maintain the overall shape and thrust of the program described below the precise activities in each country may change to reflect the needs and capabilities of the PFTAC countries as they emerge over the year.

In FY2022 PFTAC provided an STX who worked with the **Cook Islands** to develop their methodology, especially for GDP(E), and to update their National Accounts to 2020. In FY2023 we will build on this success by assisting with the 2021 accounts and formalizing the documentation for the

new methodologies developed.

Assistance to **Fiji** during the year will be focused on the full incorporation of the results of the 2019-20 Household Income and Expenditure Survey into the National Accounts. PFTAC will also assist FBOS to develop deflated versions of its GDPE figures to feed into modeling exercises which the Ministry of Economy is undertaking together with PFTAC's Macroeconomics program.

Assistance to the **FSM** will focus on improving the flow of source data for the National Accounts by developing approaches to Quality Assessment for this data and protocols for sharing it across government.

In **Kiribati** we will assist in updating the National Accounts to 2021 while also providing training to improve their confidence in managing the procedures themselves. We will concentrate particularly on improved editing of the data drawn from the financial accounts of large companies.

As in FY2022, assistance to **Nauru** will focus on producing an updated annual GDP estimate but this year we will also attempt rebasing to incorporate the 2015-16 Household Income and Expenditure Survey.

Assistance to **Palau** will focus on assisting the country to move towards its own GDP calculations independent of external assistance. We will also explore the possibility of GDP(E) compilation.

Assistance to the National Accounts of **Papua New Guinea** is coordinated together with an adviser from ABS working in that country. Current plans are for an assessment of the quality of data sources used to compile output estimates for the construction industry and the financial sector. We will also explore the compilation of estimates of net taxation and margins on products to facilitate GDP(E) compilation

In FY2023 a mission is planned to assist the **Marshall Islands** to improve its Balance of Payments compilation

and another to finalize past work on estimating non-market production and provide Further training in GDP compilation from the production side.

Assistance to the **Solomon Islands** will focus on the program for development of a Supply and Use Table (SUT) designed during the mission at the end of FY2022. We will also attempt to build on the initial work done on QNA but are mindful of the need to not to overstrain a relatively small team, working in both areas.

As in the Solomon Islands, we will continue the ongoing work on Quarterly GDP in **Tonga** and hope to finalize it during the year.

As in FY2022, assistance to **Tuvalu** will focus on producing an updated annual GDP estimate and improving Balance of Payments compilation.

Assistance to **Vanuatu** will focus on Updating the National Accounts to 2021 and providing training.

BOX 14. GDP BY EXPENDITURE

Famously, GDP can be estimated by the Production, Income, and Expenditure approaches. In theory the three approaches should produce exactly the same numbers because the difference between the outputs and inputs of all productive activities (the Value Added) is the income from production and any output from production must either be used up in another productive process elsewhere in the economy or be used for consumption, capital formation, net exports (exports minus imports), or simply be left over as an addition to stocks.

In practice, of course, the different estimates use different data sources and are not identical unless the figures have been fixed by deriving one of the subcomponents for one approach by subtracting things from the total estimate made using another approach. For example, net exports and capital formation may be deducted from GDP measured by the production approach to produce an estimate of Household Consumption and the resulting GDP from the expenditure side will automatically match the production side estimate.

However, this is not satisfactory for economic modelling and projection as the resulting estimate may not only be very far away from what people actually consume but is likely to behave very erratically as it will reflect the net errors from all the other components. Currently eight of the sixteen PFTAC countries publish figures for GDP(E). However, many, if not most of these estimates are derived as residuals.

TABLE 20. FY2023 WORK PROGRAM – MACROECONOMIC STATISTICS (GOVERNMENT FINANCE STATISTICS)

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
STRATEGIC OBJECTIVE 1: STRENGTHEN MACROECONOMIC AND FINANCIAL STATISTICS COMPILATION AND DISSEMINATION					
Cook Islands	STX [in-country]	Refine compilation techniques for using various administrative data sources to reduce statistical discrepancies. General Government (GG) coverage and statistical discrepancies.	Above and below the line statistical discrepancies are presented. General government debt statistics available but not reported.	Develop techniques to examine and reconcile statistical discrepancies and narrow them down. Document the findings and processes. General Government debt statistics reported to the IMF / World Bank.	Dependent on confirmation by data producers and users in country.
Fiji	LTX/ STX [in-country]	Improve GG compilation, accuracy and timeliness. Data is prepared with minimum statistical discrepancies. Source data provide sufficient detail to allow consolidation of GFS for the various levels of the general government (or public) sector. Develop and maintain processes for regularly updating metadata and business process documentation.	Source data gaps exists to produce accurate general government consolidated accounts. Metadata not updated – last updated 2005. General Government liabilities largely available but not reported.	Examine source data, improve timeliness and accuracy to progress with general government consolidation and dissemination. Update metadata reported as part of the general data dissemination standards and national summary data page. Compile general government debt statistics and report to the IMF / World Bank.	Dependent on confirmation by data producers and users in country.
FSM	LTX [in-country]	Compile public sector debt statistics. Source data provide sufficient detail to allow consolidation of GFS for the various levels of the general government (or public) sector.	Source data gaps exists to produce accurate general government consolidated accounts. Public sector debt statistics was compiled but not reported.	Examine source data, improve timeliness and accuracy to progress with general government consolidation and dissemination. Also process these improvements through the chart of accounts reforms. Public sector debt statistics reported to the IMF / World Bank.	Dependent on confirmation by data producers and users in country.
Kiribati	STX [in-country]	Expand coverage to public nonfinancial corporations and for public sector debt statistics (PSDS). Update business process documentation to account for changes in procedures and source data.	A timeseries of fiscal data was prepared for public nonfinancial corporations. Budgetary central government and public nonfinancial corporations debt stock is available but not reported. Business process documentation is outdated.	Expand and refine the time series of fiscal data prepared for public nonfinancial corporations. Compile and report budgetary central government and public nonfinancial debt statistics to the IMF / World Bank. Update and keep business process documentation current.	Dependent on confirmation by data producers and users in country.
Nauru	LTX [in-country]	Expand coverage to public nonfinancial corporations and for public sector debt statistics (PSDS). Expand the coverage to include all public sector units and the associated stocks and flows according to the GFSM 2014. Update business process documentation to account for changes in procedures and source data.	Above and below the line statistical discrepancies are presented. Incomplete public sector institutional table (PSIT). Business process documentation do not exist.	Develop techniques to examine and reconcile statistical discrepancies and narrow them down. Document the findings and processes. Collect financial information for major government business units and complete the PSIT. Draft business procedures and processes and keep them current.	Dependent on confirmation by data producers and users in country.
Palau	LTX [in-country]	Expand coverage to public nonfinancial corporations and for public sector debt statistics (PSDS).	Public sector debt statistics was compiled but not reported.	Public sector debt statistics reported to the IMF / World Bank.	Dependent on confirmation by data producers and users in country.

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
Marshall Islands	LTX [in-country]	Expand coverage to public nonfinancial corporations and for public sector debt statistics (PSDS). Source data provide sufficient detail to allow consolidation of GFS for the various levels of the general government (or public) sector.	Source data gaps exists to produce accurate general government consolidated accounts. Public sector debt statistics was compiled but not reported.	Examine source data, improve timeliness and accuracy to progress with general government consolidation and dissemination. Also process these improvements through the chart of accounts reforms. Public sector debt statistics reported to the IMF / World Bank.	Dependent on confirmation by data producers and users in country.
Samoa	LTX/ HQ [in-country]	Expand coverage to public nonfinancial corporations and for public sector debt statistics (PSDS). Source data provide sufficient detail to allow consolidation of GFS for the various levels of the general government (or public) sector.	Stocks and flows are reported in the government public account but not in the GFS statement of operations. Debt liabilities for the other level of the general government and public corporations are available and published in the financial statements but these are not reported in for PSDS.	Bridge the stocks and flows in the government public account in report these as part of the fiscal statistics. Public sector debt statistics reported to the IMF / World Bank.	Dependent on confirmation by data producers and users in country.
Timor-Leste	STX [in-country]	Refine compilation techniques for using various administrative data sources to reduce statistical discrepancies. Investigate statistical discrepancies and other potential indicators of problems in statistical outputs. Establish business process documentation to inform compilation and dissemination procedures.	Above and below the line statistical discrepancies are presented. Business process documentation do not exist.	Develop techniques to examine and reconcile statistical discrepancies and narrow them down. Document the findings and processes. Resume annual and quarterly GFS reporting. Draft business procedures and processes and keep them current.	Dependent on confirmation by data producers and users in country.
Tonga	STX [in-country]	Refine compilation techniques for using various administrative data sources to reduce statistical discrepancies, and expand coverage to include public nonfinancial corporations. Update business process documentation to account for changes in procedures and source data.	Above and below the line statistical discrepancies are presented. Business process documentation do not exist.	Develop techniques to examine and reconcile statistical discrepancies and narrow them down. Document the findings and processes. Draft business procedures and processes and keep them current.	Dependent on confirmation by data producers and users in country.
Vanuatu	LTX [in-country]	Refine compilation techniques for using various administrative data sources to reduce statistical discrepancies, and expand coverage to include provincial and local governments. Investigate statistical discrepancies and other potential indicators of problems in statistical outputs. Establish business process documentation to inform compilation and dissemination procedures.	Above and below the line statistical discrepancies are presented. Central government debt is compiled and reported through a quarterly debt report, but not reported to the IMF / World Bank. Business process documentation do not exist.	Develop techniques to examine and reconcile statistical discrepancies and narrow them down. Document the findings and processes. Public sector debt statistics reported to the IMF / World Bank. Draft business procedures and processes and keep them current.	Dependent on confirmation by data producers and users in country.
Regional	LTX/ STX/ HQ [in-country]	GFS and PSDS methodological training, practical workgroup exercises and country data compilation.	Workshop not held.	Workshop held.	Dependent on confirmation by data producers and users in country.

TABLE 21. FY2023 WORK PROGRAM – MACROECONOMIC STATISTICS (REAL SECTOR STATISTICS)

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
STRATEGIC OBJECTIVE 1: STRENGTHEN COMPILATION AND DISSEMINATION OF DATA ON MACROECONOMIC AND FINANCIAL STATISTICS					
Cook Islands	STX [in-country]	Updating national accounts to 2020	Many updated sources and methods have been developed, especially on the expenditure side but these are not documented	New methods fully documented and incorporated into routine work schedule	Dependent on confirmation by data producers and users in country
Fiji	LTX [in-country]	Rebasing national accounts to HIES 2019-20	Results of 2019-20 HIES not fully incorporated into national accounts	Results of 2019-20 HIES fully incorporated into national accounts	Dependent on confirmation by data producers and users in country
Fiji	LTX [in-country]	Developing Constant Price GDPE	Fiji publishes current price GDPE but not constant	Experimental constant Price GDPE estimates available to Macro-Fiscal Modelers	Dependent on confirmation by data producers and users in country
FSM	LTX [in-country]	Source data (censuses, surveys and administrative data) are regularly assessed for sampling and non-sampling error, revisions, changes to data collection procedures, temporal consistency and consistency with other related data	Limited formal QA of source data	Formal QA of source data further developed	Dependent on confirmation by data producers and users in country
		Data sharing and coordination among data-producing agencies are adequate	Data sharing across government limited and subject to informal arrangements	Arrangements for data sharing more formalized	Dependent on confirmation by data producers and users in country
Kiribati	LTX/ STX [in-country]	Updating national accounts to 2021	National Accounts not updated to 2021	National Accounts updated to 2021	Dependent on confirmation by data producers and users in country
		Providing training on updating national accounts.	Staff trained to intermediate level on National Accounts updating	Staff trained to more advanced level on National Accounts updating	Dependent on confirmation by data producers and users in country
Kiribati	LTX [remote]	Improving and data editing of financial accounts for large companies	Financial Accounts for large companies not in National Accounts Format	Financial Accounts for large companies in National Accounts Format prepared	Dependent on confirmation by data producers and users in country
Nauru	LTX [in-country]	Updating national accounts to 2020-21	GDP not updated to 20_21	GDP updated to 20_21	Dependent on confirmation by data producers and users in country
Niue	STX [in-country]	Updating GDP to 2020-21 and rebasing to HIES 2015-16	GDP not updated to 20_21 & does not use 2015_16 HIES	GDP updated to 20_21 & does use 2015_16 HIES	Dependent on confirmation by data producers and users in country
Palau	LTX [in-country]	Assist independent GDP calculation explore the possibility of GDP(E) compilation	GDP calculation relies heavily on external analysts & GDP is from product side only	Reliance on external assistance is reduced and expenditure side estimates are explored	Dependent on confirmation by data producers and users in country
Papua New Guinea	LTX/ STX [in-country]	Assessing quality of data sources to be used to compile financial and construction industry's output; explore the possibility of GDP(E) compilation; explore the compilation of net taxes on products	Outdated methods in some areas	Methods for some areas updated	Dependent on confirmation by data producers and users in country
Regional	LTX/ STX [in-country]	Workshop on Annual National Accounts (ANA)	Workshop not held	Workshop held	Dependent on confirmation by data producers and users in country
Regional	LTX/ HQ [in-country]	CARTAC/PFTAC Workshop on Resources of Statistical Offices	Workshop not held	Workshop held	Dependent on confirmation by data producers and users in country

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
Marshall Islands	HQ [in-country]	Balance of Payments	Balance of Payments unsatisfactory	Balance of Payments Improved	Dependent on confirmation by data producers and users in country
Marshall Islands	LTX [remote]	Finalize non-market production compilation	Estimates for non-market production not finalized	Estimates for non-market production finalized	Dependent on confirmation by data producers and users in country
		Continue training on GDP(P) compilation	Staff trained to intermediate level on GDP(P) compilation	Staff trained to more advanced level on GDP compilation	Dependent on confirmation by data producers and users in country
Solomon Islands	LTX [remote]	Updating national accounts to 2021	National accounts not updated to 2021	National accounts updated to 2021	Dependent on confirmation by data producers and users in country
Solomon Islands	LTX [remote]	Implementing SUT program	SUT Implementation not begun	SUT Implementation begun	Dependent on confirmation by data producers and users in country
Solomon Islands	STX [remote]	Training on QNA methods & software	Central Bank staff exposed to some QNA techniques & experimental estimates available for some industries	Central Bank staff more experienced in QNA techniques & able to use specialized software & more experimental estimates available	Dependent on confirmation by data producers and users in country
Tonga	STX [remote]	Finalize quarterly GDP(P) compilation	Quarterly GDP(P) measures developed for some industries	Quarterly GDP(P) measures developed for all industries	Dependent on confirmation by data producers and users in country
Tuvalu	STX [remote]	Updating national accounts to 2021	National accounts not updated to 2021	National Accounts updated to 2021	Dependent on confirmation by data producers and users in country
Tuvalu	STX [in-country]	Balance of Payments	Balance of Payments not updated to 2021	Balance of Payments updated to 2021	Dependent on confirmation by data producers and users in country
Vanuatu	LTX/ STX [in-country]	Updating national accounts to 2021	National accounts not updated to 2021	National Accounts updated to 2021	Dependent on confirmation by data producers and users in country
		Train local staff to produce GDP	Staff trained to intermediate level on GDP production	Staff trained to more advanced level	Dependent on confirmation by data producers and users in country

FINANCIAL SECTOR SUPERVISION

The FSS CD work program for FY2023 will continue to focus on three core strands:

- Supporting and facilitating financial sector legislative reforms;
- Upgrading prudential and risk management standards; and
- Developing and implementing supervision framework enhancement strategies.

The CD programs will cover all major segments of the financial sector with banking sector continuing to dominate the TA activities in the region in proportion to its importance in the financial sector. Under the proposed FY2023 workplan, 26 missions/ activities are planned versus an outturn of 13 missions/ activities in FY2022. The number of activities in FY2022 was impacted by travel restrictions, natural disasters, civil unrest, and authorities in some countries devoting efforts and resources to mitigate the impact of COVID-19 on the financial sector. In some cases, the authorities have a clear preference for on-site TA, requesting deferral of TA engagements until travel resumes. While the number of missions/ activities planned for FY2023 is large as compared with achievements during FY2022, it is a reasonable target with the program's expanded focus on Basel III, cyber risk, and



progression of the insurance regulatory reform project. Travel is also expected to gradually resume in early FY2023 and hoped to be back to pre-pandemic situation by the second half of FY2023.

Regional Workshops

At the regional level, PFTAC has planned to organize two workshops in FY2023 – a workshop on the insurance sector to review the experience of the insurance project and a workshop on stress testing. PFTAC will also support the annual meeting of the Association of Financial Supervisors of Pacific Countries (AFSPC) provided a resumption of travel is possible.

An overarching risk to the achievement

of the workplan is the likelihood of authorities becoming pre-occupied with the asset quality concerns as the regulatory measures taken in the wake of COVID-19 are unwound and the COVID-related credit losses are reflected in the banks' financial statements.

Review of Financial Sector Legislation

Revisions to the financial sector legislation have been progressing rather slowly. FY2023 is expected to see **RMI** and **Palau** complete reviews of their banking sector legislations. **PNG**, **Solomon Islands**, and **Fiji** are contemplating review of their financial sector legislation with support from PFTAC and other TA providers active in the region. FY2023 is expected to

see some activity in this regard.

Enhancements to the Prudential and Risk Management Standards

PFTAC has been assisting PICs in upgrading and aligning their prudential standards to ensure effective coverage of financial risks facing financial institutions. In this effort, relevant elements of Basel Framework are incorporated in the standards as needed following the concept of proportionality. From FY2021, this project has been expanded to include Pillar 1 of Basel III and some of the new elements of Basel III reforms package (Large Exposures, Liquidity Standards and monitoring tools, IRRBB)⁷.

⁷ During the Phase VI program cycle starting May 2023, PFTAC intends to assist the PICs in aligning their prudential standards with Basel Core Principles and Basel III reforms package with appropriate adjustments commensurate with the size and complexity of their financial systems. This work will be completed in two phases – (i) *Phase 1*: Alignment with Basel III micro-prudential standards, and (ii) *Phase 2*: Alignment with Basel III macro-prudential standards. Given the large number of prudential standards comprising the micro-prudential set, various elements of micro-prudential standards will be added

During the year, **PNG, Solomon Islands, Tonga, RMI, and Tuvalu** will continue their progression of Phase 1 of banking and other credit institutions reforms. A few countries (e.g., **Cook Islands, PNG, and Fiji**) may move on to Phase 2 reforms.

Supervision Framework Enhancement Program

During FY2023, follow-up missions will assist **PNG, RMI, Solomon Islands, Tonga and Vanuatu** to finalize and embed the major components of SFEP (off-site and on-site supervision, on-site supervision frameworks, risk ratings and supervisory action planning for the banking sector). **Cook Islands** will be assisted to finalize the supervision manual drafted by the FSC. The cyber risk project that was put on hold during FY2021 and FY2022 is expected to resume soon. A major component of this project is on-site examination in four countries with

progressively to the prudential framework, taking account of the priorities of the individual PICs in consultation with the relevant authorities. Phase I can be divided into four distinct modules: (i) Upgrade of risk management standards (ii) Basel III (Pillar 1), (iii) Basel II (Pillar 2), and (iv) Basel III (Pillar 3).

participation of relevant staff from these countries facilitated by international experts in the field.

Other Financial Sector Reforms

Many PICs have indicated to PFTAC their priorities regarding other financial sector reforms covering other segments including non-banking financial companies, credit unions, payments systems, pension and provident funds, and credit information reporting. A few PICs have also expressed interest in seeking TA on financial crisis management. While some of these activities may be assisted by PFTAC, others are expected to be taken care of by other TA providers active in the Pacific, or by external consultants from the private sector engaged by the respective authorities.

These projects may run in parallel with the banking and insurance sector reforms projects. PFTAC will continue to coordinate with other TA providers active in the Region to ensure smooth implementation of the projects, avoid overlap with them and advise authorities on appropriate prioritization of the reforms.

TABLE 22. FY2023 WORK PROGRAM – FINANCIAL SECTOR SUPERVISION

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
STRATEGIC OBJECTIVE 1: DEVELOP AND STRENGTHEN BANKING REGULATIONS IN LINE WITH INTERNATIONAL STANDARDS					
Federated States of Micronesia	LTX/ STX [in-country]	Review of risk management standards	The authorities to review the draft risk management standards prepared with TA from PFTAC.	Upgraded risk management standards for banks.	Given the travel across the Pacific Islands is yet to reopen due to ongoing COVID pandemic, Authorities' preference to physical follow-up meetings may delay the finalization of the standards.
Cook Islands	LTX/ STX [in-country]	Basel III-Definition of Capital and capital buffers	Capital regulation for banks is based on Basel II.	Upgraded capital regulation aligned with Basel III.	Tight staff position at the FSC may delay the TA work.
Cook Islands	STX [in-country]	Prudential Standards- IRRBB and Cyber Security	No regulation on IRRBB and Cyber risk are in place.	Enhanced management of IRRBB and cyber security risk.	Tight staff position at the FSC may delay the TA work.
Fiji	LTX/ HQ [remote]	Credit Union Legislation	The authorities to finalize the queries for consideration of the IMF.	Upgraded credit union legislation.	The Authorities' priorities may change due to other exigencies.
Kiribati	LTX/ STX [remote]	Establishing Financial Supervisory Authority	The Government of Kiribati has finalized the legislation to set up Financial Services Authority (FSA) in Kiribati and are keen to set up the Authority soon.	FSA in Kiribati is set up.	The Kiribati Government is committed to operationalizing the FSA earliest. However, resources at the Government and National Economic Policy Office may not be sufficient to ensure execution of the project at the intended pace.

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
Kiribati	LTX/ STX [in-country]	Establishing Financial Supervisory Authority-Follow-up	Same as above.	FSA in Kiribati is set up.	Same as above.
Palau	LTX/ STX [remote]	Review of Prudential Standards	The Authorities are reviewing the draft prudential standards provided by PFTAC	Upgraded prudential standards.	The position of the Executive Commissioner became vacant a few months ago is yet to be filled up. Delay in recruiting the new Executive Commissioner may delay the finalization of the draft prudential standards and other financial sector reforms.
Papua New Guinea	LTX/ STX [in-country]	Impact study and industry consultation	The Report on the last TA on the review/development of prudential standard will be issued by the IMF soon. This will be followed by finalization of the impact study templates under development with PFTAC assistance.	Upgraded prudential standards.	The Bank of PNG is committed to enhancing the prudential regulations for the financial sector. However, the ongoing pandemic may hamper early completion of the work.
Marshall Islands	LTX/ STX [remote]	Regulatory Framework for MIDB	Though the Banking and Financial Institutions Act confers powers on the Banking Commission to supervise Marshall Islands Development Bank (MIDB), the Commission is yet to issue prudential regulations for the MIDB.	Prudential standards for the MIDB based on best international practices.	The Banking Commission of RMI is committed to enhancing the prudential regulations for the entire financial sector including the MIDB. The risk of delay in implementing the TA recommendations is low.
Marshall Islands	LTX [in-country]	Prudential Standards- Impact Study & Industry consultation	The Report on the last TA on the development of the impact study templates will be issued by PFTAC soon.	Upgraded prudential standards.	Same as above.
Solomon Islands	LTX/ STX [in-country]	Prudential standards- Impact study and industry consultation	The Authorities are reviewing the draft prudential standards provided by PFTAC	Upgraded prudential standards.	The Central Bank of Solomon Islands is committed to enhancing the prudential regulations for banks. The risk of delay in implementing the TA recommendations is low.
Solomon Islands	LTX/ STX [remote]	Developing regulatory framework for Non-Bank Credit Institutions (NBCIs) – Part I	CBSI is yet to issue prudential regulations for NBCIs.	Prudential standards for the NBCIs based on best international practices.	The Central Bank of Solomon Islands is committed to enhancing the prudential regulations for banks. The risk of delay in implementing the TA recommendations is low.
Solomon Islands	LTX/ STX [remote]	Developing regulatory framework for Non-Bank Credit Institutions (NBCIs) – Part II	CBSI is yet to issue prudential regulations for NBCIs.	Prudential standards for the NBCIs based on best international practices.	The Central Bank of Solomon Islands is committed to enhancing the prudential regulations for banks. The risk of delay in implementing the TA recommendations is low.
Tonga	LTX/ STX [in-country]	Review of prudential and risk management standards-Impact study templates	The Authorities are reviewing the draft TA report on the review and development of prudential standards provided by PFTAC. The proposed mission will take the work forward after the Authorities receive the final TA report from PFTAC.	Upgraded prudential standards.	The National Reserve Bank of Tonga (NRBT) is committed to enhancing the prudential regulations for banks. The risk of delay in implementing the TA recommendations is low.
Tuvalu	LTX [in-country]	Prudential regulations- Impact study and industry consultation	The Report on the last TA on the review/development of prudential standard will be issued by the IMF soon. This will be followed by finalization of the impact study templates under development with PFTAC assistance.	Upgraded prudential standards.	The Tuvalu authorities are committed to enhancing the prudential regulations for banks. However, frequent changes in the staffing of the Banking Commission coupled with inadequate staff may delay the implementation of the TA recommendations.
Vanuatu	LTX/ STX [in-country]	Review of prudential and risk management standards	The existing prudential standards for banks in Vanuatu need a review and a few new standards on the lines of Basel standards need	Upgraded prudential standards.	The Reserve Bank of Vanuatu is committed to enhancing the prudential regulations for banks. However, the Authorities' pre-occupation with other pressing

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
			to be introduced.		priorities may delay the execution of the missions and implementation of the TA recommendations.
STRATEGIC OBJECTIVE 2: DEVELOP/ STRENGTHEN REGULATION OF INSURANCE COMPANIES (ic) AND RISK BASED SUPERVISION CAPABILITY OF THE INSURANCE SUPERVISOR (IS)					
Solomon Islands	STX/ HQ [remote]	Diagnostic and FSI for Insurance Sector	There are no FHSIs for the insurance sector.	FHSIs for the insurance sector are developed and introduced.	The Central Bank of Solomon Islands is committed to enhancing the supervision of insurance sector. The risk of delay in implementing the TA recommendations is low.
Regional	LTX/ STX/ HQ [in-country]	Workshop on Insurance Sector - Review of experience and way forward	Three PICs (Fiji, Samoa and Tonga) are at an advanced stage of finalization of the revisions to their insurance legislations and regulations. Other countries have expressed interest in similar TA.	The Workshop will focus on the sharing of experiences by the three countries and explore the opportunities for rolling out similar reforms in rest of the PICs.	As several jurisdictions are yet to upgrade their insurance legislations and regulations, the workshop is likely to be of significant interest for them and the risk of the workshop not materializing is low.
STRATEGIC OBJECTIVE 3: DEVELOP/ STRENGTHEN CYBERSECURITY REGULATIONS AND PRUDENTIAL NORMS					
Fiji	LTX/ STX [in-country]	Cyber security -On-site examination	Four PICs (Fiji, Tonga, Samoa and PNG) are at an advanced stage of finalization of the revisions to their insurance legislations and regulations. Other countries have expressed interest in similar TA and enhancing skills of their staff in conducting on-site examinations.	The on-the-job training to conduct on-site examination of cyber security of banks leading to enhanced supervision of cyber risk facing banks.	This activity requires travel to the TA receiving country. Prolongation of the pandemic may delay the delivery of this TA.
Papua New Guinea	LTX/ STX [in-country]	Cyber Risk Regulation and Supervision Project - onsite examination	Four PICs (Fiji, Tonga, Samoa and PNG) are at an advanced stage of finalization of the revisions to their insurance legislations and regulations. Other countries have expressed interest in similar TA and enhancing skills of their staff in conducting on-site examinations.	The on-the-job training to conduct on-site examination of cyber security of banks leading to enhanced supervision of cyber risk facing banks.	This activity requires travel to the TA receiving country. Prolongation of the pandemic may delay the delivery of this TA.
Samoa	LTX/ STX [in-country]	Cyber security -On-site examination	Four PICs (Fiji, Tonga, Samoa and PNG) are at an advanced stage of finalization of the revisions to their insurance legislations and regulations. Other countries have expressed interest in similar TA and enhancing skills of their staff in conducting on-site examinations.	The on-the-job training to conduct on-site examination of cyber security of banks leading to enhanced supervision of cyber risk facing banks.	This activity requires travel to the TA receiving country. Prolongation of the pandemic may delay the delivery of this TA.
Tonga	LTX/ STX [in-country]	Cyber security -On-site examination	Four PICs (Fiji, Tonga, Samoa and PNG) are at an advanced stage of finalization of the revisions to their insurance legislations and regulations. Other countries have expressed interest in similar TA and enhancing skills of their staff in conducting on-site examinations.	The on-the-job training to conduct on-site examination of cyber security of banks leading to enhanced supervision of cyber risk facing banks.	This activity requires travel to the TA receiving country. Prolongation of the pandemic may delay the delivery of this TA.
STRATEGIC OBJECTIVE 4: IMPLEMENT A RISK-BASED SUPERVISION (RBS) SYSTEM AND UPGRADE OTHER SUPERVISORY PROCESSES					
Papua New Guinea	LTX/ STX [in-country]	SFEP - Off-site supervision	Bank of PNG is reviewing the draft off-site supervision framework provided by PFTAC.	Enhanced off-site supervision of banks and other financial institutions.	The Bank of PNG is committed to enhancing the prudential supervision of the financial sector. However, the ongoing pandemic may hamper early completion of

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
					the work.
Tonga	LTX/ STX [in-country]	Off-site Supervision- Financial risk analysis and prudential reporting framework	The off-site supervision framework of NRBT needs a review to align it with best international practices.	Enhanced off-site supervision of banks and other financial institutions.	The NRBT is committed to enhancing the prudential supervision of the financial sector. However, the ongoing pandemic may hamper early completion of the work.
Regional	STX/ HQ [in-country]	Workshop on Stress Testing	Very few PICs authorities have stress testing frameworks in place.	Enhanced risk analysis of banks leading to improved supervision and capital and liquidity buffers.	As several jurisdictions are yet to introduce effective stress testing frameworks for the banking sector, the workshop is likely to be of significant interest for them and the risk of the workshop not materializing is low.
Regional	LTX/ STX [remote]	AFSPC Meeting	No AFSC meeting was held during FY 2022.	Increased awareness of financial sector developments in the PICs and identification of issues of common interest for the members and potential solutions.	Organization of AFSPC meeting is contingent upon international travel opening up during FY 2023.

PUBLIC DEBT MANAGEMENT

The Debt Management (DM) CD work program for FY2023, funded by the Government of Japan, will continue to help strengthen public debt management capacity by focusing on following objectives:

- Strengthening the institutional arrangements for debt management;
- Building capacity on debt related analysis, recording and reporting;
- Building capacity to formulate and implement debt management strategies and risk management frameworks;
- Improving the functioning of domestic debt markets; and
- Developing capacity and improve knowledge on latest developments in international standards and best practices in public debt management.

Following the launch of the DM program in FY2022, CD will continue to focus on strengthening the fundamentals of public debt management given the relative infancy of debt management operations in the region and the importance of ensuring a solid foundation for debt management. Under the proposed FY2023 workplan, 15 missions/



activities are planned versus an outturn of 6 missions/ activities in FY2022. The number of activities in FY2022 reflect the initial development phase of the DM program and lower capacity of TA by member countries during the ongoing pandemic to absorb CD.

At a regional level, PFTAC will organize a workshop focused on enhancing capacity for debt management strategy formulation and implementation. Travel restrictions are expected to be further eased during FY2023, allowing for the first in-person regional workshop for the DM program. This will allow for deeper regional relationships to be forged

between debt managers, continuing the opportunity for peer-to-peer learning. A training event focused on debt management will also be held in conjunction with the rearranged high-level dialogue on Pacific policy.

Strengthening Institutional Arrangements for Debt Management

In FY2023, 5 activities will be focused on strengthening institutional arrangements. In **Palau**, PFTAC will help develop and implement an organizational structure for debt management, following recommendations outlined within a FY2022 mission that developed a high-level debt management policy. A

review of the operations manual for debt management in **Vanuatu** will ensure efficiency within institutional arrangements and reduce operational risk. In **Timor-Leste** and **Tonga**, a review of the organizational structure for debt management will provide recommendations to strengthen and align the organizational structure with best practice. A follow-up mission to **PNG** to develop and implement a strengthened organizational structure will be undertaken following a mission in FY2022 to review the institutional arrangements for debt management.

Develop and Strengthen Processes for Accurate Debt Recording, Reporting, and Monitoring

In FY2023, 4 activities will be undertaken on debt transparency to **Tuvalu, Palau, FSM, and Timor-Leste**. All activities will be focused on improving capacity in debt recording,

reporting and monitoring, in order to help countries, undertake regular and comprehensive debt reporting.

Formulate and Implement Debt Management Strategy

PFTAC will assist **Vanuatu** in updating its Debt Management Strategy (DMS), providing capacity development in the use of the MTDS Analytical Tool (AT) and framework, and assistance in the design and implementation of the DMS.

Develop Market Infrastructure and Capacity for Cost Effective Financing

Following on from an MTDS mission in FY2022 with the **Cook Islands** to build capacity in the use of the MTDS AT and develop a Debt Management Strategy, PFTAC will provide assistance in FY2023 to investigate

domestic debt market financing options. PFTAC will also assist **Tonga** in strengthening the primary market for domestic debt securities, including through effective market infrastructure and primary dealers.

Develop Capacity and Improve Knowledge and Skills on Latest Developments in International Standards and Best Practices in Debt Management

CD in debt management best practice will be undertaken in **Papua New Guinea** and **Tuvalu** in FY2023 with the delivery of training in the fundamentals of public debt management. Training will provide new staff with the resources to understand the environment and key concepts of public debt management and act as a refresher course for existing staff.

TABLE 23. FY2023 WORK PROGRAM – PUBLIC DEBT MANAGEMENT

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
STRATEGIC OBJECTIVE 1: FORMULATE AND IMPLEMENT A MEDIUM-TERM DEBT MANAGEMENT STRATEGY (MTDS)					
Vanuatu	LTX/ STX	Medium-Term Debt Management Strategy Development and Implementation	Assistance requested to develop a renewed MTDS	Enhanced capacity in MTDS formulation and implementation; and an MTDS is developed, documented and published	Resource adequacy; management support and technical staff commitment
Regional	LTX/ STX	Regional workshop on medium-term debt management strategy framework and AT	Regional Workshop	Enhanced capacity in MTDS formulation and implementation; and staff can use the MTDS Analytical Tool (AT) effectively	Management support and technical staff commitment; resource adequacy; application of skills to in-country debt management activities
STRATEGIC OBJECTIVE 2: ESTABLISH EFFICIENT INSTITUTIONAL FRAMEWORK FOR DEBT MANAGEMENT					
Palau	LTX/ STX	Develop and implement debt management organizational structure	In the process of establishing a Debt Management Unit	Improved institutional structure for debt management and operational risk management	Resource adequacy and capacity
Papua New Guinea	STX	Develop and implement debt management organizational structure	PFTAC recently provided assistance in the review of the institutional arrangements for debt management, providing strengthening recommendations	Improved institutional structure for debt management and improved resource adequacy	Political support; management support and technical staff commitment; resource adequacy
Timor-Leste	STX	Review of organizational structure for debt management	In the process of establishing a Debt Management Unit	Improved institutional structure for debt management and operational risk management	Management support and technical staff commitment; resource adequacy
Tonga	LTX/ STX	Review of organizational structure for debt management	Strengthening of institutional structure and resource adequacy for debt management is required	Improved institutional structure for debt management and operational risk management	Management support and technical staff commitment; resource adequacy

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
Vanuatu	STX	Review of operations manual for debt management	Procedures manual for debt management operations to improve efficiency and reduce operational risk	Improved operational risk management	Management support and technical staff commitment; resource adequacy
STRATEGIC OBJECTIVE 3: DEVELOP/ STRENGTHEN PROCESSES FOR ACCURATE DEBT RECORDING, REPORTING AND MONITORING					
FSM	STX	Strengthening debt reporting capacity	Capacity development required to enhance debt reporting activities	Enhanced capacity in debt reporting activities	Management support and technical staff commitment; resource adequacy
Palau	LTX/ STX	Strengthening debt reporting capacity	Capacity development required to enhance debt reporting activities	Enhanced capacity in debt reporting activities	Resource adequacy
Timor-Leste	STX	Strengthening debt reporting capacity	Capacity development required to enhance debt reporting activities	Enhanced capacity in debt reporting activities	Resource adequacy
Tuvalu	LTX/ STX	Strengthening debt reporting capacity	Capacity development required to enhance debt reporting activities	Enhanced capacity in debt reporting activities	Management support and technical staff commitment; resource adequacy
STRATEGIC OBJECTIVE 4: DEVELOP MARKET INFRASTRUCTURE AND CAPACITY FOR COST EFFECTIVE FINANCING					
Cook Islands	LTX/ STX	Review of domestic market financing options	PFTAC provided assistance in the development of a MTDS, which highlighted the potential to diversify debt financing options	Enhanced capacity in domestic financing and financing through market-based instruments	Political support; management support and technical staff commitment; resource adequacy
Tonga	LTX/ STX	Domestic Debt Market Development TA	Assistance requested to strengthen the infrastructure in the local currency debt market	An effective primary market with market-based issuances	Management support and technical staff commitment; resource adequacy; recovery from 2021 volcanic eruption
STRATEGIC OBJECTIVE 5: DEVELOP CAPACITY AND IMPROVE KNOWLEDGE AND SKILLS ON LATEST DEVELOPMENTS IN INTERNATIONAL STANDARDS AND BEST PRACTICES IN DEBT MANAGEMENT					
Papua New Guinea	STX	Fundamentals of Public Debt Management training	Resource capacity requires development for effective and efficient debt management	Enhanced capacity in international standards and best practices in debt management	Management support and technical staff commitment; application of skills to in-country debt management activities
Tuvalu	LTX/ STX	Fundamentals of Public Debt Management training	Resource capacity requires development for effective and efficient debt management	Enhanced capacity in international standards and best practices in debt management	Management support and technical staff commitment; application of skills to in-country debt management activities

MACROECONOMIC FRAMEWORKS

A new Macroeconomic Frameworks Resident Advisor is due to commence at PFTAC in mid-FY2023 if endorsed by the SC. This **new Macroeconomic Frameworks Program is intended to strongly complement the existing Macroeconomic Analysis Program.** The main role of the Macroeconomic Frameworks resident advisor will be to assist PFTAC member countries develop capacity in macroeconomic forecasting and policy analysis to support policy decision making and communications at central banks, ministries of finance and relevant government agencies, in order to promote macroeconomic stability, economic growth and development.

The initial work of the Macroeconomic Frameworks Resident Advisor will focus on seven TA projects that have commenced in the PFTAC catchment area during FY2022-FY2023. Three of them used semi-structural models to develop a Forecasting and Policy Analysis System (FPAS) with the central banks of **Solomon Islands, Samoa, and Tonga**, the first project with STI support. Another project uses near-term forecasting and nowcasting tools to build forecasting capacity at the central bank of **Fiji**. Three more used accounting-type macro-frameworks to build analysis and forecasting capacity at the fiscal institutions of **Papua New Guinea, Timor-Leste, and Vanuatu**, the latter



two with STI support. Most of the projects are planned to involve up to nine TA missions/activities, spread over a three-year period (mid-2021 to mid-2024). Strong demand for macroeconomic frameworks TA is expected to continue increasing in the aftermath of the COVID-19 pandemic. The need for better tools for macroeconomic policy management is likely to come mainly from PICs, LICs, and FCS.

The aim of CD in this area is to help recipient countries improve the macroeconomic analysis and forecasting capabilities of government institutions in support of their macroeconomic policy decision-

making process. Emphasis will be placed on assisting country officials in strengthening their macroeconomic forecasting and analytical capacity; supporting the development of analytical tools to improve macroeconomic and macro-fiscal forecasting ability, credibility, and policy analysis; and helping identify and mitigate macroeconomic risks. This will provide a sounder basis for policy formulation by better linking monetary and fiscal policies to consistent macroeconomic scenarios, improving medium-term macroeconomic frameworks, and supporting institutional arrangements, analytical tools, and communication outputs and channels, both internally

and externally. Depending on country needs and capacity, the macroeconomic-frameworks TA projects may range from building Excel-based, sectoral-relationship frameworks with supporting economic projection equations, to building nowcasting models which use recently published data to update key economic indicators published with a significant lag, to building semi-structural gap models or even DSGE models of national economies. Near-term forecasting tools and macroeconomic projection tools and/or debt dynamics tools will also be included in these macroeconomic frameworks TA and training projects. In view of the low capacity and small staff of many of the PTFAC members,

the agenda may include assistance with the implementation of basic elements of macroeconomic diagnostics, such as the analysis of equilibrium exchange rates, output gaps, and the basics of debt sustainability.

Macroeconomic Context

The COVID pandemic and associated economic shocks to Pacific Island Countries, many also FCS, have accentuated the need to bolster CD on macroeconomic frameworks, macroeconomic forecasting, and analytical capabilities. Governments have taken a variety of approaches to mitigating the impact of the pandemic on their economies. Evaluating the full

implications of their policy choices requires a well-developed (and flexible) macroeconomic framework, appropriate near-term forecasting, debt dynamics and other projection tools, as well as of central banks and ministries of finance's institutional frameworks that ensure that results of the macroeconomic projection tools feed into the policymaking processes on a systematic basis. A deep understanding of the short- and long-run macroeconomic outlook, and ability to gauge the macroeconomic policy response to shocks, will be essential for countries' ability to make appropriate macroeconomic policy decisions.



PFTAC Revenue Advisor, Katrina Williams. Debt Management Advisor, Briar Ferguson and Office Manager, Nina Samuela

SECTION IV

PFTAC STAFF

Director



David Kloeden

(Since February 2017)

David joined PFTAC in February 2017. David is an Australian national, and prior to coming to PFTAC served as Coordinator of CARTAC – the IMF’s Caribbean Regional Technical Assistance Center based in Barbados. With 20+ years as an IMF tax administration specialist, he has extensive Domestic Revenue Mobilization experience. He is a CPA, has an undergraduate degree in information technology and post graduate degrees respectively in financial management, tax law, and economics.

Resident Advisors

FISCAL AFFAIRS DEPARTMENT

REVENUE ADMINISTRATION



Georg Eysselein

(Since November 2018)

Georg joined PFTAC in November 2018 and is a South African National. Georg worked for the South African Revenue Service for more than 30 years in various senior positions. His international career started by working for the IMF and the European Delegation in Macedonia, followed by DFID, USAid and World Bank funded projects in Afghanistan and Somalia. Georg was closely involved with the implementation of the post-graduate Tax Professional Qualification in South Africa for tax practitioners in the private sector and taxation auditors working for the Revenue Service.



Katrina Williams

(Since October 2021)

Katrina joined PFTAC as the second resident Revenue Administration Advisor in October 2021. She has 40 years public sector experience, the last 24 years in Inland Revenue in New Zealand. She brings expertise in the design and delivery of all core revenue functions, in strategic and multi-year planning, and in compliance-related intervention design. With an extensive background

in organizational reform, revenue administration modernization, and change and innovation, latterly Katrina led Inland Revenue’s organizational design and change group. Before joining PFTAC on a full-time basis contributed to the PFTAC revenue program as an IMF short-term expert.



Iulai Lavea

(Since August 2020)

Iulai joined PFTAC in August 2020. Iulai is a Samoan national and brings a wealth of Pacific and Public Financial Management experience to PFTAC. He was the Chief Executive Officer for the Ministry of Finance of the Government of Samoa for nine years until December 2018. Prior to that, he was the Deputy Chief Executive Officer (Policy Management) for many years. He joined the World Bank Constituency Office representing the Pacific and was based in Washington DC as the Adviser to the Executive Director during 2006 to 2009. He also had a brief stint as the Planning Adviser to the Government of Nauru in 2005/06, and earlier in his career worked at the Pacific Islands Forum Secretariat in Suva during the period 1991 – 96.



Paul Seeds

(Since October 2020)

Paul joined PFTAC on October 1, 2020 from East AFRITAC, IMF’s technical assistance center for East Africa, where he had worked for the previous five years. Starting his overseas career in Kiribati, he has worked extensively with many development partners covering 20 countries, in a career spanning nearly 40 years. Paul has a wealth of experience designing and implementing broad ranging PFM reforms, including the implementation of financial management information systems in several countries. Paul is a fellow of the Chartered Institute of Management Accountants and holds an MBA from the CASS Business School, City University of London.

ASIA PACIFIC DEPARTMENT

MACROECONOMIC PROGRAMMING AND ANALYSIS



Andrew Beaumont

(Since February 2020)

Andrew joined PFTAC in February 2020 and has 20 years of experience in macro-fiscal and broader macroeconomic analysis and forecasting including at the Australian Treasury where he worked on monetary and fiscal policy, macroprudential regulation and the labor market. Additionally, Andrew has five years of experience in the Pacific region, having worked as an Australian Treasury embedded technical adviser in both PNG (macro-fiscal) and Solomon Islands (economic reform). Andrew was also previously the Senior Adviser G20 and International economy at the Australian Department of Prime Minister and Cabinet working on global debt sustainability and macroeconomic policy responses to the Global Financial Crisis. Most recently, he was the Executive Branch Manager responsible for economic and revenue forecasting, macroeconomic reporting, demographic projections, long term fiscal modelling and tax expenditure analysis for the ACT Treasury.

MONETARY AND CAPITAL MARKETS DEPARTMENT

FINANCIAL SECTOR SUPERVISION



Rajinder Kumar

(Since August 2020)

Rajinder joined PFTAC on August 1, 2020. Before PFTAC, Rajinder completed a multi-topic three-year assignment as an IMF advisor on banking regulation, supervision, and financial stability with the Bank of Albania. He has extensive experience in financial sector regulation, banking supervision, and macro prudential policies, which he gained through his 28-year long career with Reserve Bank of India. Rajinder also worked for three years with the Bank for International Settlements at Basel where he supported Basel Committee's Regulatory Consistency Assessment Program and a few of Basel Committee's technical policy making groups. In Albania, Rajinder has helped Bank of Albania introduce Basel III reforms in the country and complete implementation of Pillar 2 of Basel capital adequacy framework. Rajinder holds an MBA in Financial Management and FRM certification from GARP.

PUBLIC DEBT MANAGEMENT



Briar Ferguson

(Since March 2021)

Briar joins PFTAC from the United Kingdom where she spent five years delivering technical assistance and capacity development to Commonwealth members as a Public Debt Management Advisor at the Commonwealth Secretariat. Prior to this she spent a decade at the New Zealand Debt Management Office in market facing and risk management roles. Briar holds a Masters in Applied Finance and brings with her a breadth of experience from both practitioner and advisory perspectives.

STATISTICS DEPARTMENT

REAL SECTOR STATISTICS



Marcus Scheiblecker

(October 2018 – April 2022)

Marcus joined PFTAC in October 2018. He is an Austrian national with extensive knowledge and expertise in Real Sector Statistics and experience in compilation of national accounts. Prior to coming to the Pacific, Mr. Scheiblecker held various positions including as deputy director at the Austrian Institute of Economic Research where he acted as an advisor to Eurostat for seasonal adjustment and on financial statistics and national accounts for Statistics Austria.



Matthew Powell

(Since March 2022)

Matthew Joined PFTAC in March 2022. Matthew is a United Kingdom national. Prior to coming to PFTAC he spent 12 years as a consultant in Economics and Statistics, mainly in Africa and South and South-East Asia, ten years with the UK Office for National Statistics, and ten years as a resident adviser in Economic Statistics in Africa and the South Pacific. Matthew has an undergraduate degree in Economics and a post graduate degree in Mathematical Economics and Econometrics.

Administrative Staff



OFFICE MANAGER

Maria Nina Samuela



SENIOR ADMINISTRATIVE
ASSISTANT

Elenoa Bogiwalu



ADMINISTRATIVE
ASSISTANT

Kalara Raidruta



ADMINISTRATIVE
ASSISTANT

Pretti Lata



ECONOMIC ANALYST

Shane Prasad

ANNEX

ANNEX 1. MACROECONOMIC DEVELOPMENTS OF PFTAC MEMBER COUNTRIES

Fallout from the COVID-19 pandemic continued to affect many of the Pacific Island Countries (PICs) in the last year. While global growth rebounded in 2021, real GDP in the islands declined by an average 2.0 percent, on top of an average contraction of 3.5 percent in 2020. Growth performance among the PICs has been heterogeneous—largely as a function of key sectors (such as tourism and commodity exports), the presence of local COVID outbreaks and associated lockdowns, and the size and efficacy of policy support. As a group, the unweighted average real GDP of Pacific Islands with a reliance on tourism (**Fiji, Palau, Samoa, Tonga, and Vanuatu**) contracted by 6.4 percent in 2020 and 5.9 percent in 2021. Countries with a heavier reliance on commodity exports (**Papua New Guinea and Solomon Islands**) saw economic activity shrink by about 3.9 percent in 2020, but saw growth recover to an average of 0.8 percent in 2021 as global demand rose. In other countries (**Kiribati, Marshall Islands, Nauru, and Tuvalu**), a mild economic recovery emerged in 2021 with average real GDP growth estimated at 1.8 percent.

The effects of the pandemic on fiscal and debt positions have varied across the islands. The unweighted average fiscal balance among the PICs deteriorated from a surplus of 2.4 percent of GDP in 2020, to a deficit of 0.2 percent in 2021. This shift stemmed mainly from lower growth and weaker tax collection together with continued high spending needs to mitigate adverse effects of the pandemic. External balances have generally weakened but foreign exchange reserves have thus far remained relatively stable. The unweighted average current account balance of the PICs deteriorated from a surplus of 1.2 percent in 2020 to an estimated deficit of 2.4 percent in 2021. The external position of tourism-reliant countries continued to deteriorate in 2021, with the average current account deficit increasing from 11.6 percent of GDP in 2020 and to an estimated 14.4 percent in 2021. Foreign reserves increased despite weak external positions on the back of continued donor support in the form of loan and grant financing together with the IMF's 2021 SDR allocation.

Growth is expected to rebound in 2022, but the war in Ukraine appears set to shave off part of the recovery. Average output growth of the PICs is projected to reach 1.9 percent in 2022. By country groups, growth for tourism dependent countries is expected to recover to an average of 3.1 percent in 2022 as Omicron waves subside, borders reopen, and tourism activities resume. A milder recovery is expected for commodity exporting countries (0.4 percent). On the downside, the war in Ukraine and its attendant effects on food and fuel prices as well as global growth has been felt in every corner, including the Pacific. IMF staff estimate that the spillovers from the Ukraine conflict will shave off about half the expected recovery in economic growth (relative to projections at the time of the January 2022 update to the World Economic Outlook). Reflecting recent developments, inflation projections for the PICs in 2022 have been revised up by 2.4 percentage points (compared to the October 2021 WEO) to 5 percent on average. Existing administered price mechanisms and long-term energy contracts in some PICs may ease slow immediate domestic price increases, but upward adjustment is largely inevitable.

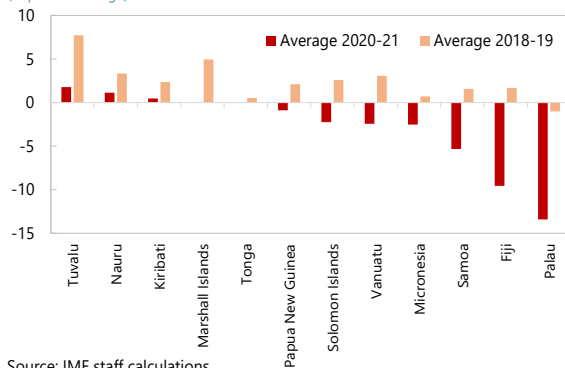
The negative terms of trade shock is expected to lead to a deterioration in external balances for most PICs. The main channels for balance of payment impacts from the Ukraine-Russia conflict are likely to be linked with exposures to petroleum product and food imports. Elevated oil and other commodity prices are expected to widen trade deficits and, together with a reduction in official transfers for some countries, put downward pressure on external balances in the near term. The average current account deficit among the PICs is projected to widen to 6.9 percent of GDP in 2022.

The degree of uncertainty surrounding the economic outlook remains extremely high and risks are tilted to the downside. Key downside risks include emergence of a new COVID variant, further delays in border reopening, a prolonged period of high commodity prices, and large natural disasters (to which PICs are particularly vulnerable). A global slowdown and inflation pressures associated with the war in Ukraine could also dampen tourism prospects through negative wealth effects and higher travel and transportation costs.

Growth impact from the pandemic has varied

Real GDP Growth

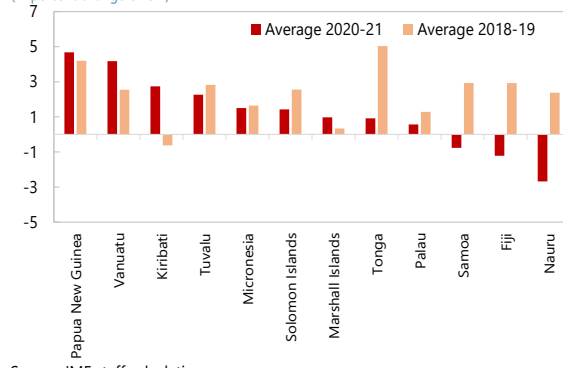
(In percent change)



Source: IMF staff calculations.

Inflation

(In percent change of CPI)



Source: IMF staff calculations.

Fiscal balances have been more affected than external positions.

Current Account Balance

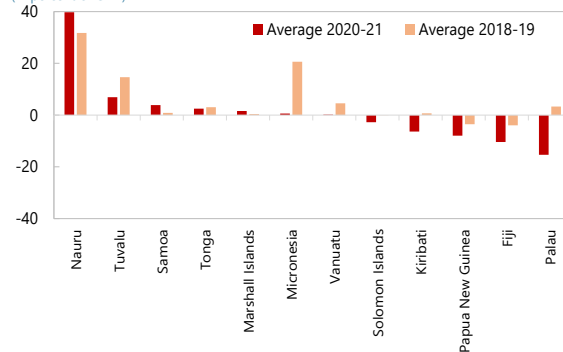
(In percent of GDP)



Source: IMF staff calculations.

Fiscal Balance

(In percent of GDP)

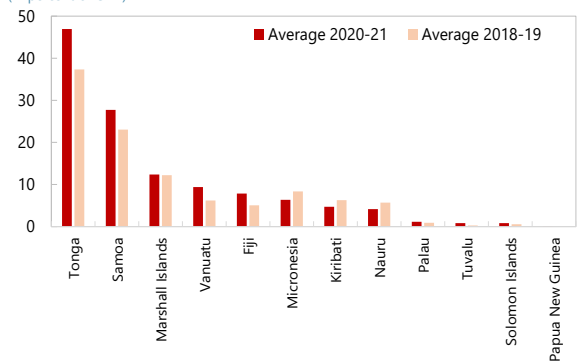


Source: IMF staff calculations.

Remittances have strengthened and foreign exchange reserve cover has increased.

Remittances

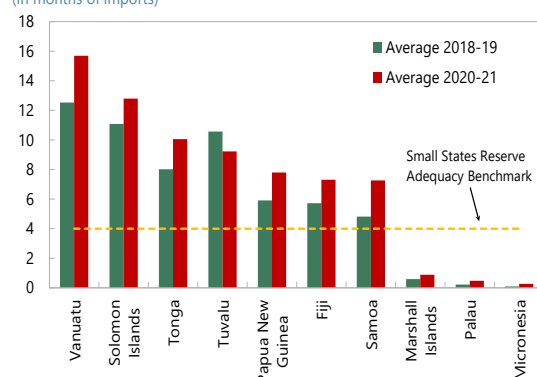
(In percent of GDP)



Source: IMF staff calculations.

Official Reserves

(In months of imports)



Sources: World Economic Outlook; and IMF staff estimates.



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