

# PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTRE

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



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# ANNUAL REPORT 2023

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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



Ministry of Economy and Finance



Australian Government

Department of Foreign Affairs and Trade



NEW ZEALAND  
FOREIGN AFFAIRS & TRADE

# A MESSAGE FROM THE PFTAC STEERING COMMITTEE CHAIRMAN



## Doreen Siataga

Financial Secretary, Government of Niue, since 2020  
PFTAC Chairman, 2023

In my capacity as the Financial Secretary for the Government of Niue, it is with profound honor that I write this message for the Pacific Financial Technical Assistance Centre's annual report, encapsulating the significant developments and progress achieved in the year ending April 30, 2023. The privilege of serving as the Chairman for the PFTAC Steering Committee is a responsibility that I hold both personally and on behalf of the nation. We were pleased to have hosted the PFTAC Steering Committee meeting in May 2023 in Niue. Our gratitude extends to the numerous delegates who graced our shores for their presence and contributions, which significantly enriched our discussions and engagements.

Looking back on the work undertaken by PFTAC during FY2023, we can identify a range of achievements, notwithstanding the challenging circumstances wrought by the

COVID-19 pandemic. While the global health crisis impeded capacity development program and in-person missions, it did not quell PFTAC's unwavering commitment to assist Pacific nations progress their economic and financial reform agenda.

Niue, much like other small Pacific Island economies, felt the brunt of the pandemic. We grappled with unique challenges related to our small size, vulnerability, remoteness, and reliance on tourism that was severely impacted. With the borders fully reopening in March 2023, we are emerging from an era marked by external shocks, including high inflation and fuel prices.

Throughout this period, PFTAC's steadfast support has been invaluable. Although constrained to largely virtual engagement, PFTAC remained undeterred, meeting our capacity development needs with excellent outcomes. As the pandemic related restrictions eased, in-person capacity development across the region began to gain momentum.

The return to in-person missions and the resurgence of capacity development led to notable increases in milestone completion – a testimony of higher effectiveness and impact of in-person missions. Despite the significant obstacles encountered, 67 percent of all PFTAC milestones were largely or fully achieved.

Looking forward to Phase VI that span from May 1, 2023 to April 30, 2028, the Steering Committee reviewed and endorsed comprehensive workplans for FY2024. These plans detail capacity development activities that adopt a mix of delivery modality from in-person missions to remote and hybrid engagements to bolster capacity development delivery and regular follow-up support.

On behalf of all PFTAC members, I wish to extend appreciation and express gratitude to PFTAC and its staff for the steadfast support and assistance throughout the year. I would like to acknowledge the invaluable support of PFTAC partners and their ongoing commitment to support PFTAC in the next phase. We remain committed to strengthening our collaboration with PFTAC, striving to build better nations and collectively, a more resilient Pacific.

Finally, I would like to extend warm wishes to Mr. Samir Jahjah as he steps into his new role as PFTAC Director. We look forward to working under his esteemed leadership.

# FOREWORD FROM THE PFTAC DIRECTOR



**Samir Jahjah**

It is my pleasure to present the PFTAC annual report for FY2023. This year marked the resumption of travel as most borders reopened in November 2022. The last year has been a year of continued challenges for the region, with countries coping with the aftermath of the COVID-19 pandemic and multiple economic shocks. The war in Ukraine, rising interest rates, increasing natural disasters, and the challenges of climate change have all added to the difficulties faced by Pacific Island countries. Some countries dependent on tourism experienced a strong rebound in GDP, while others have not yet recovered.

PFTAC continued to provide support to member countries through its Capacity Development (CD) programs. Due to the pandemic, remote delivery of CD programs remained the norm for much of the first six months of the year. The PFTAC office gradually resumed in-person operations in early 2022, and by the end of the calendar year, all PFTAC advisors were physically based in Fiji and resumed their travels in the region.

Despite the challenges posed by remote delivery, PFTAC successfully supported important reforms in the region through timely and impactful CD programs. These programs included providing a comprehensive Public Investment Management Assessment (PIMA) in the Cook Islands and hosting a Climate-PIMA workshop. About a quarter of PFTAC resources were dedicated to Fragile and Conflict-Affected States (FCS).

PFTAC expanded its activities by launching the Government Finance Statistics (GFS) and Public Sector Debt Statistics (PSDS) program in November, hiring a new advisor, and completing several missions, including a regional workshop. A new macroeconomic framework program was also initiated with the recruitment of a macro advisor. PFTAC organized in-person workshops on topics such as stress testing, tax audit, and GDP(E) forecasting, and recruited regional experts in the national accounts and revenue program.

PFTAC's budget savings enabled a one-year extension of Phase V until April 2023, allowing additional CD demands. The savings also facilitated the conduct of important regional workshops in statistics, revenue administration, and other areas. Additionally, PFTAC co-financed a regional workshop on the future of digital currency with the Monetary and Capital Market (MCM) department of the IMF.

Out of a budget envelope of about US\$ 40 million for the new phase, with 90 percent expected to come from donors and the balance from member countries and the IMF, pledges reached about US\$ 22 million so far. These will cover at least two years of activities. Looking ahead, PFTAC remains committed to providing support to member countries as they navigate ongoing economic, climate and public health challenges. The share of resources dedicated to FCS will increase significantly. We will continue to work closely with our partners and stakeholders to deliver impactful CD programs and support member countries in building their capacity to address current and future challenges.

I would like to express gratitude to the staff of PFTAC for their hard work and dedication in delivering CD programs and supporting member countries. I would also like to thank our partners and stakeholders for their ongoing support and collaboration.

# LIST OF ACRONYMS AND ABBREVIATIONS

|          |   |
|----------|---|
| ABS      | Australian Bureau of Statistics                                   |
| ADB      | Asian Development Bank  |
| AFSPC    | Association of Financial Supervisors of Pacific Islands Countries |
| APA      | Advance Pricing Agreements  |
| APB      | Annual Borrowing Plan   |
| APD      | IMF Asia and Pacific Department                                   |
| APRA     | Australian Prudential Regulation Authority                        |
| ASEAN    | Association of Southeast Asian Nations                            |
| ATO      | Australian Taxation Office  |
| BEPS     | Base Erosion and Profit Shifting                                  |
| BPNG     | Bank of Papua New Guinea  |
| BPT      | Business Profit Tax   |
| BRT      | Palau Bureau of Revenue and Taxation                              |
| CBS      | Central Bank of Samoa   |
| CBSI     | Central Bank of Solomon Islands                                   |
| CD       | Capacity Development  |
| CDOT     | IMF Capacity Development Office in Thailand                       |
| CISO     | Cook Islands Statistics Office                                    |
| COVID-19 | Coronavirus Disease of 2019                                       |
| C-PIMA   | Climate - Public Investment Management Assessment                 |
| CSD      | Tuvalu Central Statistics Department                              |
| D4D      | Data for Decisions  |
| DFAT     | Australian Department of Foreign Affairs and Trade                |
| EPPSO    | Marshall Islands Economic Policy, Planning, and Statistics Office |
| ESS      | External Sector Statistics  |
| EU       | European Union  |
| FAD      | IMF Fiscal Affairs Department                                     |
| FBOS     | Fiji Bureau of Statistics   |
| FCS      | Fragile and Conflicted-Affected States                            |
| FMIS     | Financial Management Information System                           |
| FMIS     | Financial Management Information System                           |
| FPAS     | Forecasting and Policy Analysis System                            |
| FRCS     | Fiji Revenue and Customs Service                                  |
| FSS      | Financial Sector Supervision                                      |
| GDP      | Gross Domestic Product  |
| GDP      | Gross Domestic Product  |
| GDP (E)  | GDP by Expenditure  |
| GDP (P)  | GDP by Production   |
| GFS      | Government Finance Statistics                                     |
| GNDI     | Gross National Disposable Income                                  |
| HIES     | Household Income and Expenditure Survey                           |
| ICD      | IMF Institute of Capacity Development                             |
| IRC      | PNG Internal Revenue Commission                                   |
| IRD      | Solomon Islands Inland Revenue Division                           |
| ISORA    | International Survey on Revenue Administrations                   |
| KNSO     | Kiribati National Statistics Office                               |

|         |  |
|---------|--|
| KTD     | Kiribati Tax Department  |
| LOU     | Letter of Understanding  |
| LTX     | Long-term expert or resident advisor                                   |
| MCM     | IMF Monetary and Capital Markets Department                            |
| MTDS    | Medium Term Debt Management Strategy                                   |
| MTRS    | Medium Term Revenue Strategy   |
| NRBT    | National Reserve Bank of Tonga   |
| OCO     | Oceania Customs Organization   |
| OECD    | Organization for Economic Co-operation and Development                 |
| OPS     | Palau Office of Planning and Statistics                                |
| PASAI   | Pacific Association of Supreme Audit Institutions                      |
| PD      | Program Document   |
| PEFA    | Public Expenditure and Financial Accountability                        |
| PFM     | Public Financial Management  |
| PFTAC   | Pacific Financial Technical Assistance Centre                          |
| PGST    | Palau Goods and Service Tax  |
| PIC     | Pacific Island Country   |
| PIFS    | Pacific Islands Forum Secretariat                                      |
| PIMA    | Public Investment Management Assessment                                |
| PITAA   | Pacific Islands Tax Administrators Association                         |
| PPE     | Property, Plant and Equipment  |
| PSDS    | Public Sector Debt Statistics  |
| RBA     | Reserve Bank of Australia  |
| RBM     | Results-Based Management   |
| RBNZ    | Reserve Bank of New Zealand  |
| RBS     | Risk Based Supervision   |
| RCDC    | Regional Capacity Development Centre                                   |
| RMD     | Cook Islands Revenue Management Division                               |
| RSN     | Regional Strategy Note   |
| RSS     | Real Sector Statistics   |
| SC      | PFTAC Steering Committee   |
| SFEP    | Supervision Framework Enhancement Program                              |
| SINSO   | Solomon Islands National Statistics Office                             |
| SOP     | Standard Operating Procedure   |
| SPC     | Secretariat of the Pacific Community                                   |
| STI     | Singapore Regional Training Institute                                  |
| SUT     | Supply and Use Table   |
| TLTA    | Timor-Leste Tax Authority  |
| TSD     | Tonga Statistics Department  |
| UNDP    | United Nations Development Program                                     |
| UNESCAP | United Nations Economic and Social Commission for Asia and the Pacific |
| VITARA  | Virtual Training to Advance Revenue Administration                     |
| WTO     | World Trade Organization   |

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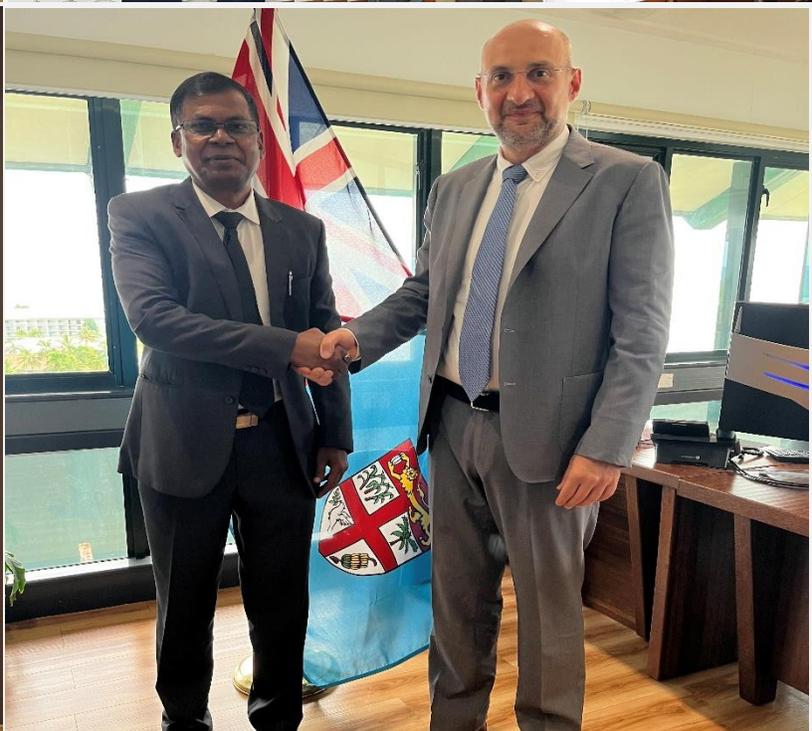
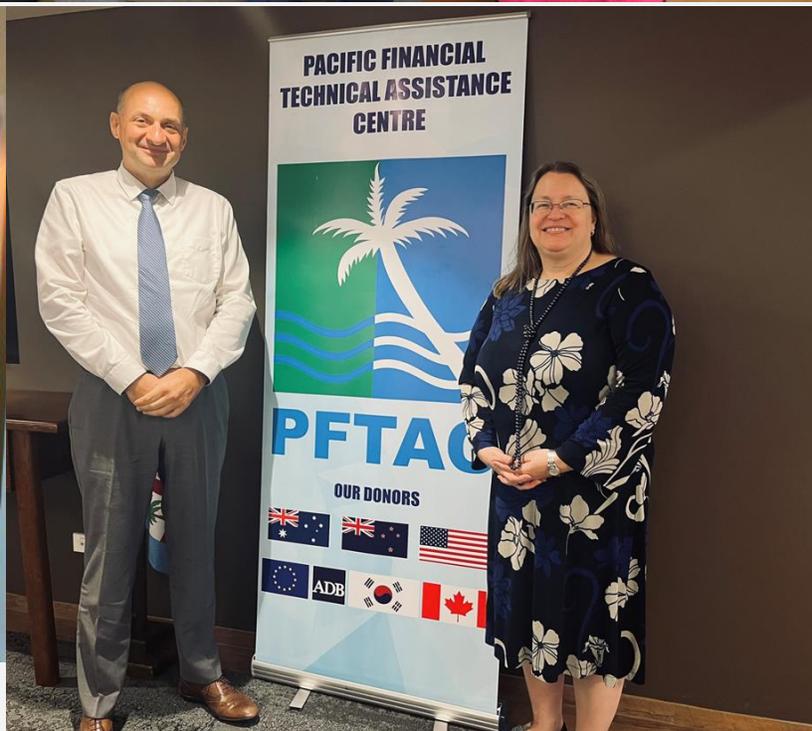
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SECTION I

# OVERVIEW



PFTAC Donors and Partners

# OVERVIEW OF THE PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTRE

The Pacific Islands countries are experiencing a recovery driven by the reopening of borders after years of pandemic-related isolation. However, economic growth is heterogeneous depending on the key sectors in the economy, natural shocks, and the size of policy support. Inflation has accelerated significantly, with an average annual inflation of 5.9% expected in 2023 due to various factors. Rising public debt levels have been a significant concern, especially for tourism-dependent economies which experienced a drop in fiscal revenue. External balances have weakened in 2022, with the average current account deficit estimated to have increased to 23.9% in tourism-reliant countries. Foreign reserves moved sideways, despite generally weak external positions, on the back of continued strong donor support (in the form of loan and grant financing). Climate change and natural disasters are severely impacting the region. It is in this context that PFTAC commences its 6<sup>th</sup> Phase. In collaboration with its partners, it aims to support resilience, economic growth, and macroeconomic and financial stability in the region. PFTAC provides support in seven core areas with a strong focus on climate change and FCS.

## INSITUTIONAL FRAMEWORK

Established in 1993, the Pacific Financial Technical Assistance Center (PFTAC) was the IMF's first Regional Technical Assistance Center. Now among 17 IMF Regional Capacity Development Centers (RCDC) worldwide, PFTAC aims to bolster Pacific countries' capacity for designing and executing sound macroeconomic and financial policies. This support fosters stability and sustainable, inclusive growth, ultimately contributing to the achievement of the Sustainable Development Goals.

PFTAC delivers CD through TA and training to its 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.

IMF funds CD delivery in the region using its resources and contributions from New Zealand, Australia, European Union (EU), Korea, Canada, Asian Development Bank (ADB), and the US, which joined as the seventh

PFTAC donor in December 2020. Donor contributions for PFTAC's fifth phase total US\$34.7 million. Since Phase V, member countries have contributed, targeting 10% of PFTAC overheads, totaling US\$ 3.1 million so far. Occasionally, members provide in-kind support for regional training, and development partners co-fund workshops. The IMF finances the center director, most local support staff, and specific office overheads.

## GOVERNANCE

The Steering Committee (SC), consisting of 16 member countries, seven donors, and the IMF, governs and oversees PFTAC operations, granting each member equal voice. The PFTAC director serves as SC secretary, while the chair is typically a senior representative from the host country of the rotating annual SC meeting. Since 2019, Fiji chaired the SC due to COVID. Previously annual, SC meetings now include a mid-year session to maintain engagement and address important issues.

PFTAC's fifth phase began in November 2016, originally ending on April 30, 2022. COVID-related budget savings led to an unspent balance of

about US\$ 8.7 million by FY2022's end, allowing the SC to endorse a one-year extension to April 30, 2023. Phase VI started on May 1, 2023.

Each phase follows a Program Document (PD) outlining objectives, PFTAC programs, and resource requirements for fundraising. The SC can endorse changes during a phase if supported by the IMF and subject to budget constraints.

The sixth phase of PFTAC operations begins May 1, 2023 and runs for five years through April 30, 2028. 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) and a new program and LTX for Macroeconomic Frameworks backstopped by the IMF's Institute for Capacity Development (ICD). Pending confirmation of financing, a third Public Financial Management (PFM) long-term expert (LTX) focused on climate change issues will complement the PFTAC team. Phase VI will assist governments to address the responses to the 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 seven 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 (covering six years operation).

## CAPACITY DEVELOPMENT 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 program document, PFTAC is also guided by



PFTAC Director Samir Jahjah with Head of Cooperation of the EU Delegation for the Pacific, Mr. Michal Krejza and Budget Support Team

the IMF's Asia Pacific Department (APD) Regional Strategy Note (RSN) for CD, covering the next three years (FY2023 through FY2025).

Regional priorities are significantly influenced by the COVID response. Growth remains uneven, fiscal positions weakened and rising public debt in some countries is concerning.

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. High-quality and comprehensive fiscal and financial data is crucial for supporting fiscal and public financial management. The COVID crisis and other shocks have underscored the need for capacity development in macroeconomic frameworks, enabling governments to assess the full implications of their policy choices. This requires a well-developed and

flexible macroeconomic framework, suitable near-term forecasting and projection tools, and enhanced institutional frameworks for central banks and finance ministries.

## PFTAC PROGRAMS

Overall FY2023 was a strong year. PFTAC delivered 158 missions/activities, achieving 83% of the planned 190 activities, and utilizing 95% of the 2,835 planned technical assistance days. With improved regional conditions, PFTAC adopted a hybrid approach, including 87 in-country missions/activities, 70 remote engagements, and one hybrid event. CD delivery surpassed pre-pandemic levels, reflecting increased demand for support in the post-pandemic recovery.

Emphasis on fiscal issues remained strong in FY2023, with PFM and Revenue programs accounting for nearly two-thirds of PFTAC activity. In FY2023, field delivery by the Revenue program accounted for 46 percent of all PFTAC activity, slightly lower than in 2022. The PFM program's share increased from 12 percent to 15 percent, bringing the total of FAD activities to 61 percent of all CD. The shares of the other programs by and large remained unchanged.

FY2024 PFTAC's workplan development involves continuous dialogue with beneficiaries of the 16 member countries, identifying new priorities and steps from ongoing capacity development efforts. Regional workshops and training events generate interest and requests for new bilateral CD, often based on experience sharing with peers. PFTAC team is in regular contact with APD country teams to review ongoing CD projects and reforms and identify new priorities. The FY2024 workplan development was based on meetings held between the PFTAC and APD teams from February to March 2023. Comprehensive FY2024 workplans have been developed and are summarized in the next sections.

## PARTNER COLLABORATION

Close collaboration with its partners can enhance PFTAC impact and better support the development and reform agenda of its member countries.

PFTAC's close cooperation with development partners and national, regional, and international

organizations is a key feature of its model, leveraging the IMF's convening authority and institutional knowledge. This collaboration helps support sustainable and inclusive development of member countries. PFTAC works closely with regional groups like Pacific Association of Supreme Audit Institutions (PASAI), Pacific Islands Tax Administrators Association (PITAA), Oceania Customs Organization (OCO), Association of Financial Supervisors of Pacific Island Countries (AFSPIC) and the University of the South Pacific ensuring a productive history of joint training and TA delivery.

Collaborating 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 the UN Development Program (UNDP) and the UN Economic and Social Commission for Asia and the Pacific (ESCAP) enables PFTAC to combine the expertise of these organizations with its economic and financial

expertise, resulting in comprehensive events for their overlapping client bases. PFTAC also works closely with national organizations like Australian Bureau of Statistics (ABS) and New Zealand Statistics, the Australian Tax Office (ATO), the Reserve Banks of Australia (RBA) and New Zealand (RBNZ).

As more organizations expand their presence and contributions in areas of common interest, collaboration becomes even more crucial. For instance, ADB's scaling-up of revenue mobilization efforts necessitates close collaboration with PFTAC's Revenue program and PITAA. Similarly, ADB's newly launched programs to strengthen macroeconomic statistical capacity in the Pacific require close collaboration with PFTAC and partners such as ABS, SPC, the World Bank, and New Zealand Statistics.

## CROSS CUTTING AND EMERGING ISSUES

Throughout Phase V, PFTAC has been responsive to cross-cutting issues like climate change, inequality, gender, and support to fragile states. Climate change has become increasingly prominent, particularly in the PFTAC PFM program, with joint IMF/World Bank Climate Change Policy Assessments and PEFA Climate assessments. PFTAC plans to recruit a third resident PFM advisor with climate expertise during Phase VI to meet increasing demand. Collaboration with MCM led to a high-level webinar on climate risk in financial sector supervision and regulation.

PFM is central to governments' response to climate change, and robust PFM systems are crucial for access to climate financing. PFTAC co-chairs the Technical Working Group on PFM and Climate Change Finance with the Pacific Islands Forum Secretariat (PIFS), including representatives from international and regional organizations.

Gender issues are becoming mainstreamed within PFTAC's mandate, recognizing that gender



PFTAC Revenue Advisor, John McAlister with Head of PITAA Secretariat, George Mow and CEO of Samoa Ministry of Customs and Revenue, Fonoti Talaitupu Lia Taefu

gaps are macro-critical and that policies can exacerbate or narrow these gaps. Improving women's access to opportunities and decision-making roles leads to higher economic growth, greater stability, and lower income inequality. Attention to gender is urgent, as the COVID-19 pandemic has exacerbated pre-existing gaps. The IMF integrates gender into IMF surveillance, programs, and CD, partnering with other institutions to support better economic outcomes through reduced gender gaps.

Support to FCS has also become more important, with six of the 16 PFTAC

member countries being FCS. The IMF's FCS Strategy guides expanded efforts, ensuring tailored and well-integrated advice, innovative approaches, and collaboration with partners to transition from capacity supplementation to sustained institutional capacity building over time.

### RESULTS BASED MANAGEMENT

Results-based management (RBM) is a strategic management tool used by the IMF to design interventions, assess impact, and monitor progress in CD work. PFTAC employs RBM to

understand and track CD intervention effectiveness, enabling improvements to better meet member country needs. Despite the pandemic's impact on Phase 5, 67% of PFTAC milestones were either largely or fully achieved across all programs. In FY2023, PFTAC aimed to accomplish 531 milestones, with each scored from 1 (not achieved) to 4 (fully achieved). The RBM framework evaluates potential risks that might hinder on-the-ground impact. RBM has expanded during Phase V, tracking more CD projects on new topics.



IMF Deputy Director, Bo Li meets the Fijian Authorities at the 2022 PFTAC Steering Committee Meeting



PFTAC Steering Committee Meeting, May 24-25, 2022 – Nadi, Fiji

# 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

The Center supports the planning and prioritization of PFM reforms based on the Public Expenditure and Financial Accountability (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

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

## 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

## GOVERNMENT FINANCE STATISTICS

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

## 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

## 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

## MACROECONOMIC FRAMEWORKS

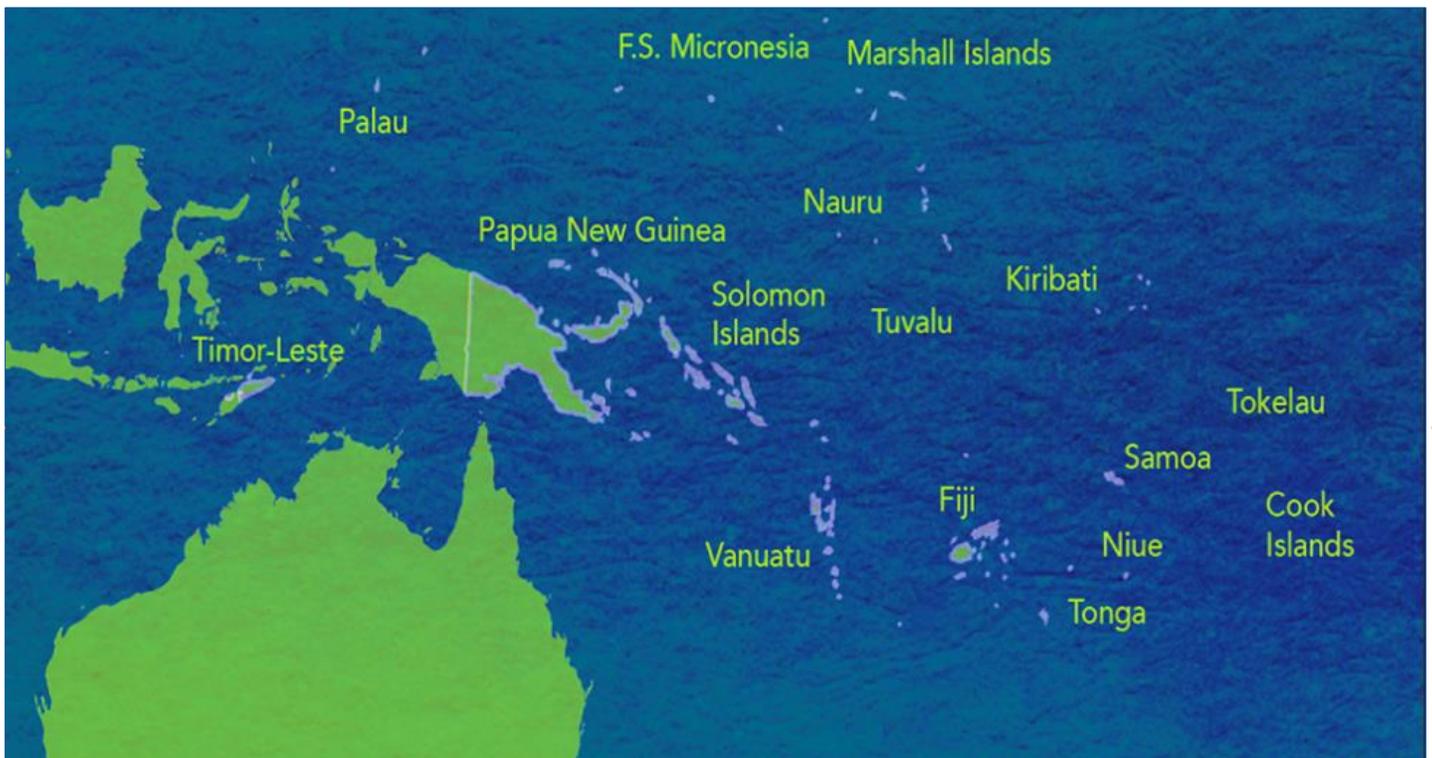
The Macroeconomic Frameworks capacity development work supports and complements the Macroeconomic Programming work programme, developing authorities analytical, forecasting and policy analysis skills to reinforce economic policymaking processes.

### OBJECTIVES

- (1) Strengthen analytical skills, macroeconomic forecasting and policy analysis skills which drive economic policymaking
- (2) Develop capacity in macroeconomic forecasting and policy analysis to support policy decision making and communication
- (3) Integration of macroeconomic projections and economic policy analyses into the economic policy process, supported by better internal cooperation and communication

# PFTAC MEMBER COUNTRIES AND PARTNERS

## PFTAC MEMBER COUNTRIES



## PFTAC DONORS

|   |   |  |   |
|---|---|--|---|
|  <p>Asian Development Bank</p> |  <p>Australian Government<br/>Department of Foreign Affairs and Trade</p> <p>Australia</p> |  <p>NEW ZEALAND<br/>FOREIGN AFFAIRS &amp; TRADE</p> <p>New Zealand</p> |  <p>EUROPEAN UNION</p> <p>European Union</p> |
|  <p>United States</p>          |  <p>Canada</p>   |  <p>Ministry of Economy and Finance</p> <p>Korea</p>                    |   |

# MACROECONOMIC DEVELOPMENTS

A recovery is underway in the Pacific Island Countries (PICs), driven by the full reopening of borders after years of pandemic-related isolation, both domestically and internationally. The ongoing rebound in tourism and favorable conditions for some commodity exporters accelerated growth to an estimated 1.0 percent in 2022; this recovery followed a cumulative average real GDP decline of 4.9 percent in 2020-21, when Pacific Islands were hit hard by multiple shocks leading to large GDP contractions, a surge in unemployment, expanded fiscal deficits, and increases in public debt. The late 2022 border reopening for most (except Fiji, which opened earlier) led to an off-cycle recovery due to a lethargic global economy.

Growth performance among the PICs has remained heterogenous—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, and Vanuatu**) recovered at the strongest average pace with average real GDP growth reaching an estimated 1.9 percent in 2022, after the largest cumulative output loss of 13.6 percent during 2020-21. The group is led by Fiji and Vanuatu, while tourism in Palau remained slow to recover. Countries with a heavier reliance on commodity exports (**Papua New Guinea and Solomon Islands**) lost a cumulative 3.5 percent of output in 2020-21 and are expected to see an average of 0.2 percent real GDP growth in 2022. While strong global demand benefitted both economies, multiple shocks in Solomon Islands resulted in a negative projected 2022 growth, while PNG achieved the second fastest growth among all the PICs. In other countries (**Kiribati, Marshall Islands, Micronesia, Nauru, Tonga, and Tuvalu**), a mild economic recovery emerged in 2021 leading to a cumulative positive real GDP growth of 0.6 percent in 2020-21 followed by an expected 0.6 growth in 2022. Fragile states (**Kiribati, Marshall Islands, Micronesia, PNG, Solomon Islands, and Tuvalu**) saw a modest recovery of 0.5 percent in 2022 after a cumulative loss of 1.4 percent of output.

The ongoing recovery in PICs is projected to solidify in 2023 with an average growth of 3.9 percent, but the uncertainties surrounding the outlook remain high. The expected continuing recovery in global tourism and high commodity prices are expected to remain the engines of regional growth. It is set to benefit the tourism-dependent subgroup, which is projected to grow at 6.0 percent on average in 2023, followed by the commodity exporters and fragile states, at 3.1 percent each.

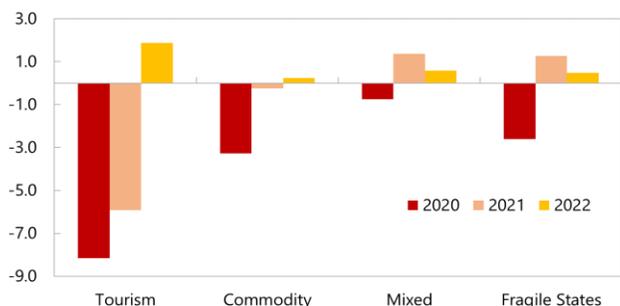
Inflation in the PICs has accelerated significantly, from a cumulative average price increase of 3.4 percent in 2020-21 to 6.5 percent in 2022, on the back of food and fuel import price shocks. Inflation is projected to remain persistent, as the 2023 projections for the PICs in the April 2023 WEO have been revised up by 1.4 percentage points (compared to the October 2022 WEO) to 5.9 percent on average, reflecting upward domestic price adjustments that may have initially been dampened by the existing administered price mechanisms and long-term energy contracts in some PICs. The impact of Russia's war in Ukraine on food and fuel prices, and hence the 2022 headline inflation numbers, was felt very strongly in every country in the Pacific. Although cumulative 2020-21 price increases during the pandemic ranged from 1.3 percent for the severely depressed tourism-dependent economies to 6.2 percent for commodity exporters, 2022 year-on-year consumer prices rose by over 6 percent in each country group. In 2023, inflationary pressures are expected to persist, led by some tourism-dependent countries.

The average annual inflation in 2023 is projected to remain high, at 5.9 percent. The upside risks to inflation persistence remain a source of concern and are due to: persistent core inflation and higher inflation expectations in the US; continuing inflationary pressures within the Asia-Pacific region; and China's reopening potentially making high commodity prices more persistent.

The pandemic led to a large deterioration of fiscal positions in the tourism-dependent and commodity exporter groups, and 2022 is expected to bring only a small improvement. The PICs' average fiscal deficit of 1.7 percent of GDP in 2021 is estimated to have been followed by a 1.5 percent of GDP deficit in 2022. Meanwhile, the pandemic deficits fueled steep increases in public debt in 8 out of 12 PICs, relative to the pre-pandemic levels. Tourism-dependent economies were the hardest hit, as growth and fiscal revenues plummeted, while spending needs with respect to healthcare and support for the most vulnerable groups went up. Not surprisingly, countries such as Palau and Fiji saw the largest increases in debt-to-GDP. Some commodity exporters (such as Solomon Islands and Papua New Guinea) also experienced increases in debt levels, due to several factors: a slowdown in their exports due to pandemic border closures; a drop in demand by the trading partners; and a grinding deceleration in the global shipments and other supply chain logistics.

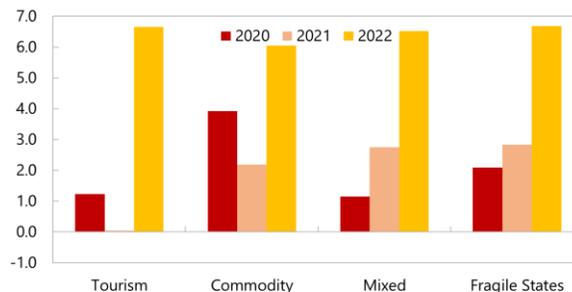
External balances are estimated to have further weakened in 2022, on the back of a negative terms of trade shock, while foreign exchange reserves had remained relatively stable. The unweighted average current account balance of the PICs deteriorated from an average surplus of 1.3 percent in 2020-21 to an estimated deficit of 7.3 percent in 2022. The external position of tourism-reliant countries continued to deteriorate in 2022, with the average current account deficit estimated to increase from an average 16.9 percent of GDP in 2020-21 and to a 23.9 percent deficit in 2022. Foreign reserves moved sideways, despite generally weak external positions, on the back of continued strong donor support (in the form of loan and grant financing) that helped the fragile states maintain an estimated 2022 average current account surplus of 2.4 percent of GDP.

**Pacific Island Countries: Growth Rates by Country Group**  
(In percent)



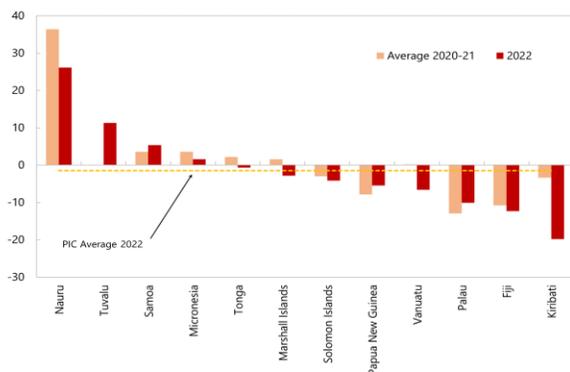
Sources: World Economic Outlook; and IMF staff estimates.

**Pacific Island Countries: Inflation Rates by Country Group**  
(In percentage change)



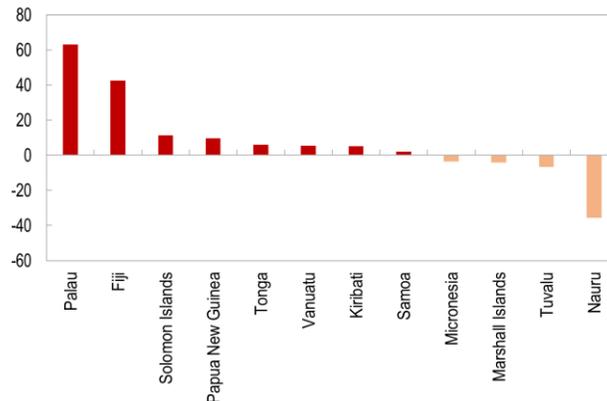
Sources: World Economic Outlook; and IMF staff estimates.

**Pacific Island Countries: Fiscal Balances**  
(In percent of GDP)



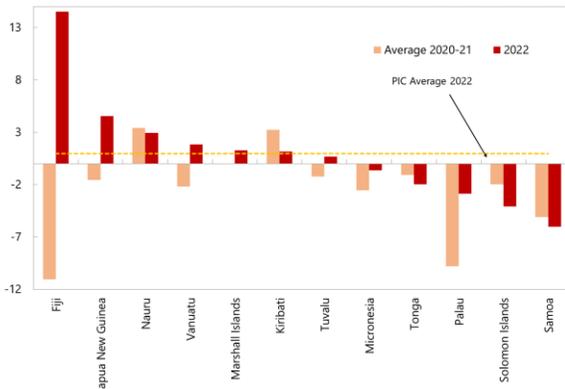
Sources: World Economic Outlook.

**Pacific Island Countries: Change in Debt from Pre-Pandemic Levels**  
(In percent of GDP)



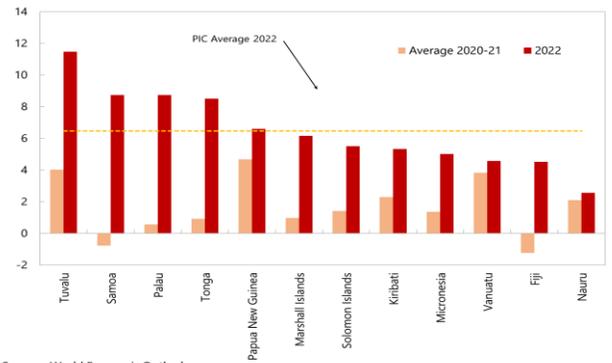
Source: World Economic Database.

**Pacific Island Countries: Real GDP Growth Rates**  
(In percent)



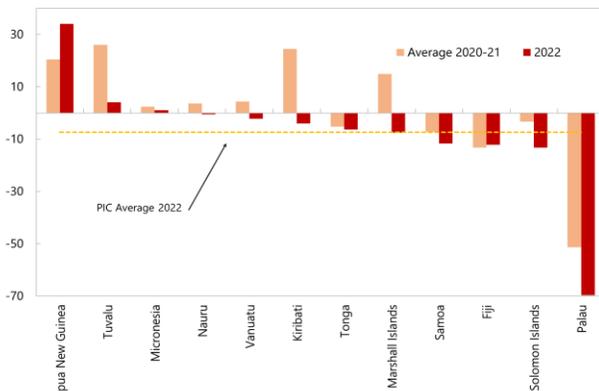
Sources: World Economic Outlook.

**Pacific Island Countries: Inflation**  
(Year-over-year change, percent)



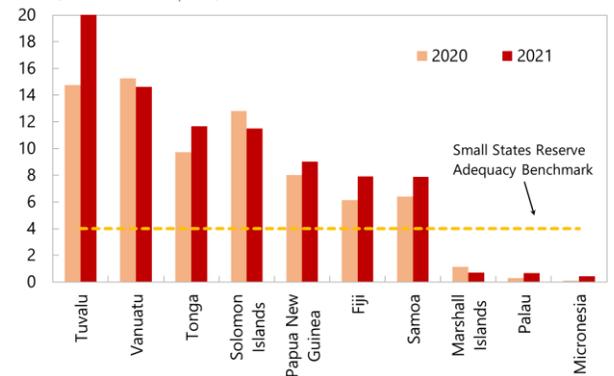
Sources: World Economic Outlook.

**Pacific Island Countries: Current Account Balances**  
(In percent of GDP)



Sources: World Economic Outlook.

**Official Reserves**  
(In months of imports)



Sources: World Economic Outlook; and IMF staff estimates.

**SECTION II**

**RESULTS**

(MAY 2022 – APRIL 2023)



Joint Fiscal Frameworks Workshop with Institute of Capacity Development, March 2023 – Nadi, Fiji

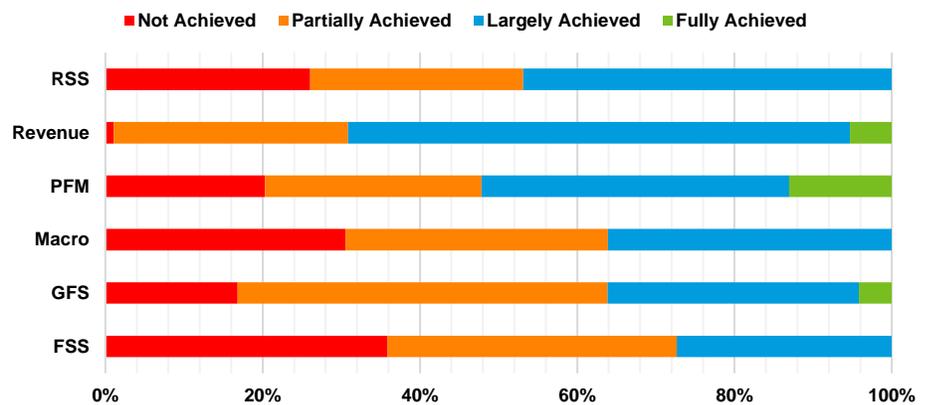
## A

# Key Achievements - Summary and Overview

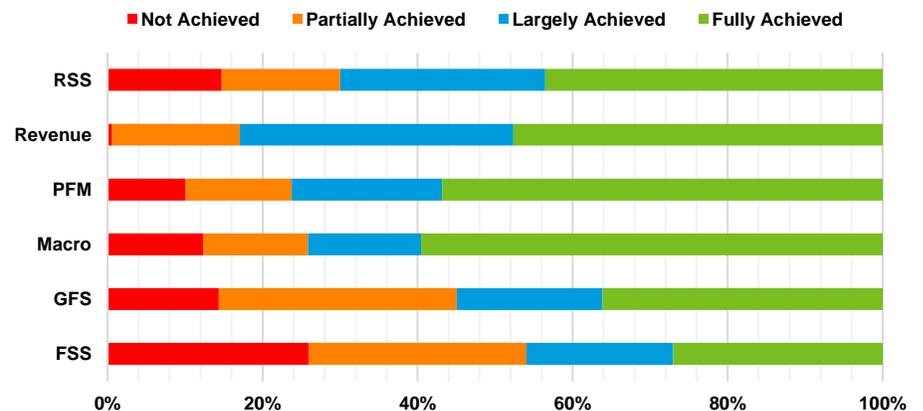
RBM is a strategic management tool used by the IMF for designing interventions and assessing impact. RBM allows the Fund to measure the results of CD activities. It allows progress monitoring on how the Fund's advice and training translate into tangible outcomes, for example better budgeting and sounder financial systems. As such, RBM is a crucial component of a robust monitoring and evaluation framework that helps the Fund understand and track the effectiveness of the CD interventions so that their delivery can be improved to better meet member country needs.

Country-specific RBM data include the log frame elements (objectives, outcomes, indicators, and milestones) and the project manager's assessment of each. The RBM is managed and assessed by PFTAC advisors in consultation with the backstopping department. This approach emphasizes the clear articulation and documentation of progress towards the achievement of specific reform objectives and outcomes, which are core of PFTAC's mission. It is important to accurately measure, analyze, and describe the resources used and the outputs generated. The ultimate focus should be on the progress made by each member country and the region towards their overarching objectives of inclusive and sustainable growth and macroeconomic and financial stability.

**CHART 1. PFTAC ACHIEVEMENT OF 531 MILESTONES, 2023**



**CHART 2. PFTAC ACHIEVEMENT OF 955 MILESTONES, PHASE V**



The pandemic impacted the milestones across all programs in the last year of Phase 5. Delayed TA and the remote delivery complicated the implementation of TA recommendations. In the countries themselves, lockdown and remote work reduced the capacity to push new reforms. The percentage of fully completed milestones in FY2023, across all programs, was just 4 percent, compared to 43 percent for the entire Phase. In addition, the return to in-person missions and a robust CD delivery program in FY2023 aimed at putting back on track the completion of milestones, key to achieve 17 high level objectives: eight 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 seven core objectives.

In FY2023, PFTAC aimed to accomplish 531 milestones. Chart 1 displays the degree of completion, with each milestone scored from 1 (not achieved) to 4 (fully achieved).

As FY2023 marks the final year of Phase V, Charts 2 and 3 offer a comprehensive assessment of milestones tracked between November 2016 to April 2023. Despite the challenges faced in the later years of the phase, on average, 67 percent of all PFTAC milestones were either largely or fully achieved with all programs achieving close to 50 percent (FSS) or more than 50 percent (GFS, Macro, PFM, Revenue and RSS) of milestones as largely or fully achieved.

Chart 3 offers an overview of the programs that PFTAC has

implemented with member countries, focusing on the 17 targeted objectives throughout Phase V. Milestone progress for all countries varies, as each nation faces unique conditions, resources, and operating environment. The defined milestones are project specific and not standardized/ comparable. The RBM framework also includes an evaluation of potential risks that might hinder impact on the ground.

The scope of PFTAC's RBM Framework has expanded during Phase V, with the addition of more CD projects on new topics. For instance, PFTAC tracked 14 objectives previously compared to 17 during FY2023. The PFM program added two objectives – improved public investment management and strengthened fiscal policies and frameworks. Similarly, the FSS program from a traditional three objectives on banking and supervision has now expanded to include additional objective on strengthening cyber security regulations and prudential norms. Some of these may be in an early stage, and capacity development on such topics will continue in Phase VI to advance the achievement of milestones.

The RBM dissemination rules permit the publication of targeted country-level outcomes without prior consent, as long as ratings are not disclosed. The colored disks in chart 4 indicate the level of progress for each program and country where milestones have been set – results achieved, results broadly achieved, results partially achieved, and results not achieved.

What is more significant than average milestone or outcome scores is the progress made by member countries towards their objectives from the CD that PFTAC provided in FY2023. In this regard, Box 1 provides a country-by-country summary of the main results achieved or underway during the year. The subsequent chapters elaborate in detail the efforts of each program and the impact being observed on the ground.



## BOX 1. MAIN RESULTS OF PFTAC TECHNICAL ASSISTANCE CENTER (MAY 2022 TO APRIL 2023)

### COOK ISLANDS

- Draft supervisory manual prepared by the Cook Islands Financial Supervisory Committee reviewed
- Review and reconciliation of statistical discrepancies of the FY2020 and 2021 GG GFS and compilation of PSDS for FY2020 and 2021 public sector
- Staff capacity built and support provided to update annual GDP
- PIMA completed
- Tax audit strengthened. ASPIRE audit training modules reviewed and adapted to Cook Islands context

### FIJI

- Assistance to resolve and reconcile data imbalances that impact full general government consolidation. Facilitated data sharing and coordination between the compilers of fiscal statistics
- Support on developing a system that produces a constant price version of their measures of GDP by expenditure component
- VAT revenue model developed for the analysis of existing VAT system and costing of potential VAT policy changes
- Review of people, capability and culture, performance management system designed with support provided for implementation. Risk management strengthened with comprehensive support provided on Advance Pricing Arrangements, Transfer Pricing, BEPS, and Inclusive Framework. Legal assistance to review VAT Bill

### FEDERATED STATES OF MICRONESIA (FSM)

- GFS assistance on the production of the sub-annual GFS outputs and the compilation of public sector debt statistics

### KIRIBATI

- Collection and compilation of GFS data on the Revenue Equalization Reserve Fund to revise classification of institutional units and improve mapping of economic transactions according to *GFSM 2014*
- Update of GDP estimates to 2021. GDP rebasing support with focus on mapping 2019 HIES into national accounts concepts and classification
- Update of PFMA and development of PFM Roadmap
- Assistance to KTD on implications of joining BEPS Inclusive Framework. Support on improving taxpayer services and VAT processes

### NAURU

- Capacity supplementation to assist with compilation of latest fiscal statistics - annual GFS and PSDS for budgetary central government sector
- National accounts support to produce GDP estimates for 2020-21
- Development of PFM Roadmap following *AgilePEFA* assessment in FY2022
- Revenue assistance to enhance compliance improvement strategy and core tax functions

### NIUE

- Compilation of new dataset with national accounts updated to 2021
- PFM support on drafting PFMA and developing audit, fraud, and procurement policies
- Revenue assistance to implement reform process; improving business processes and compliance, organization, and people performance

### PALAU

- National accounts support to document and review methodologies to produce GDP volume estimates. Course on national accounts deflation techniques and application provided. Further assistance to develop producer price and international trade price indexes
- Completion of *AgilePEFA* assessment
- Comprehensive revenue support provided for implementation of tax reforms including staff trainings, taxpayer readiness, and introduction of PGST and BPT in January 2023. Additional legislative support provided on tax reform bill regulations and PGST/ BPT amendments

### PAPUA NEW GUINEA

- National accounts support to review economic statistics to improve GDP estimates
- Comprehensive support on development and introduction of new revenue administration organizational structure with further assistance on implementation – review of submission to establish IRC structure, change impact assessment, HR implementation plans. Review of reform progress focused on 2019 TADAT recommendations and subsequent MTRS. Further support on reviewing tender specifications for deployment of new tax ICT system
- Development of Medium-Term Debt Management Strategy and training provided on fundamentals of public debt management

### REPUBLIC OF MARSHALL ISLANDS (RMI)

- Development of risk management and prudential standards for Marshall Islands Development Bank and other non-banking credit institutions. Impact study of revised

prudential regulation and review of the draft banking act completed

- GFS assistance to assess progress of production of the sub-annual GFS outputs and the compilation of PSDS
- Support provided on external sector statistics to improve balance of payments statistics
- PFM assistance to increase transparency in budget presentation

#### SAMOA

- Staff capacity built on cyber security-on-site examination
- Review of GFS compilation practice to identify cause of discrepancy between budget estimate and outturn data
- Staff capacity built on Forecasting and Policy Analysis System and Nowcasting
- Fiscal risk framework strengthened under PFM program. Cash management reforms progressed. Implementation of risk-based audit
- Current state assessment of core tax functions completed. Support provided to develop a new organization structure. Further assistance on implications of outsourcing debt collection function and strengthening debt collection. Review of revenue reforms undertaken

#### SOLOMON ISLANDS

- Training provided on financial risk analysis. Developing regulatory framework for NBCI's. Insurance Sector diagnostics conducted and compilation of Financial Health and Soundness Indicators

- Staff trained on QNA compilation with update of national accounts to 2021
- HQ led support on options for comprehensive tax system reform program including training on designing and implementing MTRS. Job descriptions developed to facilitate implementation of function-based structure. Review of revenue reforms

#### TIMOR-LESTE

- Extensive training on financial programming provided under Macro program
- Top-Down approaches to budgeting strengthened
- Support on implementation of VAT – high level plan developed. Resources and tools developed with training provided to improve collection, payment, and debt management. SOPs developed on tax audit business processes
- Debt reporting capacity strengthened

#### TONGA

- Continuation of Insurance Regulatory Reform project – review of prudential and risk management standards and impact study of revised regulations, diagnostic of NBFIs conducted and assistance on financial risk analysis and prudential reporting framework
- Review of the GFS compilation file to align with *GFSM 2014*. Assistance on compilation of functions of government for FY2020 provided
- Assistance on compilation of quarterly national accounts and identifying feasible path towards its publication

- Support provided on Macro-Fiscal Framework
- PFM training provided on asset management framework

#### TUVALU

- Impact study of revised/ new prudential standards completed
- Improvements to BOP coverage – updating external sector statistics data. Compilation of draft 2021 GDP estimates
- Macro-Fiscal Framework support provided.
- Cash management practices strengthened
- Revenue support to review implementation of compliance improvement strategy, operational plan, and organizational structure
- Debt management support to strengthen debt reporting capacity and staff trained on fundamentals of public debt management

#### VANUATU

- Prudential and risk management standards reviewed, and impact study templated developed
- Extensive training on financial programming under Macro program
- Revenue assistance provided on planned implementation of electronic fiscal device system. Audit function strengthened. Legal support to develop Substantial Economic Presence legislation
- Debt management support on medium-term debt management strategy development and implementation



**2,685**  
field person days of CD delivered



**914**  
professional government staff (of which 50 percent were women) were trained from the 16 PFTAC member countries in 27 regional training events totaling 2,806-person days of training



**61%**  
of CD was fiscal, either PFM or Revenue (1,640 of 2,685 field days), with 46% just Revenue (1,239 days)



**158**  
activities executed by PFTAC advisors and experts, comprising 27 regional workshops/activities and 131 missions to member countries or support for regional activities



**25%**  
of CD is delivered by the team of ten resident PFTAC advisors (678 of 2,685 TA field days), and 75 percent by members of the IMF's roster of short-term experts



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



**95%**  
execution rate of the mid-year updated work plan (2,685 TA days versus 2,835 planned), and 83% of missions (158 of 190 planned)



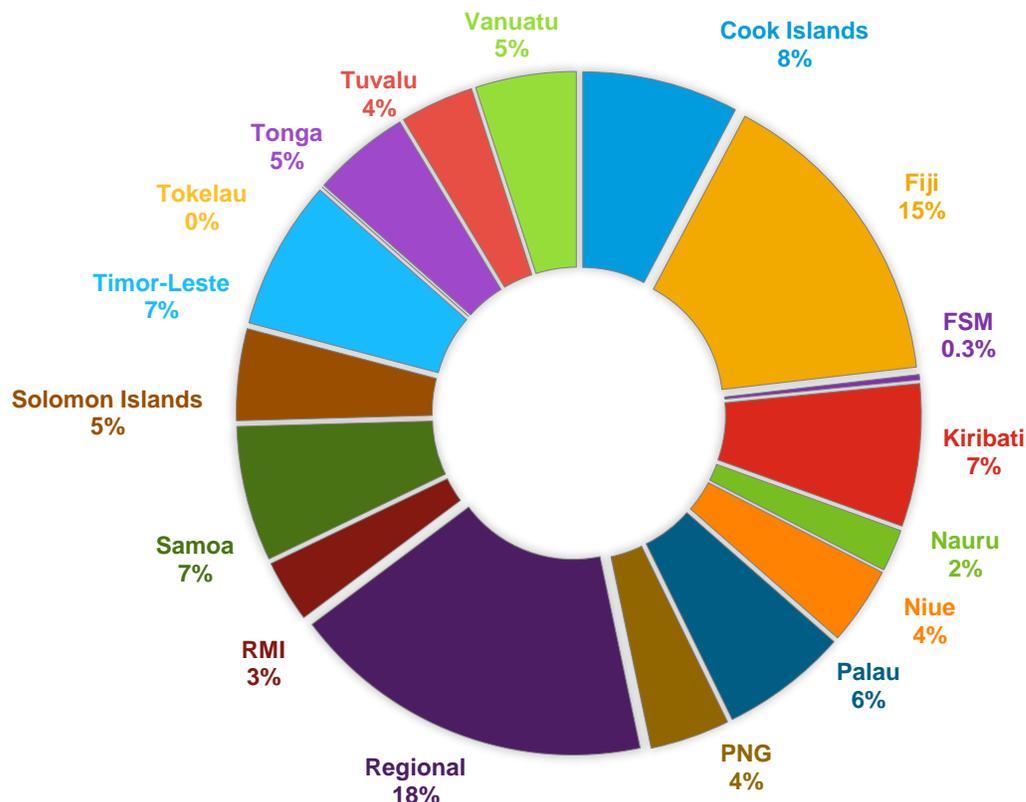
**US\$ 7.1 million**  
of total expenses from a budget of US\$ 8.1 million (approx. 88%), excluding the 7% trust fund fee



**23%**  
of resources (615 days) provided to six<sup>1</sup> PFTAC countries designated as fragile (FSM, RMI, PNG, Solomon Islands, Timor Leste, and Tuvalu)

<sup>1</sup> As per FY23 World Bank classification

**CHART 4: FY2023 TOTAL TECHNICAL ASSISTANCE DAYS BY COUNTRY (2,685 DAYS)**



## A HIGH LEVEL OF EXECUTION

FY2023 marked the final year of Phase V operating cycle for PFTAC. The Center delivered 158 missions/activities, achieving 83 percent of the planned 190 activities for FY2023 and a 95 percent outturn of 2,685 TA days against the mid-year adjusted plan of 2,835 TA days (excluding Debt Management program that delivered 7 missions over 145 TA days). This year saw a return to in-person CD delivery to member countries previously suspended due to COVID. As the region's economic situation improved led by tourism-dependent economies, most of the Pacific region is now open for travel.

PFTAC adopted a hybrid approach to CD delivery, with 87 in-country missions/activities, 70 remote engagements and 1 hybrid event. FY2023 outturns surpassed pre-pandemic levels, marking the highest achievements during Phase V in terms of TA days and number of missions. This reflects the increased demand and needs of member countries to strengthen economic institutions and support the post pandemic recovery.

PFTAC consistently communicated with country authorities to reestablish and renew relationships with officials, including those in new leadership roles, to gain a better understanding of their technical assistance priorities and challenges. The feedback and outcomes informed the mid-point revision of the baseline workplans, which were scaled down by 28 percent (3,962 to 2,835 days) and 17 percent (228 to 190 missions/activities). The hybrid approach was maintained to support in-person missions when faced with travel difficulties, enabling members to participate remotely.

In line with Phase VI strategic objectives, PFTAC expanded with two additional advisors joining the team. The new GFS/ PSDS advisor joined in November. The GFS position was

discontinued in August 2021, with a scaled down program continuing through FY2022 via several STX-delivered missions that picked up pace in FY2023. ICD and PFTAC recruited a Macroeconomic Frameworks advisor who joined the team in February 2023. Finally, the former Revenue Advisor, Georg Eysselein completed his term in October and was replaced by John McAlister in November. The team at present comprises nine PFTAC-funded advisors (excluding the separately financed debt management advisor). The recruitment of the Climate PFM Advisor is contingent upon financing arrangements and ongoing discussions with partners.

STX utilization rose by 47 percent in FY2023 over FY2022 (up from 1,368 to 2,007 days), with a 21 percent increase in LTX field utilization (up from 561 to 678 days). The STX utilization topped pre-COVID trend with a higher utilization rate than FY19 when STX days peaked at 1,441. The robust execution rate of missions and number of activities explains the high STX resource utilization rate and the ability to recruit STXs for in-person missions following the resumption of travel in the region. For the first time, PFTAC recruited regional expert under the Revenue program. The RSS program recruited a local expert as well from Fiji Bureau of Statistics to lead a national accounts mission to Cook Islands.

The average mission duration improved during the fiscal year with missions taking an average of 17.4 days in FY2022 to 17.0 days in FY2023. Remote engagement became increasingly challenging and time-consuming spanning over several months compared to time-bound in-person TA delivery. However, virtual engagement will continue to play a valuable role, especially before and after in-country missions in specific topics and supports requiring more

continued engagement, like legislation, procedures or guideline drafting. The pandemic has demonstrated that virtual CD is a viable complement, but not a substitute for in-person delivery.

In FY2023, field delivery by the Revenue program accounted for 46 percent of all PFTAC activity, slightly lower than in 2022. The PFM program's share increased from 12 percent to 15 percent, bringing the total of FAD activities to 61 percent of all CD. The FSS share increased from 11 to 14 percent while the Statistics increased to 15 percent. The Macro share declined from 13 percent to 10 percent due to the expansion of country coverage and CD volume in last fiscal year, while the total TA days remained stable in the current year.

In-person regional events prompted peer-learning and support community of practices amongst PICs policymakers – a welcome change from purely remote and virtual events. Out of the 27 regional activities conducted, 13 were in-person with 12 hosted in Fiji and one in Apia, Samoa.

The effectiveness and impact of PFTAC's efforts have been enhanced through collaboration with regional bodies such as the PITAA, AFSPC, and the OCO.

Joint events were organized on *Consistency between Macroeconomic Data Sets* with the IMF Capacity Development Office of Thailand (CDOT), and a high-level *Seminar on Rise of Digital Money: Implications for PICs* in conjunction APD and MCM Departments. In addition, the Macro program partnered with ICD to deliver a *Fiscal Framework* training and with Singapore Training Institute (STI) to deliver a *GDP(E) Forecasting Workshop*, while the PFM program conducted a *Gender Budgeting Workshop* led by the Fiscal Affairs Department (FAD).

**TABLE 1. PFTAC TA DELIVERY BY STX/LTX DAYS: FY17, FY18, FY19, FY20, FY21, FY22, FY23, FY24 (Plan)**

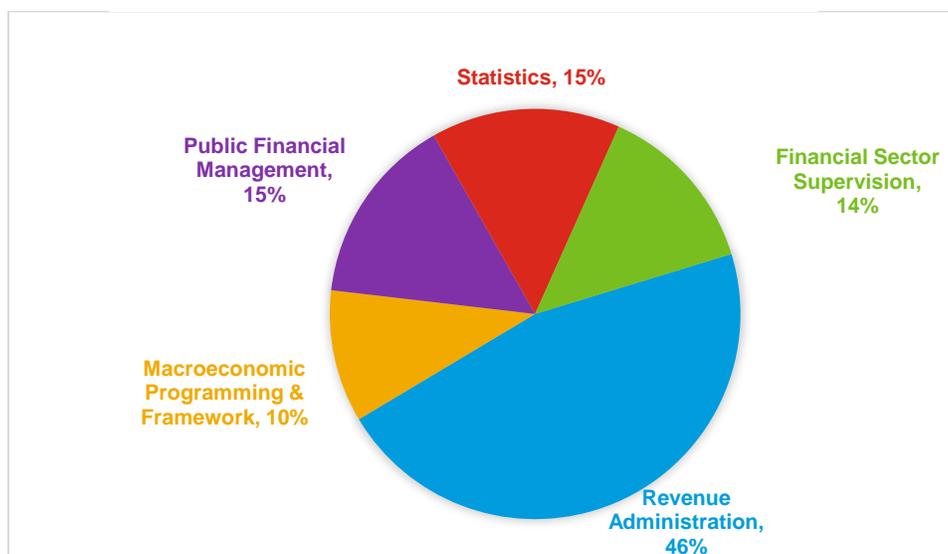
| Program*         | STX Days   |             |             |             |             |             |             |             | LTX Days   |            |            |            |            |            |            |             |
|------------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|------------|------------|------------|------------|------------|------------|-------------|
|                  | FY17       | FY18        | FY19        | FY20        | FY21        | FY22        | FY23        | FY24        | FY17       | FY18       | FY19       | FY20       | FY21       | FY22       | FY23       | FY24        |
| MACRO            | 0          | 0           | 11          | 0           | 12          | 117         | 108         | 82          | 164        | 137        | 121        | 90         | 103        | 142        | 160        | 149         |
| FSS              | 154        | 167         | 198         | 131         | 122         | 99          | 215         | 91          | 88         | 88         | 55         | 54         | 83         | 104        | 150        | 76          |
| GFS              | 0          | 50          | 69          | 29          | 13          | 41          | 95          | 52          | 0          | 113        | 78         | 77         | 66         | 10         | 45         | 102         |
| RSS              | 249        | 170         | 152         | 87          | 40          | 81          | 177         | 155         | 131        | 119        | 89         | 89         | 94         | 91         | 83         | 118         |
| PFM              | 187        | 308         | 285         | 253         | 139         | 132         | 273         | 419         | 173        | 196        | 184        | 155        | 128        | 106        | 128        | 274         |
| REVENUE          | 301        | 395         | 726         | 756         | 813         | 898         | 1139        | 512         | 111        | 87         | 92         | 43         | 64         | 108        | 100        | 143         |
| MF               |            |             |             |             |             |             | 0           | 22          |            |            |            |            |            |            | 12         | 120         |
| <b>SUB-TOTAL</b> | <b>891</b> | <b>1090</b> | <b>1441</b> | <b>1256</b> | <b>1139</b> | <b>1368</b> | <b>2007</b> | <b>1333</b> | <b>667</b> | <b>740</b> | <b>619</b> | <b>508</b> | <b>538</b> | <b>561</b> | <b>678</b> | <b>982</b>  |
| DM               |            |             |             |             |             |             | 113         | 126         |            |            |            |            |            | 35         | 19         | 65          |
| <b>TOTAL</b>     | <b>891</b> | <b>1090</b> | <b>1441</b> | <b>1256</b> | <b>1139</b> | <b>1481</b> | <b>2133</b> | <b>1614</b> | <b>667</b> | <b>740</b> | <b>619</b> | <b>508</b> | <b>538</b> | <b>596</b> | <b>697</b> | <b>1047</b> |

**TABLE 2. PFTAC TA DELIVERY BY TOTAL TA DAYS AND MISSIONS: FY17, FY18, FY19, FY20, FY21, FY22, FY23, FY24 (Plan)**

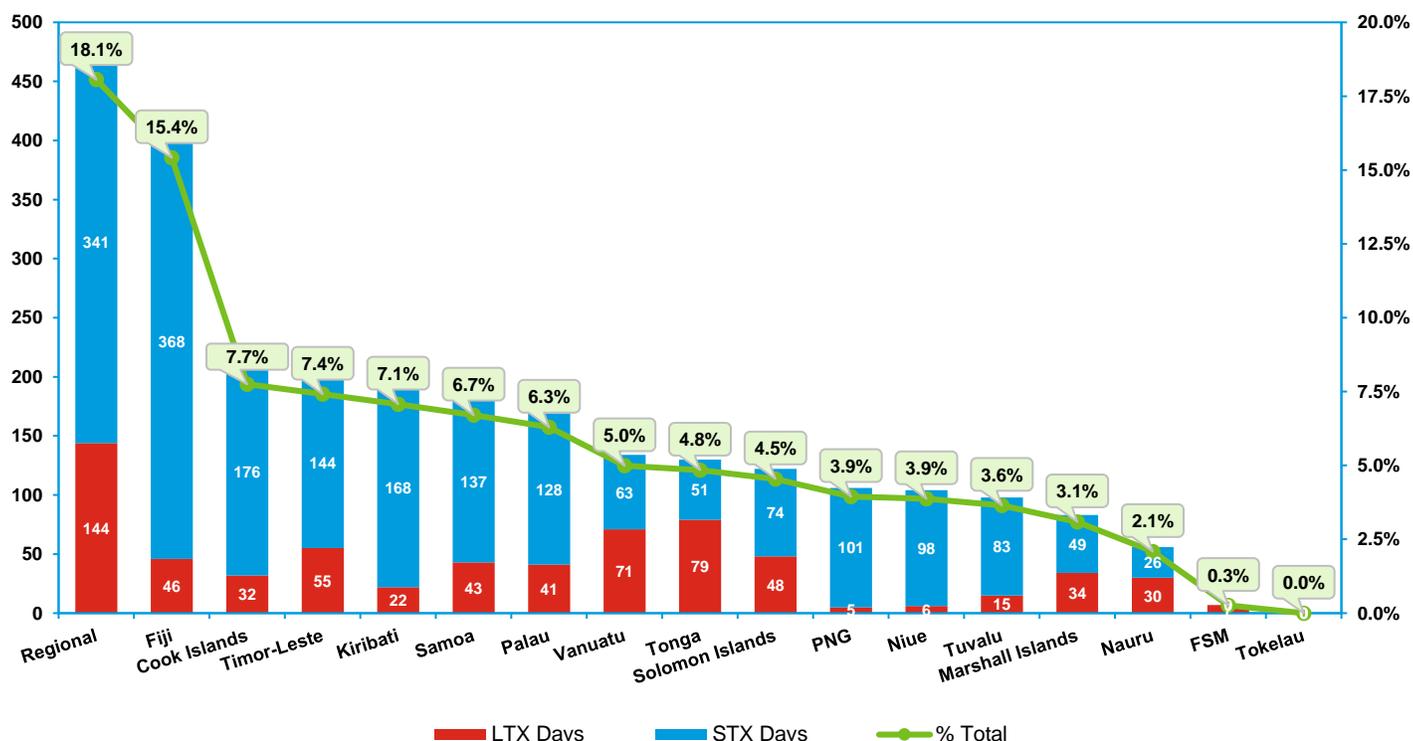
| Program*         | Total TA Days |             |             |             |             |             |             |             | Missions   |            |            |            |            |            |            |            |
|------------------|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|
|                  | FY17          | FY18        | FY19        | FY20        | FY21        | FY22        | FY23        | FY24        | FY17       | FY18       | FY19       | FY20       | FY21       | FY22       | FY23       | FY24       |
| MACRO            | 164           | 137         | 132         | 90          | 115         | 259         | 268         | 231         | 14         | 16         | 15         | 10         | 8          | 14         | 16         | 16         |
| FSS              | 242           | 255         | 253         | 185         | 205         | 203         | 365         | 167         | 20         | 15         | 16         | 13         | 21         | 13         | 18         | 19         |
| GFS              | 0             | 163         | 147         | 106         | 79          | 51          | 140         | 154         | 0          | 11         | 10         | 7          | 12         | 6          | 11         | 12         |
| RSS              | 380           | 289         | 241         | 176         | 134         | 172         | 260         | 273         | 25         | 21         | 16         | 13         | 16         | 15         | 18         | 21         |
| PFM              | 360           | 504         | 469         | 408         | 267         | 238         | 401         | 693         | 31         | 37         | 33         | 24         | 19         | 14         | 20         | 27         |
| REVENUE          | 412           | 482         | 818         | 799         | 877         | 1006        | 1239        | 655         | 44         | 37         | 63         | 57         | 54         | 49         | 74         | 58         |
| MF               |               |             |             |             |             |             | 12          | 142         |            |            |            |            |            |            | 1          | 18         |
| <b>SUB-TOTAL</b> | <b>1558</b>   | <b>1830</b> | <b>2060</b> | <b>1764</b> | <b>1677</b> | <b>1929</b> | <b>2685</b> | <b>2315</b> | <b>134</b> | <b>136</b> | <b>153</b> | <b>124</b> | <b>130</b> | <b>111</b> | <b>158</b> | <b>171</b> |
| DM               |               |             |             |             |             |             | 148         | 145         |            |            |            |            |            | 6          | 7          | 14         |
| <b>TOTAL</b>     | <b>1558</b>   | <b>1830</b> | <b>2060</b> | <b>1764</b> | <b>1677</b> | <b>2077</b> | <b>2830</b> | <b>2661</b> | <b>134</b> | <b>136</b> | <b>153</b> | <b>124</b> | <b>130</b> | <b>117</b> | <b>165</b> | <b>185</b> |

\* Program: Macro – Macroeconomic Programming and Framework; FSS – Financial Sector Supervision; GFS – Government Finance Statistics; RSS – Real Sector Statistics; MF – Macroeconomic Frameworks; DM – Debt Management

**CHART 5. FY2023 TOTAL 2,685 TA DAYS BY PROGRAM**



**CHART 6. FY2023 EXPERT DAYS DELIVERING TA – 678 LTX and 2,007 STX DAYS**



In FY2023, there has been an increase in activities in fragile states compared to the previous year. PFTAC has provided support to six FCS, namely **FSM, RMI, PNG, Solomon Islands, Timor Leste,** and **Tuvalu**, which constitutes 23% of total TA delivery, with 615 of 2,685 total TA days, compared to 597 days in FY2022. The lower percentage compared to FY2022 and the Phase V average of 34% is due to the exclusion of Kiribati in the FY23 World Bank FCS classification.

In-person engagement in FCS is expected to increase significantly in FY2024, in support of the Fund's *Climate Strategy* to promote capacity development in some of the most challenging environments in the Pacific region.

Six countries (**Fiji, Cook Islands, Timor-Leste, Kiribati, Samoa, Palau**) benefitted from 50.7 percent of total

TA days, regional activities used 18.1 percent of TA days while the balance of 31.3 percent was shared by the remaining PFTAC member countries.

**Fiji** and **Cook Islands** remained in top tier due to substantial revenue support including **Timor-Leste** where CD engagement expanded significantly during the fiscal year across both Revenue and Macro program. **Palau** continued to receive ramped-up support on the government's reform agenda with the Palau GST introduced in January. **Kiribati** from lower tier previously moved up due to support across all programs except Macro. **Samoa** became well positioned and received assistance under revenue program focused on reforms to separate the tax and customs functions.

Assistance to **Vanuatu** remained stable. **Tonga** drops from top tier to

mid-tier due to rehabilitation phase following volcanic eruption and tsunami with prospect for stronger engagement in next fiscal year. **Papua New Guinea** remains in mid-tier with continuing revenue support on organizational restructure. **Solomon Islands** moves from fifth to ninth place that received inflation forecasting Macro support in previous year that is only half offset by increased support under FSS and RSS programs. **Niue** remained a modest user of PFTAC services, with assistance mainly on PFM legislation, updating national accounts, and revenue reforms.

The four microstates (**FSM, Marshall Islands, Nauru,** and **Tuvalu**) actively engaged in FY2023, with much of the planned support for FSM deferred to FY2024. Only one in-country GFS mission was delivered in February.

**TABLE 3. EXECUTION OF WORK PROGRAM DURING FISCAL YEAR 2023 (IN PERSON-DAYS)**

| Country/Region/Seminar    | May 2022 through April 2023 |                    |             |                               |                         |                              |                        |
|---------------------------|-----------------------------|--------------------|-------------|-------------------------------|-------------------------|------------------------------|------------------------|
|                           | 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       |                               |                         |                              |                        |
| COOK ISLANDS              | 32                          | 176                | 208         | 291                           | 71%                     | 201                          | 103%                   |
| FIJI                      | 46                          | 368                | 414         | 510                           | 81%                     | 390                          | 106%                   |
| KIRIBATI                  | 22                          | 168                | 190         | 244                           | 78%                     | 166                          | 114%                   |
| MARSHALL ISLANDS (RMI)    | 34                          | 49                 | 83          | 196                           | 42%                     | 144                          | 58%                    |
| MICRONESIA (FSM)          | 7                           | 0                  | 7           | 120                           | 6%                      | 16                           | 44%                    |
| NAURU                     | 30                          | 26                 | 56          | 50                            | 112%                    | 42                           | 133%                   |
| NIUE                      | 6                           | 98                 | 104         | 56                            | 186%                    | 76                           | 137%                   |
| PALAU                     | 41                          | 128                | 169         | 254                           | 67%                     | 151                          | 112%                   |
| PAPUA NEW GUINEA (PNG)    | 5                           | 101                | 106         | 327                           | 32%                     | 141                          | 75%                    |
| SAMOA                     | 43                          | 137                | 180         | 318                           | 57%                     | 218                          | 83%                    |
| SOLOMON ISLANDS           | 48                          | 74                 | 122         | 192                           | 64%                     | 143                          | 85%                    |
| TOKELAU                   | 0                           | 0                  | 0           | 0                             | -                       | 0                            | -                      |
| TIMOR-LESTE               | 55                          | 144                | 199         | 280                           | 71%                     | 283                          | 70%                    |
| TONGA                     | 79                          | 51                 | 130         | 315                           | 41%                     | 150                          | 87%                    |
| TUVALU                    | 15                          | 83                 | 98          | 181                           | 54%                     | 109                          | 90%                    |
| VANUATU                   | 71                          | 63                 | 134         | 313                           | 43%                     | 246                          | 54%                    |
| Regional work & workshops | 144                         | 341                | 485         | 315                           | 154%                    | 359                          | 135%                   |
| <b>GRAND TOTAL</b>        | <b>678</b>                  | <b>2007</b>        | <b>2685</b> | <b>3962</b>                   | <b>68%</b>              | <b>2835</b>                  | <b>95%</b>             |
| Fragile states            | 164                         | 451                | 615         | 1296                          | 47%                     | 836                          | 74%                    |

**TABLE 4. IMPLEMENTATION OF THE FISCAL YEAR 2023 WORK PROGRAM (IN NUMBER OF ACTIVITIES)**

| Country/Region/Seminar | Activities executed | Baseline Plan | Baseline Execution Rate | Updated Plan | Updated Execution Rate |
|------------------------|---------------------|---------------|-------------------------|--------------|------------------------|
| COOK ISLANDS           | 7                   | 14            | 50%                     | 8            | 88%                    |
| FIJI                   | 22                  | 22            | 100%                    | 26           | 85%                    |
| KIRIBATI               | 11                  | 15            | 73%                     | 10           | 110%                   |
| MARSHALL ISLANDS (RMI) | 6                   | 14            | 43%                     | 10           | 60%                    |
| MICRONESIA (FSM)       | 1                   | 7             | 14%                     | 2            | 50%                    |
| NAURU                  | 4                   | 4             | 100%                    | 3            | 133%                   |
| NIUE                   | 5                   | 5             | 100%                    | 6            | 83%                    |
| PALAU                  | 8                   | 13            | 62%                     | 7            | 114%                   |
| PAPUA NEW GUINEA (PNG) | 8                   | 17            | 47%                     | 13           | 62%                    |
| SAMOA                  | 11                  | 17            | 65%                     | 12           | 92%                    |
| SOLOMON ISLANDS        | 9                   | 13            | 69%                     | 11           | 82%                    |
| TOKELAU                | 0                   | 0             | -                       | 0            | -                      |
| TIMOR-LESTE            | 13                  | 18            | 72%                     | 19           | 68%                    |
| TONGA                  | 7                   | 15            | 47%                     | 10           | 70%                    |
| TUVALU                 | 7                   | 11            | 64%                     | 9            | 78%                    |
| VANUATU                | 9                   | 17            | 53%                     | 14           | 64%                    |
| REGIONAL               | 30                  | 26            | 115%                    | 30           | 100%                   |
| <b>GRAND TOTAL</b>     | <b>158</b>          | <b>228</b>    | <b>69%</b>              | <b>190</b>   | <b>83%</b>             |
| FRAGILE STATES         | 44                  | 80            | 55%                     | 64           | 69%                    |

In FY2023 training delivery expanded significantly, with 27 regional workshops/ events training 914 government officials, an 84 percent increase from the previous year. These events accounted for 2,806 training days, compared to 1,750 days in FY2022. The average course duration decreased from 3.5 to 3.1 days as half of them were held virtually over a shorter period, and often just one day.

Fiji was the most popular training venue, hosting 12 events in Nadi and one in Apia, Samoa. PFTAC aims to host regional events in other countries if cost-effective, given high travel costs post-pandemic. Each program conducted at least one in-person event, with the Debt Management program also organizing a workshop on Medium Term Debt Management Strategy Framework.

The Revenue program held 15 events, mostly in collaboration with PITAA and one with OCO. The webinar series on *Leadership, Governance, and Integrity* concluded, while the first joint training with OCO focused on strengthening collaboration between tax and customs compliance teams in PICs. A new planning series for senior leaders was introduced, covering strategic, operational, and business continuity planning for tax administrations. After the PITAA Heads meeting in August, three one-day workshops addressed *Gender in Tax Administration*, *Effective Information Systems Management*, and *Investing in Tax Administration*, with follow-up in the second half of the fiscal year. The ISORA workshop facilitated survey understanding, resulting in all PFTAC member countries completing it. The *Performance Management* workshop emphasized the importance of effective PMS for achieving organizational goals and workforce development, while the *Tax Audit* workshop aimed to enhance tax audit capabilities and voluntary compliance support.

PFTAC leads PEFA assessment in the region, providing diagnostic analysis, crucial for designing reform programs. To strengthen reform planning, sequencing and prioritization, the PFM program delivered a workshop on *PEFA and PFM Reform Prioritization* with support from PEFA Secretariat and drawing upon the recommendations of the IMF Working Paper '*Review of the Public Financial Management Reform Strategy for Pacific Island Countries, 2010-2020*'. The EU and PIFS participated in the event in Nadi. Following the PIMA mission in Cook Islands in September, a hybrid workshop introduced the *Climate-PIMA* framework, adding a climate-responsive aspect to PIMA and assessing countries' capacity to manage climate-related infrastructure. A *Gender Budgeting* workshop helped countries develop a deeper understanding of gender budgeting practices and their integration with each stage of the budget cycle.

After a gap of three years, an in-person *Annual Meeting and Workshop of the AFSPC* was organized in Fiji in December. PFTAC co-hosted the event with Bank of Papua New Guinea (BPNG). The Australian Prudential Regulatory Authority (APRA), Reserve Bank of New Zealand (RBNZ) and ADB joined the event. The meeting enabled countries to exchange relevant financial sector information and training provided on banking supervision. Two additional courses on *Stress Testing* to strengthen financial sector risk management as well as on *Insurance Regulation and Supervision* were organized.

The Macro and RSS programs joined efforts to convene a regional workshop in Nadi covering interrelated themes on *National Accounts and GDP(E) Measurement and Forecasting*. Government officials from Ministry of Finance and the Statistics office attended the workshop and appreciated the combined training. A second workshop with ICD trained the officials on *Fiscal Frameworks* to

strengthen knowledge of the fiscal sector as well as analysis of fiscal policy and forecasting. Both workshops benefitted from contributions of the resident advisor of the STI.

The Statistics Department facilitated a virtual *GFS and PSDS workshop* with presentations from PFM and Debt Management program emphasizing the strong linkage with GFS compilation in August. A second in-country regional training was conducted in April to build capacity in the compilation, analysis, and dissemination of fiscal and debt statistics in the PICs. Separately, the RSS advisor contributed to the regional training organized with CDOT to improve external sector statistics in the Asia-Pacific region. Training was designed to help participants understand compilation challenges and the linkage between external sector statistics and other three macroeconomic sectors— national accounts, GFS and monetary and financial statistics.

PFTAC collaborated with APD and MCM to host a *Regional Seminar in Rise of digital Money: Implications for Pacific Island Countries*. The PICs have been facing payment-related challenges including low financial inclusion and inefficient and costly cross-border payments. An evolving landscape of digital money could bring both significant opportunities and serious challenges. This conference focused on strategies to develop digital payments and digital money in the PICs.

The importance of gender issues and opportunities are integral to the PFTAC objective of promoting inclusive growth. The gender breakdown of total officials trained across PFTAC regional trainings and workshops was almost balanced at 50.2 percent males (459 of 914) and 49.8 percent females (455 of 912).

**TABLE 5. FY2023 WORKSHOP/ SEMINARS**

| Sector             | Partner    | Location    | Topic   | Duration (Days) | Male       | Female     | Total      | Training Days |
|--------------------|------------|-------------|---|-----------------|------------|------------|------------|---------------|
| Macro              | ICD/ STI   | Nadi, Fiji  | Fiscal Frameworks Workshop  | 5               | 9          | 11         | 20         | 100           |
| Macro/<br>RSS      |            | Nadi, Fiji  | GDP(E) Measurement and Forecasting Workshop   | 5               | 19         | 22         | 41         | 205           |
| Macro              | APD/ MCM   | Nadi, Fiji  | Seminar on Rise of Digital Money: Implications for PICs                             | 2               | 27         | 9          | 36         | 72            |
| FSS                |            | Nadi, Fiji  | AFSPC Meeting and Banking Supervision Workshop                                      | 5               | 21         | 14         | 35         | 175           |
| FSS                |            | Nadi, Fiji  | Stress Testing Workshop   | 5               | 12         | 14         | 26         | 130           |
| FSS                |            | Nadi, Fiji  | Insurance Regulation and Supervision  | 5               | 15         | 14         | 29         | 145           |
| GFS                |            | Virtual     | Government Finance Statistics Training  | 3               | 32         | 40         | 72         | 216           |
| GFS                |            | Nadi, Fiji  | Government Finance Statistics Training  | 5               | 10         | 18         | 28         | 140           |
| RSS                | CDOT       | Nadi, Fiji  | Regional Training on Consistency Between Macroeconomic Data Sets                    | 5               | 8          | 9          | 17         | 85            |
| PFM                | FAD        | Hybrid      | PIMA and C-PIMA Workshop  | 3               | 26         | 23         | 49         | 147           |
| PFM                |            | Nadi, Fiji  | PEFA and PFM Reform Prioritization Workshop   | 4               | 20         | 28         | 48         | 192           |
| PFM                | FAD        | Virtual     | Gender Budgeting Workshop   | 5               | 18         | 50         | 68         | 340           |
| Revenue            | PITAA      | Virtual     | Leadership, Integrity, and Good Governance  | 1               | 10         | 12         | 22         | 22            |
| Revenue            | OCO/ PITAA | Virtual     | Tax Investigations - VAT Workshop   | 3               | 60         | 27         | 87         | 261           |
| Revenue            | PITAA      | Virtual     | Planning Series for Senior Leaders - Strategic Planning                             | 1               | 14         | 8          | 22         | 22            |
| Revenue            | PITAA      | Virtual     | Planning Series for Senior Leaders - Operational Planning                           | 1               | 16         | 14         | 30         | 30            |
| Revenue            | PITAA      | Virtual     | Effective Revenue Management System Workshop  | 1               | 15         | 7          | 22         | 22            |
| Revenue            | PITAA      | Nadi, Fiji  | Gender in Revenue Administration Workshop   | 1               | 14         | 7          | 21         | 21            |
| Revenue            | PITAA      | Nadi, Fiji  | Investing in Tax Administration Workshop  | 1               | 13         | 7          | 20         | 20            |
| Revenue            | PITAA      | Virtual     | Planning Series for Senior Leaders: Operational Planning II - Performance Standards | 1               | 13         | 12         | 25         | 25            |
| Revenue            | PITAA      | Virtual     | Planning Series for Senior Leaders: People Management                               | 1               | 17         | 16         | 33         | 33            |
| Revenue            |            | Virtual     | ISORA Workshop  | 1               | 9          | 11         | 20         | 20            |
| Revenue            | PITAA      | Nadi, Fiji  | Performance Management System Workshop  | 5               | 9          | 12         | 21         | 105           |
| Revenue            | PITAA      | Virtual     | Planning Series for Senior Leaders: Business Continuity Planning                    | 1               | 13         | 9          | 22         | 22            |
| Revenue            |            | Virtual     | Revenue Management System Workshop  | 1               | 18         | 11         | 29         | 29            |
| Revenue            |            | Virtual     | Gender in Practice Workshop   | 1               | 7          | 25         | 32         | 32            |
| Revenue            | PITAA      | Apia, Samoa | Tax Audit Workshop  | 5               | 14         | 25         | 39         | 195           |
| <b>TOTAL</b>       |            |             |   | <b>77</b>       | <b>459</b> | <b>455</b> | <b>914</b> | <b>2806</b>   |
| DM                 |            | Nadi, Fiji  | Medium-Term Debt Management Strategy Framework and AT                               | 5               | 8          | 14         | 22         | 110           |
| <b>GRAND TOTAL</b> |            |             |   | <b>82</b>       | <b>467</b> | <b>469</b> | <b>936</b> | <b>2916</b>   |

In FY2023, PFTAC programs demonstrated strong outcomes in terms of activity (mission and TA delivery days), and a lower financial outturn. At the end of the financial year, budget implementation rate stood at 88 percent with US\$ 7.6 million expenditure against a budget of US\$ 8.7 million (including the 7 percent trust fund management fee), partly attributed to remote activities that entail lower costs than direct

delivery. The FY2023 financial outturn is on par with FY2019 - the highest budget utilization rate achieved by PFTAC in a normal year of operations before COVID.

The FY2023 SC approved budget of US\$ 9.3 million was adjusted to US\$ 8.7 million based on cash availability at the end of FY2022. To meet the demands of PFTAC membership, the objective was to maximize the usage

of financial resources before the end of Phase V operating cycle on April 30, 2023.

The budget outturn for each program varies - the PFM, GFS, FSS and RSS programs utilized 90 – 100 percent of the budget while Revenue and Macro Frameworks had a budget utilization rate of 82 and 58 percent respectively. The Macro program budget outturn stood at 115 percent.

The cash balance at the end of Phase V is US\$ 1.3 million. The proposal to carry forward remaining Phase V funds was submitted for SC endorsement.

The SC endorsed the proposal to transfer the balance of US\$ 1.3 million to Phase VI. The cash balance will be managed as per the funding

agreement rules and the rollover of funds to the new Phase VI will be determined on a pro-rata share for each contributor.

**TABLE 6. FY2023 FINAL PROGRAM OUTTURN (US DOLLAR) AND PERCENT OF BUDGET EXPENDED**

| Project                             | Phase Summary       |                     |                     | FY2023             |                    |               |
|-------------------------------------|---------------------|---------------------|---------------------|--------------------|--------------------|---------------|
|                                     | Program Budget      | Working Budget      | Expenses            | Working Budget     | Expenses           | Execution (%) |
| Public Financial Management         | 9,366,027           | 7,863,850           | 7,720,121           | 1,526,603          | 1,382,874          | 91%           |
| Revenue Administration              | 7,460,370           | 11,451,855          | 10,900,335          | 3,008,657          | 2,457,138          | 82%           |
| Banking Supervision and Regulation  | 4,937,427           | 4,726,211           | 4,697,117           | 993,307            | 964,213            | 97%           |
| Real Sector Statistics              | 5,020,086           | 3,767,113           | 3,756,876           | 697,519            | 687,281            | 99%           |
| Government Finance Statistics       | 2,151,107           | 2,502,891           | 2,470,725           | 512,648            | 480,482            | 94%           |
| Financial and Fiscal Law            | 403,199             | 455,989             | 336,562             | 152,962            | 33,535             | 22%           |
| Admin Project                       | 901,906             | 1,224,706           | 1,172,704           | 245,549            | 193,548            | 79%           |
| Macroeconomic Advisor               | 4,121,853           | 3,366,121           | 3,468,927           | 701,046            | 803,852            | 115%          |
| Training project                    | 523,112             | 92,623              | 92,623              | -                  | -                  | -             |
| Macroeconomic Frameworks (ICD)      | 210,000             | 210,000             | 122,725             | 210,000            | 122,725            | 58%           |
| Governance and Evaluation           | 373,125             | 396,727             | 388,387             | 8,340              | -                  | -             |
| Strategic Budget Reserve            | 137,000             | 55,000              | -                   | 55,000             | -                  | -             |
| <b>Total TA Provision/ Delivery</b> | <b>\$35,605,212</b> | <b>\$36,113,087</b> | <b>\$35,127,102</b> | <b>\$8,111,632</b> | <b>\$7,125,648</b> | <b>88%</b>    |
| Trust Fund Management               | 2,492,365           | 2,527,916           | 2,458,897           | 567,814            | 498,795            |               |
| <b>TOTAL</b>                        | <b>\$38,097,577</b> | <b>\$38,641,003</b> | <b>\$37,585,999</b> | <b>\$8,679,446</b> | <b>\$7,624,443</b> | <b>88%</b>    |
| IMF Contribution                    | 3,808,742           | 3,808,742           | 4,429,889           |                    |                    |               |
| <b>TOTAL</b>                        | <b>\$41,906,319</b> | <b>\$42,449,745</b> | <b>\$42,015,889</b> |                    |                    |               |

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

**FUND RAISING** for Phase V concluded in FY2022 with a final donor contribution of US\$ 500,000 from Korea, bringing the total to US\$ 34.68 million from the seven donors. Three member contributions totaling US\$ 152,000 were received that same year, amounting to a total of US\$ 3.06 million. These included a final payment from Fiji, an additional payment from Niue with an initial contribution from Palau after signing a Letter of Understanding (LOU) in FY2022.

During Phase V, six member countries made full contributions. Combined with

donor and member contributions, as well as funds carried forward from Phase IV, the total available funds reached US\$ 38.2 million. The Japanese government-financed Public Debt Management program, which received a US\$ 3.0 million contribution, is not included in PFTAC's fundraising and accounting.

Projected Phase V expenses through FY2023 amount to US\$ 37.6 million, including the trust fund fee, leaving a cash balance of US\$ 1.3 million.

During Phase V, an additional contribution from the Government of Australia, and contributions from the Government of Canada and the US ensured adequate financing for the Phase V. COVID-19 induced savings expanded the budget envelope beyond the expected final year of the phase. The 2022 SC meeting endorsed a 12-month extension.

Phase V concluded on April 30, 2023.

**TABLE 7. STATUS OF FINANCIAL CONTRIBUTIONS FOR PHASE V (AS OF APRIL 30, 2023)**

|  | Currency*    | Commitments        |                   | Contributions received | Payments pending (U.S. dollars) |
|--|--------------|--------------------|-------------------|------------------------|---------------------------------|
|  |              | (partner currency) | (U.S. dollars)    | (U.S. dollars)         |                                 |
| <b>PARTNERS</b>                        |              |                    |                   |                        |                                 |
| 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                               |
| <b>SUBTOTAL, PARTNERS</b>              |              |                    | <b>35,347,512</b> | <b>34,677,579</b>      | <b>0</b>                        |
| <b>MEMBER COUNTRIES</b>                |              |                    |                   |                        |                                 |
| 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                 | 16,500                          |
| 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                 | 7,500                           |
| 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                      | 0                               |
| TONGA                                  | U.S. dollar  |                    | 110,000           | 49,975                 | 60,000                          |
| TUVALU                                 | U.S. dollar  |                    | 27,500            | 17,500                 | 10,000                          |
| VANUATU                                | U.S. dollar  |                    | 165,000           | 150,000                | 15,000                          |
| <b>SUBTOTAL, MEMBER COUNTRIES</b>      |              |                    | <b>3,888,500</b>  | <b>3,051,579</b>       | <b>289,492</b>                  |
| <b>BROUGHT FORWARD FROM PHASE IV</b>   |              |                    |                   |                        |                                 |
| Australia                              | U.S. dollar  |                    |                   | 160,000                |                                 |
| European Union                         | U.S. dollar  |                    |                   | 157,729                |                                 |
| Korea                                  | U.S. dollar  |                    |                   | 46,347                 |                                 |
| New Zealand                            | U.S. dollar  |                    |                   | 154,242                |                                 |
| <b>SUBTOTAL, FUNDS BROUGHT FORWARD</b> |              |                    |                   | <b>518,318</b>         |                                 |
| <b>GRAND TOTAL</b>                     |              |                    | <b>39,236,012</b> | <b>38,247,476</b>      | <b>289,492</b>                  |

# REVENUE ADMINISTRATION

## MAIN ACHIEVEMENTS

- (1) **PFTAC has assisted in developing standard operating procedures (SOPs) for the core tax functions of Service Collections, and Audit** for the Cook Islands, which can be adopted and customized for other PICs. As SOPs are necessary for all PICs, this initiative is expected to enhance their tax administration systems;
- (2) **Revenue administrations in the Pacific have started implementing a functional approach to core delivery** to prioritize their efforts and align with the pillars of tax compliance. In Papua New Guinea, PFTAC shifted its support from the functional design of a new organization to the implementation of a functional structure. In Tuvalu and Niue, PFTAC proposed functional approaches that reflected the small size of their revenue administrations. The adoption of functional operating models is expected to enable PICs to achieve better outcomes and improve the efficiency of their tax administration systems;
- (3) **PFTAC strengthened tax audit capabilities in the region.** This includes customized training based on the New Zealand Acquisition of Skills Programme for Inland Revenue Employees, piloted in the Cook Islands and being updated. An in-person workshop for junior audit staff from 15 countries was also held to improve their understanding of good audit practices and compliance risk management. Additionally, PFTAC provided audit CD to Kiribati, Cook Islands, and Timor-Leste to grow audit capabilities;
- (4) IMF experts have developed an **analytical approach to identifying high-risk taxpayers for tax audits**, as traditional manual methods can be time-consuming and ineffective. PFTAC conducted awareness training in analytics, data analysis tools, automated workflows, and case selection processes to build capacity in this area of tax administration. This has resulted in a better understanding of the skills required to implement an analytics-driven approach, leading to more efficient and effective tax audits, improved revenue recovery, and better resource allocation;
- (5) Revenue administrations, such as Papua New Guinea, Palau, and Solomon Islands, have developed multi-year **strategic or reform plans and annual operational plans to align their CD programs with country strategic plans and outcomes**, as recommended by PFTAC. These plans also address key themes such as gender and diversity, digitalization, and climate. With clear strategic directions and collaboration with partners, PFTAC is able to facilitate medium-term CD plans and work with suitable partners to deliver better outcomes overall;
- (6) **PFTAC has fostered closer collaboration with key stakeholders in revenue administration**, resulting in greater cooperation and improved outcomes. In Palau, PFTAC worked with the Australian Government and the ATO to provide significant external communication capability support, with subject matter expertise provided by PFTAC experts working alongside ADB in-country experts. While PFTAC usually has a longer-term view of all CD required, collaboration with other partners to a clear plan provides necessary support to PICs to

achieve their outcomes, as it's not possible for PFTAC to do everything;

(7) **PFTAC has strengthened its support in the area of International Tax** as more multinational entities operate in the Pacific and several PICs are working to strengthen tax good governance mechanisms to avoid being listed by the EU as non-cooperative jurisdictions. With more connections between PICs and other countries, it can be challenging for PICs to meet the many requirements of the global tax network. PFTAC has provided

CD with analysis and advice on joining the Inclusive Framework for Base Erosion and Profit Shifting (BEPS) and meeting the requirements of the peer review. PFTAC has also supported Fiji with hands-on training, advice, and coaching as they launch a comprehensive capability uplift plan in international tax and audit;

(8) **The Pacific perspective is gaining prominence in CD, evidenced by a shift in expertise and context.** PFTAC delivers high-quality, practice-based CD, but its generic approach may have lacked Pacific

context. To enhance PFTAC's CD, all seminars and workshops now incorporate Pacific examples and references. Leadership, planning, and gender sessions explore the Pacific perspective, posing questions about its implications and adaptability; and

(9) **Tokelau** – for the first time, PFTAC engaged directly with the Tokelau revenue administration. Contact was initiated via PITAA, and discussion centered on understanding their current approach to administration, revenue sources, and perceived CD needs.



Regional Workshop on Performance Management, January 2023 – Nadi, Fiji

## WORK PROGRAM EXECUTION

PFTAC supports member countries to strengthen their revenue administration capacity, mobilize tax revenue, and improve taxpayer compliance aligned with their strategic outcomes. The revenue administration program does this by working with countries to implement tax laws and identify areas where improvement in revenue administration will contribute to increased taxpayer compliance and revenue for government.

The Revenue Administration program focuses on two key objectives: (1) strengthened revenue administration management and governance arrangements; and (2) strong core tax administration functions. The first objective covers all core support functions needed by any large complex organization to perform effectively. In addition, for revenue administrations, risk management, performance management and data management are key enablers to improve productivity and performance.

Objective two is defined by the Pillars of Tax Compliance core functions. These include an accurate taxpayer base, quality taxpayer services that support voluntary compliance, on-time return filing and payment, and tax audit and investigations. All supported by fit-for-purpose legal frameworks. These foundations provide directions for countries on where to prioritize effort and for PFTAC in assessing the capability and capacity of revenue administration. Leadership is the overall critical capability needed by all revenue administrations to achieve their results.

The program is delivered by two resident tax administration advisors and draws on an extensive pool of tax experts, sourced from the Pacific

region. Specialized resources are provided from the IMF's Legal 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.

Given the breadth of revenue administration, most CD is delivered by STXs to match the right expertise to the country need. The STXs are experienced professionals with backgrounds in revenue administration. The two resident advisors manage and oversee the extensive program and undertake CD where their functional or technical expertise is appropriate. PFTAC uses a core team of 12 experts, made up of six women and six men, three of Fijian descent. As suitable assignments arise, the number of Pacific based STX can be increased.

A deliberate approach to CD delivery has been adopted. This includes: (a) undertaking assignments in-country where possible; (b) sending at least two STXs to one country at a time - with complementary assignments; (c) ensuring a gender balance in CD delivery; (d) aligning specific STX with specific countries to build relationships of trust and confidence between the administration and STX. This approach ensures that PFTAC can provide more targeted and relevant CD to each country, with a core group of STX who know and understand the needs of each country and are attuned to the outcomes each country is seeking to achieve.

With the opening of country borders, PFTAC provides the opportunity to establish relationships with some PICs with return to face-to-face

engagement. With two revenue administration advisors starting in their roles during COVID no-travel periods, and new leaders in many revenue administrations, it is critical to establish relationships between PICs and the PFTAC Revenue advisors and build trust and confidence; and to understand the current realities and context within which PICs are now operating. To build a deeper understanding of each of the PICs, the advisors each take a lead role with eight countries. This enables deeper insights and relationship building best initiated face to face. So far, the advisors have started this approach with **Fiji, PNG, Palau, Solomon Islands, Samoa, and Tokelau.**

Regional virtual seminars have successfully engaged country attendees, enabling increased staff involvement. However, maintaining engagement with some PICs has been challenging due to uncontrollable changes, such as changes in revenue administration leadership, which impact operations. Leadership changes affected CD delivery in Samoa, Tonga, and Vanuatu, with the latter two also dealing with natural disasters. Most countries maintain a presence at regional virtual seminars.

Australia's additional investment in FY2019 has allowed the revenue program to meet the high demand. In FY2023, the Revenue program including Legal delivered 74 missions or activities totaling 1,239 TA days. This accounted for 75 percent of planned missions/ activities (74 of 99) and 88 percent of planned TA days (1,239 of 1,416) with resident advisors providing 100 TA days and STXs delivering 1,139 TA days.

## BOX 2. USING CUSTOMER CENTERED DESIGN TO PROGRESS GENDER IN REVENUE ADMINISTRATION IN THE PACIFIC

Revenue administrations have a key role in promoting the participation of women in economic activity through implementing government policies and projects aimed at achieving gender equality. Tax and customs agencies proactively support current businesses to comply with the regulations and find ways to optimize revenue collection to fund government programs. However, the revenue administration's ability to help unlock the potential higher levels of GDP through gender equality actions, depends on both their organizational effectiveness – the way they operate the tax administration - and their interactions with taxpayers. Tax administrations have two main levers – their workforce and how they help taxpayers meet their tax obligations and optimize the amount of revenue generated and tax collected.



A workshop was organized in August 2022 to introduce the topic and start conversations on **Gender in Revenue Administrations in the Pacific**. In attendance there were 23 participants representing ten revenue administrations in the Pacific. Global, regional, and national gender trends were presented to participants to demonstrate the reality and relevance of gender mainstreaming. A keynote address was given by the Pacific Community Principal Pacific Strategic Lead – Pacific Women, and taxpayers shared their experiences of engaging with tax administration. In-depth break out group discussions focused on four areas – workforce, data, collaboration, and taxpayer service.

A follow up seminar entitled **Gender in Practice** revisited the key insights from the previous workshop, identified actions that countries had undertaken to progress gender equality and areas where countries needed help. In order to get traction in a tangible way and move from 'talk to action' a deep dive into taxpayer service was undertaken, adopting a customer centered design methodology. The aim was to understand the customer/taxpayer journey and identify opportunities to influence compliance behavior, improve the experience for customers/taxpayers and develop an action plan with measures to assess progress.

PFTAC facilitated the delivery of regional events mostly in partnership with PITAA. For the first time PFTAC also partnered with the OCO and PITAA in recognition of the co-dependency in collection of Value Added Tax (VAT):

(1) The leadership series of seminars that started previous year continued with a *Seminar on Governance and Integrity*. Participants were introduced to contemporary good practice techniques. This included the importance of comprehensive governance and integrity frameworks, building the desired culture and the need for leaders to model the desired behaviors. The workshop materials presented were supported by OECD and IMF good practice publications and practical international examples and attendees were introduced to The Virtual Training

to Advance Revenue Administration (VITARA) module on Institutional Governance and encouraged to undertake the training;

- (2) The leadership series evolved into a series of four seminars on Planning; (1) *Strategic Planning*; (2) *Operational Planning*; (3) *Operational Performance Standards*; and (4) *Business Continuity Planning*. The IMF technical note on BCP - *Tax Administration: Designing a Business Continuity Plan for an Epidemic* (<https://rb.gy/ta7kh>) was promoted. All seminars aimed to provide participants with an understanding of good practice and processes;
- (3) An in-person workshop introduced senior revenue administration leaders to gender focused on four thematic areas: Workforce, Data,

Taxpayer Service and Collaboration. A follow up seminar - *Gender in Practice* in April 2023 considered progress, actioned planned gender in revenue administration in Taxpayer Service;

- (4) A one-day workshop focused on sharing good practice in *Effectively Managing Revenue Tax Processing Systems*. Revenue administrations shared lessons learned in managing revenue management systems (RMS) contract(s); considering procurement will be required by all PICs in the coming year, how to prepare for procurement of a RMS. A follow-up *Revenue Management System* seminar was held expanding on the previous workshop and presenting a terms of reference for a collaborative community of practice across the PICs in

digitalization and RMS;

- (5) A workshop introducing the process of *business case development* to senior leaders in revenue administration discussed the importance of communication and stakeholder management and provided tips on gaining support for investment in revenue administration;
- (6) The *International Survey of Revenue Administrations* (ISORA) was completed by all PICs for the first time. This was achieved through a seminar, and two lots of bilateral support, to complete the survey, and to undertake quality

reviews of the data for ISORA;

- (7) Building audit capability was approached in two ways. Firstly, via a joint seminar with the OCO on *VAT Risks and Investigations*. This workshop strengthened the working relationship between the tax and customs compliance teams in PICs. It focused on creating a shared understanding of the part each organization plays with an emphasis on VAT, the Customs Valuation process, and the approaches of each administration to compliance. A five-day *Audit Training* workshop provided an opportunity for junior auditors from each country to

receive in-depth audit training and learn alongside peers from other PICs; and

- (8) Capability in revenue administration is not just technical knowledge, in fact performance management plays a major role in delivering results. A three-pronged approach was taken to improving results through PMP; an introductory *Performance Management Seminar*; a five-day *Performance Management Workshop*; and follow-up bi-lateral coaching and support on performance management.

### BOX 3. DIGITALIZATION AND DATA ANALYTICS

During the **PITAA Annual Heads Meeting** in August 2022, the need to exchange experiences of tax administration IT systems among members was identified. The workshop agreed to establish an IT focused “sub-group” within PITAA, made up primarily of IT specialists, supporting tax administrations.

Following this, PFTAC and PITAA have collaborated to organize the first virtual seminar, conducted on April 6, 2023. The agenda, informed by participants through interactive survey, was largely those same members sharing experiences, insights, and lessons from the ‘front line’.

Topics covered during the session included:

- ✓ Experience with Technical Assistance Developing/ Maintaining Tax Administration Software Solutions;
- ✓ Increased Functionality Beyond Vendor Product Suite; and
- ✓ Vendor Management.

With the open discussion leading to a lively exchange of views, sharing of information and exchanges of details among the participants.

A Terms of Reference for this Pacific region group has been agreed and PITAA will now provide the secretariat support to take it forward. PFTAC will provide assistance and expertise to support digitalization efforts.

### BOX 4. ANALYTICS-DRIVEN TAX COMPLIANCE

Tax authorities increasingly rely on automation and artificial intelligence to process tax returns, detect fraud, and communicate with taxpayers. This leads to faster and more accurate tax assessments, but also requires a new set of skills for tax professionals.

With the increase in digital transactions, tax authorities need to leverage data analytics to identify potential non-compliance and tax evasion patterns. In Fiji, the tools are used to improve the effectiveness of case selection.

It is also clear tax authorities are working more closely with other government agencies to detect tax evasion and fraud. In **Kiribati**, PFTAC have helped establish data sharing arrangements.

Overall, the future of tax administration is likely to be shaped by advances in technology, greater collaboration and information sharing, and a focus on improving taxpayer compliance through education and engagement.

In the coming year PFTAC will look to build on this, with an analytics-driven tax audit case selection workshop and by making available tools and capability to support it. Knowing this can significantly improve revenue collection, PFTAC will pilot with PITAA, ways of making the capability available on an ongoing basis.

In the **Cook Islands** PFTAC assistance:

- (1) Developed a complete set of 15 audit training products, a training framework, and complementary standard operating procedures; and
- (2) Trained staff on good audit practice and streamlined core business processes. Taxpayers should expect consistent experience when dealing with Revenue Management Division (RMD).

Support to **Fiji** included the following:

- (1) A current assessment of the health of FRCS. Recommendations were made for improvement in all areas of the administration to improve revenue collection and compliance. FRCS has primarily focused on improving productivity and performance and growing the knowledge, expertise, and skills of staff in audit, risk management and international tax roles;

An inclusive and consultative assessment of the experience of FRCS employees was facilitated by PFTAC. Informed by real examples from staff, PFTAC supported FRCS embark on the design and implementation of a new performance management system to be implemented at the beginning of the 2023 budget year as well as a progress review of the performance management system planning and implementation;

- (2) A three-phase approach to build the knowledge and expertise of staff in Advance Pricing Agreements (APA) and Transfer Pricing, was developed in anticipation of the renewal of FRCS's first APA:

In depth training was delivered, and resources developed in the first phase. The staff were given templates and work to prepare for

the second CD mission, building knowledge and confidence in undertaking an APA renewal; and the third phase of support mentored the team, at arms-length, through the actual review.

A remote assignment developed a taxpayer risk review process, draft taxpayer regulations and prepared APA guidelines – areas identified through previous CD to strengthen FRCS system.

- (3) Two complementary assignments on risk were delivered. The first provided in-depth training on data analytics and applying risk to the FRCS compliance improvement strategy. The second delivered training on how to conduct risk analysis and developed risk profiles for selected Fiji industries. This culminated in PFTAC bringing together the risk and audit teams to facilitate improving processes and ways of working and applying learning to a sample of the largest taxpayers (by revenue);
- (4) PFTAC also provided an analysis of the benefits for FRCS of joining the OECD Inclusive Framework for BEPS, what would be required to meet the four minimum standards and the resource implications; and
- (5) Legal assistance reviewed the ninth draft of the VAT Bill and prepared a tenth draft, revised technical notes, and VAT Regulations.

In the **FSM**:

- (1) Staff of Customs and Tax Administration are regular participants across range of virtual regional initiatives;
- (2) A World Bank funded long-term advisor has supported the revenue administration over the past year. The primary focus of activities has been digitalization, with the procurement of an Integrated Tax Administration

Solution; and

- (3) Through the PFM Roadmap, additional CD needs were identified where FSM is seeking support for ongoing tax reform, modernization, and administrative improvements.

**Kiribati** has been assisted by PFTAC in the past years to progress the reforms in the Kiribati Tax Department (KTD). Following the introduction of new tax laws in 2014, and a comprehensive set of activities to progress their reforms, recent CD has focused on improving the efficiency of auditors, auditors understanding their authority and improved compliance through risk-based and targeted interventions. The following CD has been provided:

- (1) Review of VAT processes and staff capability in administering VAT and VAT refunds;
- (2) Reviewed the current provision of taxpayer services and communication and developed a strategy and plan for improvement; and
- (3) Assistance was also provided to develop an approach to improve the recovery of tax arrears; and
- (4) KTD officials are trained to understand and interpret legislation, audit principles and practice. SOPs were improved and support provided on their use.

**Niue** started to implement their tax administration reform program with the assistance of PFTAC. For such a small administration, the structure, roles and functions need to be fit for purpose and agile with easy-to-use business processes. Capacity development has been all encompassing with an overall goal to improve compliance outcomes. This has involved:

- (1) Helping segment the taxpayer base to focus on the largest entities, undertake training primarily on the job, refining SOPs and managing performance to

increase productivity.

## BOX 5. BENEFITS OF STRENGTHENING INTERNATIONAL TAX CAPABILITY IN FRCS

FRCS experienced a significant loss in staff numbers in late 2021, but what was more challenging was the loss of technical expertise in the Audit Management level for Large and International, Transfer Pricing and Complex audits. PFTAC technical assistance was provided in response to a need for technical guidance and expert assistance and evolved into an iterative and comprehensive capacity development program to uplift the technical capability of FRCS audit staff.

PFTAC Expert Kriti Velji worked with FRCS Audit and Compliance from 2022 in the following areas:

- ✓ Direct coaching and guidance to the three-member Transfer Pricing team on risk reviews and understanding transfer pricing concepts, issues, and risks;
- ✓ Developing capability of staff undertaking negotiations for APAs. This resulted in a successful outcome for FRCS in terms of protecting its revenue base and getting agreement on the uplift on the amount of tax to be collected over the next five years. Taxpayers were very impressed with the professionalism and technical presentation made by FRCS staff which was due to training and coaching provided. Transfer Pricing staff are now confident enough to consider entering further APAs with taxpayers;
- ✓ Evaluating the existing Transfer Pricing Regulations and Guidelines and identification of gaps that needed to be strengthened and benchmarked against international standards. The strengthening will assist Fiji in ensuring that the tax leakage in relation to cross-border related party transactions is minimized; and
- ✓ Working with the Transfer Pricing team in developing internal risk review processes, awareness, and questionnaires for taxpayers. For the first time, FRCS will be gathering information from Multi-national Entities (MNEs), with details on the nature and amount of cross-border related party transactions that take place in Fiji. This will enable FRCS to: (a) understand the operations of the MNE operating in Fiji; (b) help in identifying gaps in tax legislation; (c) and provide a venue to discuss how best to address any base erosion profit shifting issues identified. This is a good example of how FRCS will be able to increase the level of compliance for the large business sector.

Compliance risk assessments were completed for some identified industries and sectors, with staff tasked to compile financial ratios for comparison and benchmarking purposes in these industries. This broadened the staff understanding of industry risks at a macroeconomic level rather than focusing solely on the micro/case level.

In 2023, two PFTAC experts facilitated a technical assistance strategy to improve the working relationship, effectiveness, and efficiency of two interdependent business units. The successful outcome of this mission was attributed to the environment and trust that the experts created for staff to openly discuss issues and solve problem. The tangible outcome was an MOU to ensure that understanding exists, actions are deployed to avoid duplication of tasks and resources, and a feedback mechanism and quality assurance process. Due to this work auditors will now be spending far less hours on conducting the risk review process and can spend allocated audit hours carrying out audit review and audits. Overall, FRCS will gain efficiency and will result in higher compliance coverage. In addition, the new process will assist FRCS in meeting the governance and independence criteria in terms of risk management and contribute to an improvement in morale for both teams who now have a better appreciation of the different roles and skill sets.

In **Palau**, the Palau Goods and Service Tax (PGST) and Business Profits Tax (BPT) were implemented on January 1, 2023. PFTAC has been instrumental in supporting tax policy reform, legislation drafting, regulations development and reform implementation. PFTAC, however, has not been alone. The combined efforts of development partners have all

contributed to this success.

(1) Palau Bureau of Revenue and Taxation (BRT) introduction of tax reforms faced challenges in the Congress with calls that the date be delayed. With PFTAC support the Congress decided that the tax reforms should go ahead;

(2) BRT needed to align and develop its operational capabilities, including modernization plans, in support of the tax reforms. PFTAC CD has supported the Director, on-board new staff, developed training material to introduce the new taxes to staff and provided guidance to leaders on developing detailed implementation plans.

This included: (a) preparing PGST and BPT Regulations and technical corrections to the Act, along with preparing Tax Administration Regulations, other necessary Regulations to support the Act; and provide training to BRT on the Act and Regulations; (b) assisting the BRT to assess its readiness for the implementation of tax reforms and advising on actions to progress outstanding critical deliverables; and

- (3) PFTAC continues to honor its commitment to help Palau achieve its reforms and has support available to BRT to address issues in the tax reform implementation and the significant organizational uplift, as they arise.

The **Papua New Guinea** Internal Revenue Commission (IRC) has made substantial progress in implementing recommendations from the TADAT report (2019) and the subsequent MTRS. IRC has published a Strategic Plan 2023-2027 and Annual Plan 2023 reflecting improvement areas

recommended by the IMF and supported by PFTAC. The Strategic Plan aligns closely with the recently announced IMF program and new MTRS for revenue mobilization. The Annual Plan 2023 reflects change across legislation, digitalization, organization, and increased collection targets. With ongoing support of PFTAC, IRC is implementing the approved organizational re-design changes. The changes have progressed over many years with PFTAC support and will align IRC with international good practice for functional tax administration. This CD has included:

- (1) Reviewing the submission to the IRC commission to formally approve and establish the new IRS structure, the roles and their respective 'sizing' and the implementation plan;
- (2) Development of an integrated implementation and change plan;
- (3) Reviewing the Information and Communication Technology (ICT)

functional specifications for the new integrated tax administration system tender process that will be launched as soon as approval has been obtained; and

- (4) Supporting IRS in implementing organizational change and HR planning.

Assistance to **Samoa** Ministry of Customs and Revenue was delivered in the early part of the year:

- (1) PFTAC provided advice on the implications of debt outsourcing, and areas for improving the management of the debt portfolio; and
- (2) An assessment of the current state of the whole tax administration identified areas to improve to optimize performance and compliance. Proposals were prepared on a range of organizational arrangements and costing.

## BOX 6. ISORA: DATA TO INFORM DECISION MAKING – DATA TO MEASURE CHANGE!

For small revenue administrations it has been important to demonstrate the value for them in completing the ISORA survey and to help in understanding what is required, completing the tables and then in quality assuring data.

Through a 'hybrid' approach of seminars and bi-lateral (remote) support, all PFTAC countries completed ISORA in 2022. This is an outstanding achievement.

PFTAC is making good use of early access to the ISORA data and has prepared 'Key Insights' for all countries. The Key Insights are helping to focus attention for ongoing support and informing IMF Area Departments on the context of these PICs.

During the year, ISORA was also used to provide views of gender data across the region. However, the gaps in the data made it difficult to accurately draw meaning from it.

With more data available, and years of data to compare over time, it will be possible to show comparisons between regions, including staff to population resourcing, collection ratios, and as below, gender analysis.

This is invaluable to leaders in understanding their administration and measuring the effect of change over time

**SOLOMON ISLANDS**  
INLAND REVENUE DIVISION (IRD)  
ISORA 2021 COUNTRY PROFILE

Population: 655,878  
Capital: Honiara  
Land Area: 28,400 square km (over 992 islands, 147 inhabited)  
Independence: 1978  
Main Income Sources: Fisheries and timber are the main sources of foreign exchange. The country also exports copra and palm oil.

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**Taxes Administered** Corporate and Personal Income Tax (CIT and PIT)  
PAYE and Withholding Taxes  
Sales Tax and Goods Tax (to be replaced by VAT in 2024)  
Other revenue - vehicle and driver licensing

**Tax System** Current (commercial-off-the-shelf) system called Revenue Management System (RMS) provided by DataForque NZ Ltd. They are currently in the process of a major system upgrade (same provider).

**Large Taxpayers** Large Taxpayer Office (LTO) with 8 FTE and 62 taxpayers (contributes 75% of total revenue)

**Organisation Profile**

|  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• Total FTE - 121</li> <li>• 43% female officers (14% female leadership)</li> <li>• 20% tertiary qualified</li> <li>• Good balance of staff years of service</li> <li>• Balance of ages (low retirement age so 3% 55+)</li> </ul> | <ul style="list-style-type: none"> <li>• 29% Audit</li> <li>• 22% Debt</li> <li>• 49% Registration/Processing/ Customer Services</li> </ul> |
|--|---|

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| REVENUE INDICATORS   | CIT                                      | PIT                              | PAYE                         | TOTAL  |
|--|--|----------------------------------|------------------------------|--|
| <b>Registered Entities</b>   | 22,766<br><i>50% inactive</i>            | 5,500<br><i>40% inactive</i>     | 3,173<br><i>12% inactive</i> | <b>28,266</b><br><i>(CIT + PIT) 48% inactive</i> |
| <b>On-time Filing</b><br><small>% of total returns expected filed on-time</small>  | 18%                                      | 95%                              | 30%                          |  |
| <b>On-time Payment</b><br><small>% of total payments expected paid on-time</small> | <i>Data unavailable</i>                  | <i>Data unavailable</i>          | <i>Data unavailable</i>      | <i>Data unavailable</i>                          |
| <b>Arrears</b><br><small>Value of closing stock at year end @ 1200</small>         | SBD 1,397,000                            |                                  | 880,000                      | 2,277,000  |
|  | <b>USD 168,897</b>                       |                                  | <b>106,392</b>               | <b>275,289</b>                                   |
| <small>% of total arrears</small>  | 61%                                      | <i>Data unavailable</i>          | 39%                          |  |
| <small>Amount considered 'not collectible'</small>                                 | 6%                                       | <i>Data unavailable</i>          | <i>Data unavailable</i>      | <i>Data unavailable</i>                          |
| <b>Audit (122 total)</b><br><small>% of total discrepancies recorded</small>       | 55%                                      | 27%                              | 4%                           |  |
| <b>Revenue Collected</b>   | SBD 582,060,000<br><small>@ 1200</small> | 412,075,000<br><b>49,819,868</b> | <i>Data included in PIT</i>  | 1,735,199,000<br><b>3,646,444</b>                |
| <small>% of total revenue</small>  | 34%                                      | 24%                              |                              | 13%  |
| <small>Total revenue as a % of GDP</small>   |  |                                  |                              |  |
| <b>Digital</b><br><small>% of electronic payments</small>                          | 25%                                      | 43%                              |                              |  |
| <small>% of online filing</small>  | 18%                                      | 14%                              |                              |  |

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**Country Insights**

The Solomons has major systemic challenges with infrastructure, lack of appropriate governance and fighting corruption. This is not specific to the Inland Revenue Division (IRD), which is a trusted collection agency for the government. This provides opportunities for business (many international) to take advantage of the growing economy with inadequate compliance mechanisms. ASD are funding a comprehensive modernization programme (2022-2027) including an updated system (2024-25), introduction of VAT (2024) and legislative reform. Data integrity is low and means debt totals are likely inaccurate. A new system and legislative change provides an opportunity to address this.

*Developed in March 2023 using data from FY2021*

The **Solomon Islands** Inland Revenue Division (IRD) is making steady progress on tax modernization reforms and recommendations made over time and building on support provided by PFTAC through some 19 technical assistance reports and other interventions. The government is now partnering with ADB to implement a comprehensive modernization project between 2022 and 2027, with funding from the Solomon Islands government, ADB and the governments of Australia and New Zealand. Regular PFTAC CD assistance is expected throughout the project's life:

- (1) During this year, PFTAC has developed job descriptions for all new roles in the proposed new organizational structure; and
- (2) Provided awareness and training to the IRD senior leaders, Customs and Ministry of Finance staff on MTRS.

The **Timor-Leste** Tax Authority (TLTA) has prioritized where to focus during this reporting period, following the development of the draft strategic plan:

- (1) PFTAC supported the TLTA in the development of a proposal to implement a VAT, and a detailed implementation plan to support conversations with the Minister for Finance, and an outline of the capability set for a full-time resident advisor to lead the VAT project. PFTAC followed-up with VAT training for most TLTA staff and facilitated the connection of the TLTA executive team to donors and other development partners;
- (2) TLTA sought support with developing their audit staff capability. Two assignments were completed. The first was to develop audit business processes for domestic tax; and the second for petroleum taxes. A training needs analysis was also completed; and
- (3) Two visits were completed to improve the collections business processes (filing, payment, and

arrears). The first identified areas to improve operational efficiency. This included commencing the development of a set of business processes and process maps for core collection functions and a framework to document SOPs. During the second visit, a debt and filing strategy and a debt write-off approach were developed, a process to case manage prioritized aged debt was established and the SOPs for key revenue functions were finalized.

While a range of activities were planned for **Tonga** in the aftermath of the volcanic eruption, tsunami, COVID and the significant internet interruption it was not plausible to provide assistance this year. However, the resilience of the Tonga tax administration did shine through with regular engagement in regional workshops, seminars, and other learning opportunities.

## BOX 7. COMPREHENSIVE MODERNIZATION PROJECT FOR A FRAGILE STATE

The Solomon Islands is 'fragile' under the World Bank declaration of Fragile and Conflict Affected States with major systemic challenges in the form of adequate infrastructure, appropriate governance and in fighting corruption. And all the while the Internal Revenue Department is seen as a trusted collection agency for government by both the government and the people. However, the challenges provide opportunities for business to take advantage of current compliance measures.

Recognizing this, the government has partnered with ADB to implement a comprehensive modernization project between 2022 and 2027, with funding (US\$ 22 million) from the Solomon Islands government, ADB and the governments of Australia and New Zealand.

This is an outstanding outcome for the Solomon Islands, and as recognized in the ADB project documentation, builds on the significant work of the IMF - PFTAC over many years. Some nineteen PFTAC reports were included in the background materials that underpinned the project inception report, with areas where PFTAC has taken a lead in supporting IRD to be a collaborative effort between ADB, IRD and PFTAC moving forward.

The project inception report says '*Significant work has been undertaken on the IRD structure since 2019. Assistance has been provided by PFTAC in developing the proposed functional based organization. A structure has been agreed upon and has been submitted to the Ministry of Public Service for approval*'. While not the only area of support provided by PFTAC, this is a significant reform that will be a key enabler to the modernization project. PFTAC will now assist in the orderly transition to the new structure, with co-ordination between the project and PFTAC a priority following PFTAC's involvement with the restructuring to date. The new structure will provide a strong organizational foundation to support the current transformational project.

More broadly, the IRD is making steady progress on tax modernization reforms and recommendations. Highlights of progress include:

- ✓ Tax Administration Act being implemented.
- ✓ VAT legislation is in the last round of consultation. A final draft will be introduced to Cabinet for legislation process by end of April 2023.
- ✓ IT system upgrade has been approved, scoping is underway, and the upgraded system is to be implemented by December 2023.
- ✓ Compliance Improvement Plans (CIP) are progressing with good outcomes reported from initial activities.
- ✓ The organizational structure reform, supported by PFTAC, is to be submitted by the Ministry of Public Service to Cabinet for approval.

In **Tuvalu**, two activities were undertaken to review progress and support the implementation of their Compliance Improvement Strategy and revise their operation planning. A proposal on an organizational structure was also provided.

Two legal assignments for **Vanuatu** prepared and reviewed the legislation for Substantial Economic Presence. The implementation of the CD started in early 2022 to strengthen audit capability was reviewed, audit training provided, and the training and development planning strengthened.

Advice was also provided on the viability of introducing electronic fiscal devices and an understanding of the impact on the administration and the taxpayers in terms of cost, capacity requirements and applicability for certain types of business.

## BOX 8. PERFORMANCE MANAGEMENT IN FRCS

FRCS has focused on improving productivity and performance, investing in people through the design and implementation of a new Performance Management system. This was top priority for CEO, Mark Dixon. PFTAC supported FRCS in this work. Here is how the CEO describes PFTAC's help:

*“FRCS came out of COVID with a drastically reduced workforce and low morale. In January 2022, we commenced a transformation with a strategic focus on service and our people – this is reflected as a priority objective in our new Strategic Plan – as we all know the key to the success of any tax administration are its people and the development of a positive workforce culture linked to good management of leadership and technical capabilities. If we get this right, good service to our customers will follow.*

*Whilst PFTAC is well known for its technical tax advice, I would also like to highlight their broader capability (and capacity) in supporting transformational change. Their assistance in the leadership and people space has been critical to FRCS in helping us to become an employer of choice. This is really important for all public entities as we face the challenges associated with skills migration.*

*PFTAC's lead for this work (Shane Reardon) has tremendous experience in Human Resource Capital from his many years of service to the ATO. However, he is more than just a technical expert – his style and humility has had a huge impact on our leadership team – he has guided and mentored them, whilst stepping us through the development on a new Performance Management Framework. This framework will set FRCS for success and allow us to reward performance, grow junior leaders, target specific training to meet individual and organizational needs and drive diversity and equity across our Revenue and Customs space. We are most grateful for PFTAC's assistance and willingness to understand our technical and leadership capability gaps and deliver tangible outcomes that build long term capability”.*



From left : Raneel Prasad from the Technology Division, Bhavna Varsha Sharma from the Revenue Division, Kelera Rokotakala from Border and FRCS CEO Mr. Mark Dixon.

## BOX 9. PAPUA NEW GUINEA – TRANSFORMATION PROGRAM

The support provided to Papua New Guinea has covered a range of areas, all of which are key contributors to the transformational change program the IRC is pursuing. Specifically, the PFTAC Revenue program assisted with (a) designing the new (functional) organizational structure, (b) developing a debt management strategy, (c) training on the Medium-Term Debt Management framework, (d) reviewing the functional specifications required to launch the tender process for a new tax ICT system, (e) implementation of the new organizational model, and (f) an organization-wide Portfolio Change impact assessment. The IRC is undertaking an ambitious program of change and have been proactively seeking PFTAC support. IRC is actively working on implementing PFTAC advice and recommendations about the organizational restructure. With the help of development partners (including PFTAC) the IRC has made significant progress in recent years and are committed to continuing transformation.

Their transformation program includes replacing its core system with an Integrated Tax Administration System, implementing a new Human Resource Information Management System (HRIMS), significant legislative and organizational change, and the change to a functional structure. IRC understand the need to carefully manage such broad change and have worked with PFTAC to understand the key risks involved and the importance of prioritizing change initiatives. Advice from PFTAC as part of the Change impact assessment completed in January 2023 is already being acted on and implemented into the planning process.

IRC embarked on a redesign of its organization in 2020 and the new functional design received final approval in December 2022. Since a PFTAC visit in January 2023, using material developed alongside PFTACT experts, IRC leaders have already delivered a comprehensive (in-person) information update to all staff about the new functional model and their implementation approach. This has included field visits to all regional offices. Senior leadership roles have now been filled and decisions will cascade down within the organization until all changes are implemented by June 30, 2023. They immediately incorporated the technical advice received from PFTAC into their transition process.

Scope and design phases of the new HRIMS are well underway, with ongoing support from PFTAC, and will strengthen both performance management and learning/development functions within the organization. To support the implementation of the new HRIMS, IRC have sought and are now implementing PFTAC advice to improve the leadership and performance management capability across the organization. They understand the need to strengthen both capability and processes in tandem with system implementation.

IRC has demonstrated their commitment to both seek PFTAC support and implement recommendations. IRC have self-identified the critical need for an ongoing investment in learning and development, particularly with leadership roles. Continuing to actively support IRC through their transformation program will allow PFTAC to build on the success of the work done in the 2023 year. IRC leadership have been open to trying new working arrangements with PFTAC, including remote support provision, and appreciate PFTAC's commitment to actively advocate for IRC, seeking collaboration opportunities with other development partners.





Revenue CD on Taxpayer Service and VAT , October 2022 – Kiribati



Palau Bureau of Revenue and Taxation Staff with Revenue Expert, David Piper

# PUBLIC FINANCIAL MANAGEMENT

## MAIN ACHIEVEMENTS

- (1) Completed the *Agile*PEFA Assessment for **Palau** and a PIMA and C-PIMA for the **Cook Islands**;
- (2) Supported the formulation of a country-led PFM roadmap in **Nauru** and **Kiribati** to strengthen PFM practices and processes;
- (3) Drafted modernized PFM legislation in **Niue** and **Kiribati** to support the reform agenda and to strengthen fiscal responsibility, accountability, and transparency;
- (4) Enhanced budget transparency in the **Marshall Islands** developing budget book schedules in the new FMIS. In **Timor-Leste** facilitated process designed to make budget ceilings binding;
- (5) Strengthened the Asset Management Framework in **Tonga** to help address audit queries on non-financial assets in the annual financial report;
- (6) In **Samoa** and **Tuvalu**, assisted the strengthening of cashflow forecasting and cash management practices for more effective utilization of cash resources;
- (7) Strengthened the internal audit functions in **Fiji** and **Samoa** through the adoption of modern standards and practices in accordance with the Institute of Internal Auditors (IIA); and
- (8) Strengthened the identification and analysis of fiscal risk in **Fiji** and **Samoa**.



Cook Islands PIMA Assessment, August – September 2022

## WORK PROGRAM EXECUTION

In FY2023, the PFM program delivered 20 missions or activities (totaling 401 TA days) comprising 17 missions to member countries and 3 regional workshops delivered, including one in conjunction with Fiscal Affairs Department. Against the FY2023 workplan that was updated in October 2022, this was an outturn of 87 percent of planned missions/activities (20 of 23), and 90 percent of planned TA days (401 of 448), of which 128 TA days were delivered by the resident advisors and 273 TA days by STX.

However, the outturn against the baseline FY2023 workplan, 69 percent of planned missions/activities (20 of 29 planned activities) were delivered utilizing 64 percent of budgeted TA days (401 of 628 planned TA days). It should be noted that with the opening of borders and resumption of in-country missions, FY23 has seen an upswing in activities/missions. In most cases, uncompleted missions have been carried forward to FY2024.

During FY2023, PFTAC completed the *AgilePEFA* assessment for **Palau**. The assessment highlighted the strengths and weaknesses of PFM practices and processes, which will form the basis for developing a PFM reform roadmap in FY2024.

Drawing on the 2022 PEFA assessment findings, **Nauru's** PFM Roadmap articulates a set of reform initiatives to support the achievement of the country's national development

goals, and the implementation of a sustainable medium-term fiscal strategy.

A PIMA and C-PIMA was undertaken for the **Cook Islands**. The assessment highlighted strengths and weakness in Public Investment Management (PIM) institutions and their effectiveness in practice. The C-PIMA assessed the incorporation of climate considerations within the PIM framework.

Work on modernizing PFM legislation in **Niue** and **Kiribati** continued. This work is ongoing with the respective authorities reviewing the drafts to ensure specific country context is addressed.

**Niue's** draft fraud and corruption control policy focused on the roles and responsibilities, management and prevention, detection, reporting process, response, monitoring, review and oversight.

Further advice and guidance were delivered to the **Marshall Islands** to enhance budget transparency. Advice was also provided on the Financial Management Information System (FMIS) configuration, specifically regarding the development of schedules for the budget book and treatment of extrabudgetary 'component' units. Support to **Timor-Leste** reviewed top-down budgeting processes aimed at making the budget ceilings binding.

Under the budget execution and control objective, further support was

provided to **Fiji** and **Samoa** in the adoption of Internal Audit Standards with the implementation of Internal Audit and Internal Audit Committee Charters and Quality Assurance and Improvement Plan.

Ongoing support to **Samoa** and **Tuvalu** on cash management and cashflow forecasting continues to build capacity in these countries for more effective utilization of cash resources. Training was provided to **Tonga** to support the progressive implementation of the asset management framework.

PFTAC provided assistance and training to **Fiji** and **Samoa** on identifying, analyzing and managing fiscal risks. Excel based tools for assessing risk levels were introduced. This work will continue over the medium-term and it is envisaged that both countries will start to publish fiscal risk narratives in the budget documents in 2024.

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 also hosted three workshops in FY2023: a remote workshop in conjunction with FAD on *Gender Budgeting*, a hybrid workshop on *Public Investment Management* incorporating climate dimension and one in-person event on *PEFA and PFM Reform Prioritization*.



Cook Islands PIMA Assessment Mission Team



Cook Islands Prime Minister, Mark Brown with FAD Senior Economist, Lesley Fisher at the conclusion of PIMA mission

## BOX 10. WORKSHOP ON PEFA AND PFM REFORM PRIORITIZATION – STRATEGIC DESIGN AND IMPLEMENTATION OF PFM REFORMS

After nearly three years of remote delivery of workshops, the PFTAC PFM team was delighted to convene the regional workshop on **PEFA and PFM Reform Prioritization** in-person during November 29 – December 2, 2022. The workshop was met with equal enthusiasm from the participants, who were provided with a better understanding of the processes surrounding diagnostics (specifically using the PEFA assessment); how to use the diagnostics for designing prioritized and achievable PFM reform action plans; and required institutional arrangements to support effective implementation, monitoring, and reporting. An introduction to Volume IV of the PEFA Handbook was presented, including how the PEFA findings can be used to inform reform action plans. Sessions provided an opportunity for countries to share experiences on successful approaches.

There was excellent sign-up for the workshop with 48 participants (20 male and 28 female) representing 15 of the 16 Pacific Island Countries (PICs). Delivery was through a mixture of presentations from the PFTAC mission team, and country case studies. The workshop was facilitated by the PFTAC PFM resident advisors, Iulai Lavea and Paul Seeds, and supported by Antonio Blasco from the PEFA Secretariat and Richard Allen, co-author of the IMF Working Paper “*Review of the Public Financial Management Reform Strategy for Pacific Island Countries, 2010-2020*”. Approaches to mainstreaming gender and climate into the reform agenda were discussed. Change management is often neglected during reforms—the workshop discussed how this could be developed into action plans. Plenary wrap up sessions pulled all the learning together and highlighted common issues across member countries.



In the **Cook Islands** PFTAC:

- (1) Conducted a PIMA and Climate-PIMA to evaluate the public investment management institutions and their effectiveness for the government as well as assessing the degree of integration of climate related risks in the public investment management cycle; and
- (2) A hybrid three-day Public Investment Management workshop was hosted in the Cook Islands to (i) familiarize participants with the PIMA/ C-PIMA framework; (ii) share the experiences of Anguilla and Cook Islands in undertaking PIMA/ C-PIMA evaluations; (iii) understanding good practices for appraisal and project management, and (iv) share experiences on the key challenges faced by PFTAC countries.

Support to **Fiji** included:

- (1) Follow on work to strengthen internal audit practices through the adoption of IIA standards and risk-based auditing techniques, Internal Audit and Internal Committee Charters;
- (2) A mission to develop a Quality Assurance and Improvement Plan, which is now been adopted; and
- (3) The commencement of identification and analysis of fiscal risk. This work will continue in future years, and it is envisaged that a fiscal risk statement will be published with the Fiscal Strategy in 2024.

In **Kiribati**:

- (1) Continued work on drafting of a modernized PFM Act and Sovereign Wealth Fund Act to provide appropriate support to ongoing PFM reforms and enhance transparency, accountability, and fiscal

responsibility. Further advice will be delivered in FY2024 to assist further tailoring of the drafts to the Kiribati context; and

- (2) The formulation of a prioritized and sequenced PFM Reform Roadmap, including a detailed action plan and required governance arrangements for monitoring and reporting reform progress.

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

- (1) Enhancing transparency in the presentation of the budget book. Advice was provided on the configuration of the new FMIS budget module for the budget book schedules and on categorization of extrabudgetary “component units” of government. Assistance on budget transparency including the budget book and budget execution reporting will continue in upcoming financial years.

In **Nauru**:

- (1) The PFM Roadmap focuses on implementing a sustainable medium-term fiscal framework; strengthen expenditure control, risk management and audit; strengthen state owned enterprise performance; and improve timeliness and transparency of fiscal reporting.

PFTAC assisted **Niue** with:

- (1) The draft fraud and corruption control policy aimed at identifying the minimum requirement and responsibilities for detecting, investigating, and preventing suspected fraud or corruption. This ensures that the public service acts legally, ethically and in the public interest, and staff understand their obligations and implement practices to stop fraud and corruption occurring in the Government.

PFTAC undertook an *Agile*PEFA in

**Palau**:

- (1) The PEFA highlighted areas of strengths and weaknesses in practices and processes within the PFM cycle. Palau is undertaking several reforms many of which are in their early stages and yet to deliver expected outcomes, e.g., the FMIS implementation and revenue reforms. The PEFA Report is currently undergoing peer review after which it is expected to receive the “PEFA check” and be published. The findings of the PEFA will inform the PFM Reform Roadmap mission scheduled for FY2024.

Support to **Samoa** comprised:

- (1) Continued support to implementing International Internal Audit standards, culminating in the drafting of the Quality Assurance and Improvement Plan;
- (2) A further mission on strengthening cash management and cashflow forecasting, including forecasting variance analysis. This support will continue into FY2024; and
- (3) Assistance initiating the identification and analysis of fiscal risk. Samoa is keen to raise the profile of fiscal risk analysis and mitigation by publishing a fiscal risk statement in the medium term.

**Tokelau** benefitted from PFTAC support:

- (1) To cost the delivery of the key national strategies and activities and draw up and monitoring and evaluation framework that the local authorities can use to systematically track the implementation of activities and report progress against the national plan strategies. This will in turn, provide useful information on areas for improvement and agency responsible for delivery each outcome.

CD delivery to **Tonga** is gradually improving:

- (1) Following the implementation of the Policy and Framework for fixed assets, the next step was to provide training for the counterparts to ensure they can maintain the framework and implement procedures going forward. The training covered the detailed accounting policies proposed in the draft Accounting Policy document as well as the stocktaking and asset validation procedures for Property, Plant and Equipment (PPE) assets including

the planning of the stock take, managing, and conducting the PPE stock take, validating the results of the stock take and reporting the results to senior management.

In **Timor-Leste** assistance centered on:

- (1) Review of top-down budgeting processes aimed at establishing binding budget ceilings. This is a medium-term project, intending to strengthen the publication of budget documents in line with international transparency

standards.

In **Tuvalu**, assistance was provided on:

- (1) Strengthening cash flow forecasting and cash management practices. Forecasting templates were introduced, and action plans proposed on strengthening bank reconciliation; timely recording of transactions in FMIS; and policies and procedures for managing budget carry-overs.

### BOX 11. REGIONAL HYBRID PIMA WORKSHOP

A three-day regional workshop on **Strengthening Public Investment Management** practices and building climate considerations into investment decisions was held in Cook Islands on September 6 – 8, 2022. The hybrid workshop was anchored around the PIM and Climate PIM assessments that were earlier concluded for Cook Islands. Twelve countries attended with a total of 49 participants of which 23 were women.

The workshop provided opportunity for countries to learn about the experiences of Anguilla and Cook Islands in undertaking PIMA/C-PIMA evaluations, understanding good practices for appraisal and project management; and sharing experiences on key investment management challenges faced by PFTAC countries.

The experience of Anguilla and Cook Islands highlighted weak institutional capacity which was shared by all countries as a critical constraint. With limited local capacity, it is important

that assessments are tailored to suit countries' needs and capacities.

The Climate PIMA sparked interest amongst participants, specifically in regard to building climate criteria into project design, appraisal, and selection. Discussions also brought out the importance of incorporating condition assessment data and climate vulnerability ratings into fixed assets registers. This is component will be developed progressively during PFTAC's Phase VI operations.

The program also included hands-on exercises on conducting cost benefit analysis. Participants found this extremely useful and expressed interest for more training in the future focusing on cost benefit analysis, project prioritization, project management and asset management frameworks.

In response, an online workshop is planned for early 2023 to provide capacity training on investment management and appraisal.



## D

# MACROECONOMIC PROGRAMMING AND ANALYSIS/ MACROECONOMIC FRAMEWORKS

## MAIN ACHIEVEMENTS

The PFTAC Macroeconomic Program delivers CD to countries 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. This includes understanding what changes to revenue collections and expenditures might be needed to ensure fiscal sustainability;
- (2) **GDP modelling** – Improving GDP forecasting techniques are critical to assess economic outlook and inform economic and financial

policy responses.

- (3) **Tax modelling** – the program has supported major tax reform processes through the provision of tax modelling. This modelling has allowed governments to understand the revenue and welfare impacts of tax changes providing policy options to the policymakers; and
- (4) **Other support** –forecasting a range of economic variables, such as inflation; industry contribution analysis and macro-fiscal budget presentation.

During FY2023:

- (1) Five PFTAC member countries received TA from the Macroeconomic program;
- (2) Two workshops were delivered, with 41 and 20 participants respectively attending from 14 out of the 16 PFTAC member countries;
- (3) Collaboration with STI in delivering advanced IMF Financial Programming training in two countries; and
- (4) Provided support to Fiji to build a detailed VAT forecasting model that can also be used for scenario analysis.



Joint Macro and Real Sector Statistics Workshop on GDP(E) Forecasting in conjunction with STI – November 2022, Fiji

## WORK PROGRAM EXECUTION

### MACROECONOMIC PROGRAMMING AND ANALYSIS

In FY2023, the Macro program delivered 16 missions or activities (totaling 268 TA days) comprising 13 missions to member countries and 3 regional workshops/ events.

Against the FY2023 mid-year workplan updated in October, this was an outturn of 89 percent of planned missions/ activities (16 of 18), and 100 percent of planned TA days (268 of 269), of which 160 TA days were delivered by the resident advisor and 108 TA days by STX.

The outturn against the baseline FY2023 workplan was 70 percent of planned missions/ activities delivered (16 of 23 planned activities), utilizing 85 percent of budgeted TA days (268 of 315 planned TA days).

FY2023 saw the re-opening of borders across the Pacific. While this enabled a strong return of tourism and growth in some countries, such as Fiji, others have seen only sluggish post COVID growth.

The war in Ukraine and its impact on food prices as well as rising oil prices have, however, placed downward pressure on growth in many PFTAC's client countries.

Governments now face the difficult task of rebuilding fiscal buffers in preparation for future crises, while also being cognizant of the likely downward pressure on growth that too rapid a withdrawal of fiscal stimulus could bring.

To assist countries in these choices, APD and PFTAC jointly published an IMF working paper on revenue mobilization in the Pacific (<https://rb.gy/xzfmq>). This paper found that most Pacific countries had room to increase tax revenues by an average of 3 percent of GDP in order to both pay down debt as well as to fund their development goals.

A total of four missions were carried

out in **Fiji**. The first two were in relation to VAT modelling. Although Fiji already has a VAT, there are different rates for different goods and services and a range of exemptions and zero ratings. The construction of a detailed 114 item VAT forecast model for the Ministry of Finance allows authorities to estimate the revenue impact of a range of potential scenarios.

Two missions were also carried out in relation to GDP(P) forecasting. These missions resulted in the construction of a new forecasting model, which utilizes a range of leading and co-incident economic parameters, including economic growth in major trading partners, to forecast economic growth.

In **Timor-Leste**, two in-country and two remote missions were carried out as part of the overall Financial Programming project. These missions carried out jointly with STI produced a Macroeconomic Projections Tool and covers all four sectors (Real, Fiscal, External and Monetary). The Timorese Finance Minister took a keen interest in the project, and it is expected to be used to help plan Timor-Leste's Medium Term Fiscal Strategy.

A Macro-Fiscal mission was carried out in **Tonga** that constructed a ten-year outlook GDP(E) and fiscal forecasting model aimed at easily running a range of macro-fiscal scenarios. Importantly, changes in government spending are treated as endogenous to GDP in the model, allowing authorities to understand the full impact of changes in government spending.

A Macro-Fiscal mission was carried out in **Tuvalu** which constructed a ten-year GDP(P) based macro-fiscal model building on earlier GDP forecasting work carried out by PFTAC. A range of scenarios can be examined by the model, including interactions with Tuvalu's Sovereign Wealth Funds.

Three missions (two in-country and one remote) were conducted in **Vanuatu** as part of the Financial Programming project. These missions carried out jointly with STI produced a

Macroeconomic Projections Tool and covers all four sectors (Real, Fiscal, External and Monetary). The model can also look at the likely impact of natural disasters, such as cyclones on growth and government finances.

A joint PFTAC/ STI one week *GDP(E) Measurement and Forecasting Workshop* was held in Nadi in November 2022 with a total of 41 participants attending from ten countries. The workshop focused on understanding how the components of GDP(E) are defined and measured, key economic concepts (the output gap, fiscal multipliers, general forecasting concepts) and both econometric and 'bottom up' approaches to forecasting.

A presentation was also made on the economic outlook, including risks and their transmission mechanisms, for the Pacific, with presentations also being made by participant countries.

The workshop achieved a 4.6/5 average rating by participants. Positive comments included: *'the forecasting sessions were very insightful and practical work provided were useful'*, *'the GDP forecasting concepts, Household Final Consumption, Government Final Consumption and other sessions that were related to Government expenditure were useful to me'*, and *'workshop exercises helped to develop and bring up thought provoking discussions and engagements'*.

The 'bottom up' component of the workshop focused on utilizing government budgetary data, donor spending, primary and secondary income from the balance of payments and estimates of subsistence agricultural production to build up both an estimate of current year outcomes as well as forecasts for several years into the future.

GDP(E) forecasting methodologies are of particular importance in the Pacific due to the very high share that government and donor spending, as well as remittance flows and subsistence agriculture constitute of GDP and gross national disposable

income (GNDI).

A joint PFTAC/ ICD one-week *Fiscal Frameworks* workshop was held in Nadi in March 2023 and was attended by 20 officials from nine countries. The workshop achieved a 4.7/5 rating by participants. The course focused on the objectives of fiscal policy and utilization of tools and economic concepts such as cyclically adjusted balances, fiscal rules, counter-cyclical fiscal policy and the output gap.

The course also taught participants how to improve fiscal transparency and thereby ensure that governments are publicly accountable for their fiscal policy outcomes.

Participants particularly found the exercise useful with comments including: *'the knowledge learned through this course will be applicable in assisting to develop and/or improve fiscal policy, economic assessment and budgetary framework for my country.'* and *'is highly relevant to my*

*work.'*

The South Pacific Central Bank Governors instigated *Correspondent Banking Relationships* project, running since early 2020, was wound up in June 2022. The reason for this included that most countries eventually opted to undertake their own national identification systems for correspondent banking purposes as well as concerns around demand by commercial banks.



Macro-Fiscal Framework Mission – April 2023, Tonga



VAT Modelling Mission, May-June 2022, Fiji



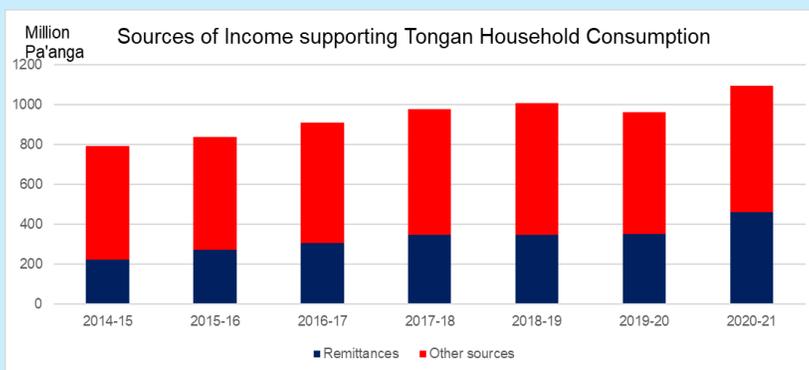
Financial Programming Training – September 2022, Vanuatu



Financial Programming Training – September 2022, Timor-Leste

## BOX 12. THE IMPORTANCE OF REMITTANCES IN SUPPORTING HOUSEHOLD CONSUMPTION IN TONGA

As part of a **Macro-Fiscal mission** to Tonga in April 2023, the role of remittances in supporting household consumption was examined. Remittances flows are recorded in the Current Account in the Balance of Payments. This includes both remittance flows from residents working abroad on a temporary basis, such as seasonal workers doing agricultural work in Australia or New Zealand, as well as remittances from former Tongan residents residing abroad on an ongoing basis and sending money back to Tonga.



Remittances are included in the current account of the balance of payments and in the national accounts data through the calculation of Gross National Income (GNI) which, especially in per capita terms, is an important indicator of purchasing power. Although not directly accounted for in GDP on the demand side, they do have an impact on consumption and to a more limited effect investment components, but the impact may be offset by extra imports.

This means that by examining past and expected changes in remittance flows, household consumption can be more accurately forecast. An examination of recent remittance flows into Tonga shows that they play an important role in supporting household consumption in Tonga, particularly during the difficult economic conditions caused by COVID-19.

The final product of the missions will be a comprehensive 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.

It is likely that a similar examination would also show the important role of remittances in many other Pacific countries, particularly those which have sizeable number of seasonal workers working overseas or large diasporas residing abroad. This shows the importance of guest worker schemes and longer-term working visas in supporting Households in Tonga and likely many other Pacific countries. This examination also represents an important forecasting parameter when examining the economic outlook of many of PFTAC's member countries.



PFTAC Advisor, Andrew Beaumont and STI Advisor, Rajan Govil with Vanuatu Officials - Financial Programming Training

## BOX 13. MACROECONOMIC FRAMEWORKS MISSION TO SAMOA

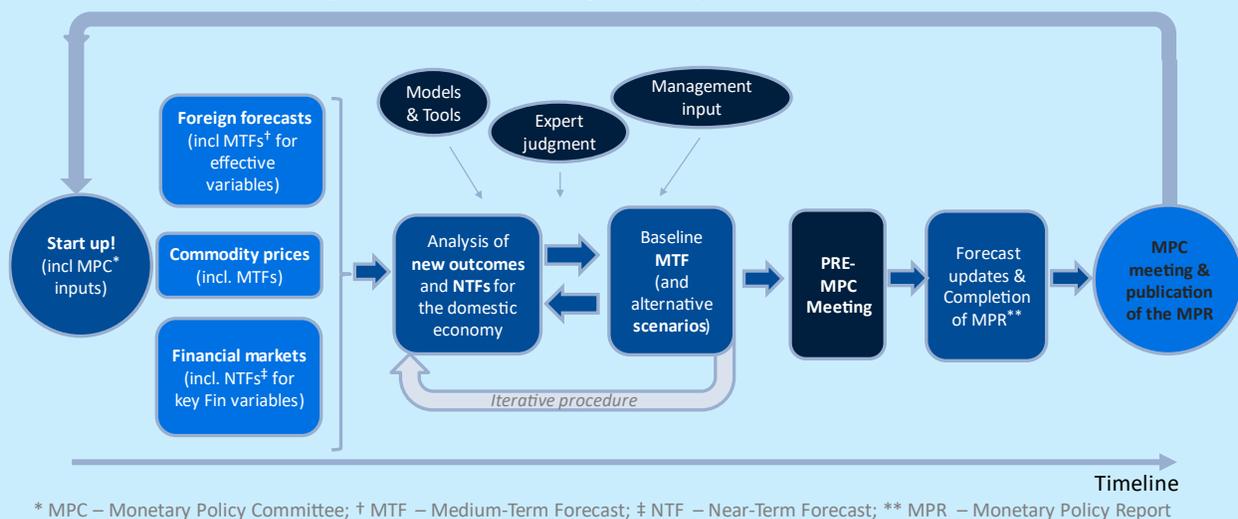
A new Macroeconomic Frameworks advisor joined PFTAC in March 2023. Shortly afterwards, he was a member of the ICD led Forecasting and Policy Analysis System (FPAS) / Nowcasting two-week mission to the Central Bank of Samoa (CBS). The mission was part of a technical assistance program of work to develop the CBS's modeling and analytical capacity, establishing processes and organizational structure that comprise a FPAS, and incorporating FPAS into the decision-making process at the CBS.

A FPAS is a means to an end. It facilitates a smooth and efficient process as well as decision-making under uncertainty. Although forecasting is an important element of a FPAS, the main benefit is from the process structure that it imposes. The structure is essentially a pre-determined, regular cycle of steps that are undertaken leading up to a policy decision. The structure has alignment with important data releases, adherence to deadlines, clear individual responsibilities, common discussion platforms (meetings in technical and decision-making fora), clear decision-making structures and points in time, with all known relevant information being considered.

Nowcasting supports the decision-making process by reducing the uncertainty inherent in determining the state of the economy "now"; especially in estimates of key economic variables, such as GDP, which are often only available with a significant lag.

### FPAS in brief

Once the monetary policy report is published, the FPAS process cycle starts again. The whole FPAS process is generally conducted over a set number of weeks. For well-resourced central banks, this can be as short as a month/4-weeks. Resource constrained central banks will generally have a much longer cycle e.g., 13 weeks.



The ICD technical assistance team conducted an in-person mission March 6-17, 2023. The mission assisted in the development of a GDP nowcasting model for incorporation into the CBS's FPAS by mid-2023; helped with the estimation of core-inflation measure and the neutral real interest rate; made progress in the development of an exchange rate pass-through (ERPT) model; and delivered a customized monetary policy course to officials from the CBS, Ministry of Finance and the Samoa Bureau of Statistics. It is expected that the nowcasting model and the new core-inflation measure could be updated in time for the CBS's next policy meeting in June 2023. CBS staff noted that the inflation modelling tool used in the monetary policy course could be a useful intermediary tool to both help establish an FPAS process, and as a precursor to a Quarterly Projection Model (QPM) constructed by the CBS itself. The various sessions were well received by CBS staff and management, with significant engagement throughout the two-weeks. Four missions (in-person and virtual) are expected to be delivered in the 2024 fiscal year.

The Macroeconomic Frameworks (macro-frameworks) adviser will be providing macro-frameworks development support to a number of PFTAC member countries. PFTAC's macro-frameworks adviser has provided technical assistance to PFTAC members in the past and is looking forward to engagement with authorities in the near future.

# 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) Improved data classifications enabling a more accurate estimation of the key fiscal indicators, such as net investment and net borrowing;
- (5) Continuous expansion of the GFS coverage, which materially improved the exhaustiveness of fiscal statistics in several countries;
- (6) Further increase in the coverage of PSDS; and
- (7) Largely uninterrupted production of the GFS in the region despite the immense pandemic related pressures faced by the national compilers.



Government Finance Statistics Training - April 2023, Fiji

## WORK PROGRAM EXECUTION

### GOVERNMENT FINANCE STATISTICS

With the assignment of a new GFS advisor in November 2022, the GFS program had been revitalized and could once again meet the large TA demand to improve and strengthen GFS.

Consequently, 9 single-country GFS missions (totaling 115 days) and two regional events (totaling 25 days) were delivered over FY2023: 45 days by the PFTAC GFS resident advisor and 95 days by IMF headquarters staff or STX. This is a material increase on the year before, when 6 missions took place.

Against the FY2023 mid-year workplan updated in November, this was an outturn of 92 percent of planned missions/ activities (11 of 12), and 95 percent of planned TA days (140 of 148).

The gradual reopening of the borders during 2022 allowed to conduct many of those missions in person. At the same time, the travel options remained limited in the region, which necessitated the continuation of remote mission provision where travel was deemed impractical.

The pandemic-related pressures, staff shortages and delays in many areas of data production, from procurement of the new IT systems to audits, had considerably slowed down the development of fiscal statistics. The FY2023 missions had to reassess the viability of the long-term development plans and provide a degree of capacity supplementation where the compilation of the GFS was altogether at risk.

The intensification of the TA program created the need for a rapid rebuilding of statistical expertise across the member countries. As a result, two regional GFS workshops were held: a remote one in August 2022 and an in-person workshop in April 2023.

The April 2023 workshop was devoted

to statistical classifications. This area requires further development in the region, with the statistical compilers often lacking the knowledge to deviate from the legal or accounting treatment of economic transactions. For this reason, the regional workshop included in-depth sessions on the delineation between taxes, administrative fees, and other types of revenue; the distinction between various types of grants, subsidies and other transfers; and the common problems in data mapping between accounting and statistical taxonomies.

However, the fragility of the GFS compilation across a number of countries, whereby a single compiler is combining the responsibility over the GFS with the production of other statistical outputs, makes the progress easily reversible. The vastly different level of participants' expertise necessitated the inclusion of the overview sessions on the core GFS concepts, linkages with other statistical and accounting frameworks and practical suggestions for avoiding suboptimal methodology and compilation practices.

In addition to the overarching themes, the main country-specific development areas were as follows:

- (1) A virtual STX-led mission to the **Cook Islands** reexamined and enhanced the business process for the quarterly GFS compilation, allowing the statistical authorities to resume the production of sub-annual fiscal statistics;
- (2) In **Fiji**, a combination of two in-person and remote missions continued the efforts to consolidate intra-public sector transactions and stocks – a task that was materially complicated by the conceptually asymmetric source data for the various sets of public bodies;
- (3) The TA in **FSM** and **RMI** focused on improving the timeliness of fiscal statistics in the light of the greatly reduced source data

availability. The ongoing transition to the new FMISs and the related reforms of the chart of accounts were also reviewed;

- (4) In **Kiribati**, the country's Sovereign Wealth Fund was included in the fiscal statistics for the first time with the assistance of a remote STX-led mission. Owing to the Fund's size and the nature of its interactions with the rest of the government sector, this would permit capturing the state of public finances and monitoring fiscal risks holistically;
- (5) In **Nauru**, the country's state-owned enterprises were at the center of the assistance program. With some of them being material relative to the size of the Nauruan economy, their exclusion from the GFS in the previous years complicated the analysis of potential fiscal risks;
- (6) In **Samoa**, the assistance concentrated on identifying the causes of the material inconsistencies between the budget estimates and the outturn statistics, and on recommending practical ways to align the two datasets when the new budget preparation cycle begins;
- (7) The TA to **Tonga** was focused on the breakdown of expenditure by economic function and on the data quality, identifying and eliminating irregularities in the transaction and stock classification so that the fiscal indicators could be correctly estimated. As the country had been affected by the natural disasters in the preceding years, the more ambitious task of expanding the coverage of fiscal statistics was deferred.

PFTAC continued to coordinate its GFS missions with the TA provided by the IMF headquarters. The TA to **Timor-Leste** and **Vanuatu** funded from the Data for Decisions (D4D) trust fund complemented the PFTAC activities in the region.

## REAL SECTOR STATISTICS

The ongoing COVID-19 travel restriction continued to impede in-person missions at the beginning of FY2023. Nevertheless, 18 missions (totaling 260 days) were delivered over FY2023 including two missions to Marshall Islands and Tuvalu covering External Sector Statistics (ESS).

Against the FY2023 mid-year workplan updated in November, this was an outturn of 106 percent of planned missions/ activities (18 of 17), and 121 percent of planned TA days (260 of 214), of which 83 TA days were delivered by the resident advisor and 177 TA days by STX.

Throughout the year, the program has concentrated in exploiting PFTAC's ability to deliver RSS capacity development that is joined up with other PFTAC LTXs, other IMF statistics programs delivering external and government finance statistics and with other CD providers in the region. Examples include:

- (1) A regional workshop in *Measuring and Modelling GDP Expenditure* held together with the Macroeconomics Program and another regional workshop held with the CDOT covering the relationships between the major systems of economic statistics;
- (2) Coordination with the PFM program to deliver advice to the Cook Islands Ministry of Finance and Economic Management to better understand the cost impacts of recent high inflation for budgeting;
- (3) Presentations to the South Pacific Community's workshop on Household Income and Expenditure Surveys (HIES) on the requirements for HIES for National Accounts and Price Statistics;
- (4) Remote participation in World Bank and Asian Development Bank project development meetings for countries in the

region; and

- (5) The first-time use of PIC statistician as an STX to provide CD to other states in the region.

In the **Cook Islands**:

- (1) A mission by two STXs provided TA to train newly appointed employees of the Cook Islands Statistics Office (CISO), replacing staff departing for New Zealand. The mission also provided recommendations for improving the quality of GDP estimates; and
- (2) Desk work with PFTAC's PFM team to assist the Cook Islands Ministry of Finance and Economic Management to better understand the cost impacts of recent high inflation for budgeting.

In **Fiji**, the Bureau of Statistics (FBOS) was supported by:

- (1) Deskwork and a mission to help develop experimental constant price GDP Expenditure estimates;
- (2) Training for new staff;
- (3) Assistance to review the draft statistics law; and
- (4) a review of new annual national accounts estimates for FY21.

For the first time, PFTAC drew on FBOS for STX for missions elsewhere in the region starting with the missions to Cook Islands mentioned above.

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

- (1) Assisting the Kiribati National Statistics Office (KNSO) to check and finalize the KNSO's 2021 GSP estimates and work towards a full rebasing by the end of 2024; and
- (2) A remote LTX mission to analyze the 2019 HIES for use as a preparation into rebasing.

## BOX 14. TOURISM SERVICES PRICE INDEX

One of the new areas for PFTAC's Real Sector Statistics program in FY2023 was a scoping mission to **Palau** to develop plans for the development of Price indices for production, exports and imports to supplement the Consumer Price index. As in many countries in the region, tourism plays an important role in the economy of Palau. The mission therefore recommended the creation of **Tourism Services Price Indices** as a priority. The work plan covers the development of robust price indices for the producers of Accommodation services; Food services (restaurants); Transportation and storage (diving and tourist boats); and Administrative and support service activities (car rentals and tourism agencies). Improved measurement in these areas will significantly enhance the accuracy of total measures of the size, growth, and productivity of the economy.

**Nauru** was supported with:

- (1) An LTX mission in country to evaluate the source data and compilation workbooks used in National Accounts, visit data providers to obtain inputs for 2021 and explore new sources, and improve the main compilation book.

**Niue** received an STX mission helping with:

- (1) updating the national accounts estimates to 2021, the introduction of updated and improved data sources, and updating documentation to reflect the current methodology.

In **RMI**:

- (1) An STX mission in country on ESS for the Economic Policy, Planning, and Statistics Office

(EPPSO) assisted in improving data collection and compilation practices for balance of payments and international investment position and preparing a compilation guide to mitigate the effects of staff turnover.

In **Palau**, PFTAC supported:

- (1) An LTX in-country mission to work with the Office of Planning and Statistics (OPS) and the US Graduate School to review the methodologies used for producing estimates of volume changes and produce recommendations for improvement. It also delivered a short course in the theory of deflation; and
- (2) An in country STX mission to OPS to scope areas for developing producer price indexes and international trade price indexes. A workplan was jointly developed with actions and outputs covering all development steps through to

dissemination with an inaugural publication scheduled for July 2024 and use in national accounts compilation for fiscal year 2023/24.

In **Papua New Guinea**, the RSS program provided:

- (1) An in-country STX mission to provide a set of feasible recommendations to improve the environment for the production of economic statistics as it relates to the production of national accounts.

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

- (1) A remote LTX mission to take forward the Central Bank of the Solomon Islands (CBSI) work on quarterly national accounts. As a result of the mission, the CBSI is equipped to produce timely, if simple quarterly GDP estimates; and

- (2) An in-country LTX mission and an STX mission to assist the Solomon Island National Statistics Office (SINSO) in releasing the 2021 GDP and preparing their systems for the upcoming GDP rebase with data from large household and business surveys.

Assistance to **Tonga** included:

- (1) A remote LTX mission to take forward the Tonga Statistics Department (TSD) work on quarterly national accounts. As a result of the mission, TSD is equipped to produce timely, if simple quarterly GDP estimates.

In **Tuvalu** PFTAC assisted with a:

- (1) A remote STX mission to assist the Central Statistics Division (CSD) to compile GDP for 2020 and 2021 in current and constant 2016 prices and make revisions to prior years.



Joint Macro and Real Sector Statistics Workshop on GDP(E) Forecasting in conjunction with STI – November 2022, Fiji

## BOX 15. REGIONAL EXPERT PROVIDES CAPACITY DEVELOPMENT TO COOK ISLANDS



PFTAC aims to promote the use of regional experts to lead capacity development missions in the region. In FY2022, PFTAC engaged a staff of Fiji Bureau of Statistics to provide technical assistance to Cook Islands Statistics Office jointly with an expert from IMF Statistics Division. The following is the experience shared by Mr. Bimlesh Krishna:

*“In February 2023 I went on my first TA contract to the CISO together with Mr. Richard Wild from the IMF Statistics Division in Washington. Together, we provided training on national accounts and reviewed the current data sources and methodologies used to compile GDP by production. We also made several recommendations to produce better quality estimates in current and constant prices and enhance supporting documentation. The CISO staff were very accommodating and friendly, and it was a pleasure working with them. I also found the mission professionally beneficial as it broadened my knowledge and understanding of the system of national accounts in other Pacific countries and gave me an opportunity to think outside the box for issues and challenges on statistical data collection and publications. Careful planning of the mission dates ensured that none of my deliverables at the Fiji Bureau of Statistics were hampered.*

*I would like to thank the Cook Islands Government Statistician & Chief Electoral Officer Ms. Taggy Tangimetua for the welcome from herself and her staff and the Chief Executive of the Fiji Bureau of Statistics Ms. Maria Musudroka for allowing me to join the IMF register of short-term experts and to undertake this assignment. I look forward to working with the IMF again”.*

**Bimlesh Krishna**  
**Chief Statistician Economic Statistics Fiji Bureau of Statistics**



RSS Advisor assisting the Nauru Bureau of Statistics on Updating GDP Estimates - November 2022

# 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 authorities<sup>2</sup>;
- (4) Upgrading off-site supervision and supervisory action planning frameworks; and
- (5) Enhancing supervisory capacity in advanced topics through combination of workshops and on-site examination trainings.

<sup>2</sup> The Basel Framework is the full set of 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.



ANNUAL MEETING OF THE ASSOCIATION OF  
FINANCIAL SUPERVISORS OF PACIFIC COUNTRIES  
NADI FIJI 12<sup>TH</sup> - 16<sup>TH</sup> DECEMBER 2022



## WORK PROGRAM EXECUTION

### FINANCIAL SECTOR SUPERVISION

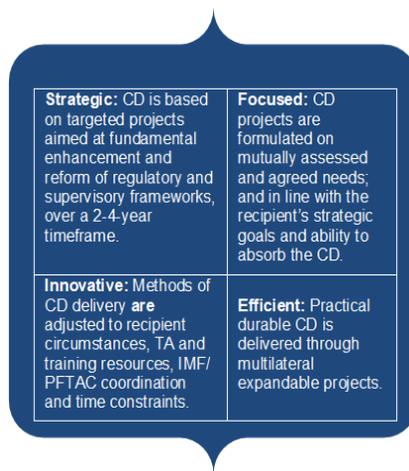
The FSS FY2023 program continued to take the reform of the financial sector regulatory and supervision frameworks of member countries to the next level by further aligning them with the Basel Framework and Basel Core Principles applying proportionality. PFTAC-delivered TA continued to assist countries modernize their risk-based supervision (RBS) frameworks and provide support in reforming some long-standing gaps and inefficiencies in regulatory frameworks and supervisory systems. Apart from continuing with the Supervision Framework Enhancement Program (SFEP), Banking Regulatory Reforms and cyber risk supervision, the capacity building initiatives expanded to include newer supervisory topics such as macro-prudential supervision, Pillar 2 of Basel Framework, Standardized Approach for Credit Risk and Stress Testing.

The easing of travel restrictions mainly in the second half of the fiscal year allowed PFTAC to deliver in-person TA in several countries enhancing the quality of interaction with the authorities. All the three FSS workshops were held in-person.

Overall, the FSS program delivered 18 of 21 planned missions/activities (86 percent outturn) of the FY2023 workplan adjusted at midyear, using 365 days of remote and field TA versus 340 planned days (107 percent outturn), comprising 150 LTX days and 215 STX days. This reflected the strong demand for in-person TA and continuation of the regulatory and supervisory reforms as the PICs emerged out of COVID-19.

The achievement of PFTAC's FY2023 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).

Figure 1: Four Pillars of PFTAC TA on FSS



### ENHANCEMENTS TO PRUDENTIAL AND RISK MANAGEMENT STANDARDS

Five countries (**Cook Islands, Solomon Islands, Tonga, Tuvalu, Vanuatu**) 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. In most of these countries, the focus of this TA was to assist the countries to conduct quantitative impact study of the newly developed/ upgraded prudential standards as they seek to align the domestic standards with Basel III Framework. In Tonga and Vanuatu, the TA also completed review of the remaining prudential standards (some had been reviewed in FY2022). The impact study templates are intended to estimate the impact of revised regulations on the capital ratios, liquidity requirements and lending capacity of banks. The templates provide for making projections of relevant items of balance sheet for next three years and computing key financial parameters of banks considering the projections and new regulations.

The status of implementation of prudential standards in the PICs where PFTAC is actively engaged with the authorities in reviewing/ developing the prudential standards is indicated in Table 8.

### 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, Tonga**).

### INSURANCE REGULATORY REFORM

PFTAC has been implementing an insurance reform project in the PICs with support from MCM. The project involves assistance in upgrading legislative frameworks for insurance sector and upgrading prudential standards to align them with the international standards. The project had progressed rather slowly during the COVID pandemic. However, it was reactivated during FY2023 with the organization of a workshop on *Insurance Sector Reforms* in April 2023. The workshop was designed to replicate and expand the work initiated with similar workshop held in 2019 to the remaining PICs. The participants were provided inputs to draft the insurance legislations adopting the model insurance law based on size, complexity, and risk profile of their insurance companies. Draft sample prudential standards for insurance companies were also provided during the workshop. The participants also benefitted from the sharing of experience of Fiji, Tonga, and Samoa in formulating the upgraded legislations and prudential standards. The workshop ended with discussion on potential bilateral TA engagements to further the insurance regulatory reforms.

**TABLE 8. PRUDENTIAL STANDARDS – ALIGNMENT WITH BASEL III 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         |                       |                |             |                          |             |                  | ●   |      | ●               | ●                          |       |
| C7         | ●                     |                | ●           |                          |             |                  |     |      | ●               | ●                          | ●     |
| C8         | ●                     |                |             |                          |             |                  | ●   |      |                 |                            |       |
| C9         |                       |                |             |                          |             |                  |     |      |                 |                            |       |
| C10        |                       |                |             |                          |             |                  |     |      |                 |                            |       |
| C11        |                       |                |             |                          |             |                  |     |      |                 |                            |       |
| C12        |                       |                |             |                          |             |                  |     |      |                 |                            |       |
| C13        |                       |                |             |                          |             |                  |     |      |                 |                            |       |

**TABLE 9. RISK MANAGEMENT STANDARDS – ALIGNMENT WITH BASEL CORE PRINCIPLES AND BASEL III GUIDANCE**

| Countries* | Governance | Risk Management | Credit Risk | Forex risk | IRRBB | Operational risk | Business Continuity Management | Cyber Risk | Liquidity Risk | Stress Testing |
|------------|------------|-----------------|-------------|------------|-------|------------------|--------------------------------|------------|----------------|----------------|
| C1         | ●          | ●               | ●           | ●          | ●     | ●                | ●                              |            | ●              |                |
| C2         |            |                 | ●           | ●          | ●     |                  | ●                              |            | ●              |                |
| C3         | ●          | ●               | ●           | ●          | ●     | ●                | ●                              | ●          | ●              |                |
| C4         | ●          | ●               | ●           | ●          | ●     | ●                | ●                              |            | ●              |                |
| C5         | ●          | ●               | ●           | ●          | ●     | ●                | ●                              | ●          | ●              |                |
| C6         | ●          | ●               | ●           | ●          |       |                  |                                |            | ●              |                |
| C7         | ●          | ●               | ●           | ●          | ●     | ●                | ●                              |            | ●              | ●              |
| C8         | ●          | ●               | ●           | ●          |       | ●                | ●                              | ●          | ●              | ●              |
| C9         |            |                 |             |            |       |                  |                                |            |                |                |
| C10        |            |                 |             |            |       |                  |                                |            |                |                |
| C11        |            |                 |             |            |       |                  |                                |            |                |                |
| C12        | ●          | ●               |             | ●          |       |                  | ●                              | ●          | ●              |                |
| C13        | ●          | ●               | ●           |            |       |                  |                                |            |                |                |

|   |                              |
|---|------------------------------|
|   | PFTAC TA not yet commenced   |
| ● | Draft under preparation      |
| ● | Standard issued and in force |
| ● | Information not available    |

\* In Tables 8 & 9, C1 to C13 refer to 13 PICs – Cook Islands, FSM, Fiji, Kiribati, Palau, RMI, Samoa, Solomon Islands, Tonga, Timor-Leste, Tuvalu, PNG, and Vanuatu. For confidentiality reasons, the countries have not been displayed in the charts in any specific order.

**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. **Fiji,**

**Samoa**, and **Tonga** have issued the prudential standards on cyber security. With the travel across the PICs opening, PFTAC organized first on-site cyber risk examination of a bank in Samoa as part of training in cyber risk supervision. Apart from the relevant staff of the CBS, two staff members one each from National Reserve Bank of Tonga (NRBT) and Bank of Papua New Guinea (BPNG) also participated in the training. Similar on-site examinations are planned in Fiji, Papua New Guinea, and Tonga during FY2024.

### ANNUAL MEETING OF THE ASSOCIATION OF FINANCIAL SUPERVISORS OF PACIFIC COUNTRIES

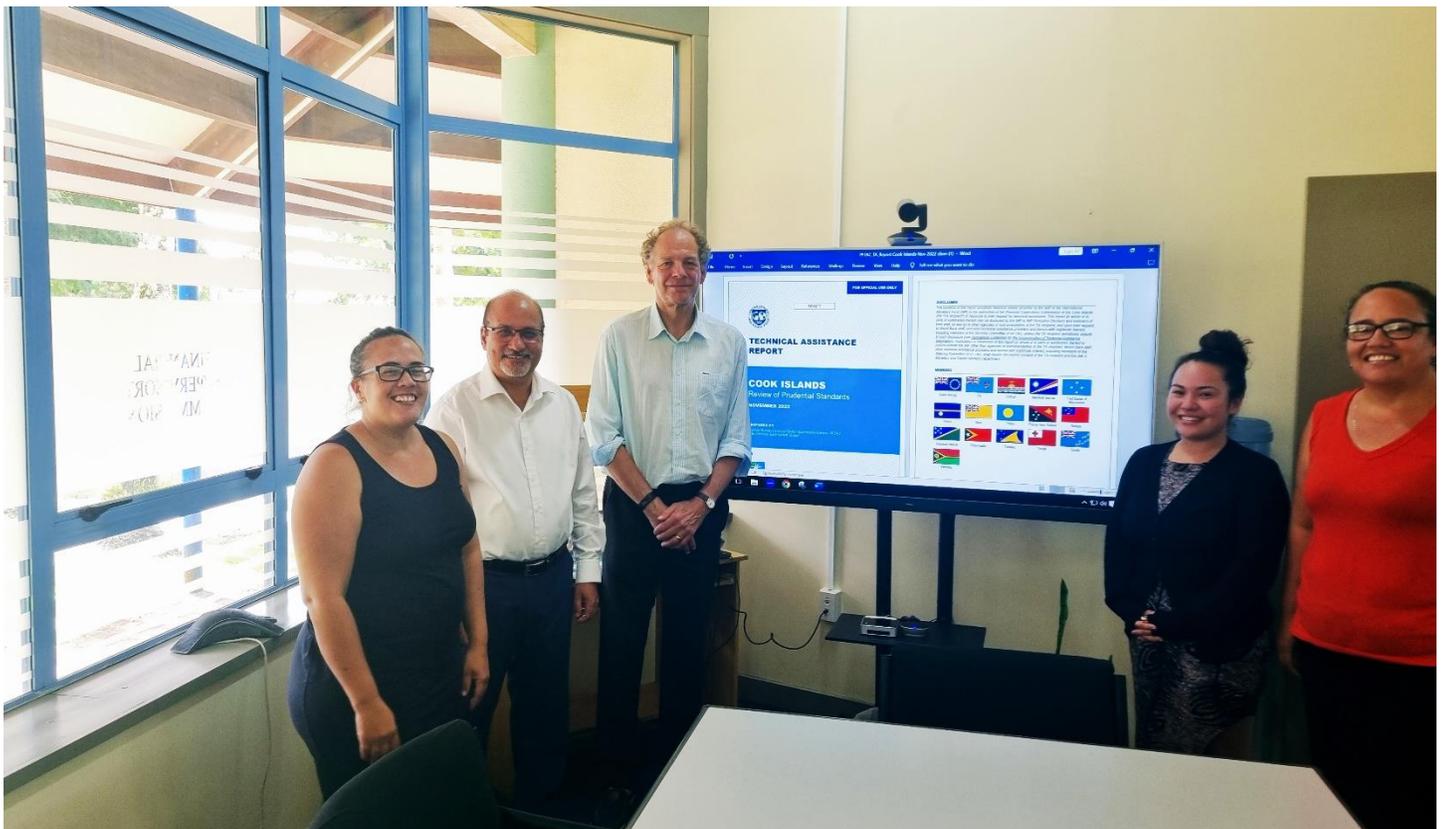
The annual meeting of the AFSPC was held at Nadi, Fiji from December 12 to 16, 2022. The event co-hosted by BPNG and PFTAC was chaired by BPNG. This annual meeting was held after a gap of three years due to travel-

related restrictions in the wake of COVID-19.

The meeting provided an opportunity for the participating countries to exchange financial sector information among themselves and discuss issues of common interest. Representatives of 11 PICs, Australia, New Zealand presented their country reports at the meeting. The workshop following the meeting was aimed at providing introductory training to staff of the supervisory authorities on various topics including credit risk management, macro-prudential capital buffers and Pillar 2. The participants benefitted from the presence of representatives from APRA and RBNZ at the workshop by way of learning from their supervisory practices relating to the topics covered in the workshop. ADB's representatives provided an update of their financial sector development and technical assistance activities in the region. The participants regarded this much

awaited meeting and workshop as a highly successful event. They considered the topics covered during the workshop very relevant for their current work and the supervisory initiatives planned for the near future.

Main highlights of the meeting included (i) identification of common regulatory and supervisory issues engaging the attention of the PICs and the need for support in terms of technical assistance from the international financial institutions that are active TA providers in the region; (ii) the streamlining of the rules regarding the convening of AFSPC's annual meetings in rotation and selection of Chair and Deputy Chair; (iii) recognizing the need for engaging in more collective activities of common interest between the two annual meetings; and (iv) creation of a preliminary list of activities that AFSPC can potentially undertake.



Review and Development of Prudential Standards for Banks Capacity Development, October-November 2022, Cook Islands

## BOX 16. REGIONAL WORKSHOP ON STRESS TESTING

In response to requests for technical assistance on stress testing received from the supervisory authorities of several PFTAC member countries, the Monetary and Capital Markets Department and PFTAC jointly organized an in-person **Workshop on Stress Testing** from March 27-31, 2023, at Nadi, Fiji. The workshop was delivered by Dimitrios Laliotis, Senior Financial Sector Expert from MCM and Javier Hamann, external IMF expert. Twenty-six participants from ten countries participated in the workshop. The objective of the Workshop was to provide basic training on solvency and liquidity stress testing and climate risk analysis to the staff of the participating authorities. The participants learnt basic concepts and techniques for conducting banks' stress tests based on supervisory data regularly collected as part of off-site surveillance.

In preparation for the workshop, PFTAC had circulated a questionnaire to member country authorities. The questionnaire attempted to capture the degree of the authorities' operational experience on stress testing, whether their current supervisory work involved the evaluation of stress test results, their capacity in terms of personnel skills and experience, and their coverage with respect to data that would be needed to run stress tests.

Based on the responses received, it was observed that the authorities had no or very little experience on stress testing tools and techniques, but they were quite keen in learning how they could start incorporating stress testing results in their systemic risk analysis and in their supervisory review process. The content of the workshop –lectures and hands-on sessions–was tailored to address such fundamental needs. The presenters used the responses to the questionnaires to adjust the level and complexity of lectures and hands-on sessions.

The workshop provided an introduction to a solvency prototype model that reflected the needs identified in the responses. It included a fully-fledged capital engine model apart from credit, market, and profitability modules. The stress testing tool kit included models and templates to support liquidity stress tests: LCR tests and Cash Flow Analysis. The presenters provided a comprehensive list of background papers and references to the participants and explained how they could start using stress test results in a more systematic way in the context of their micro- or macro-prudential mandate. The issue of data requirements was also addressed and discussed with participants how their reporting frameworks could be gradually augmented with the data required for the stress testing exercises.

Apart from providing technical inputs, the workshop helped in creating awareness among the supervisory authorities regarding the data and skills requirements for conducting meaningful stress tests that are based on scenarios with macro-models rather than simple sensitivity-based stress testing. Follow-up bilateral TA requests by several countries was evidence that the workshop was well received by the participants. Rajinder Kumar, PFTAC FSS Advisor assured that bilateral TA requests will be considered on a case-by-case basis once the authorities have been able to collect a critical amount of historical data. The participants were also provided guidance regarding institutional arrangements needed for conducting supervisory stress tests.



### STRESS TESTING WORKSHOP

Nadi, Fiji  
27-31 March, 2023



Financial Risk Analysis and Prudential Reporting Framework Mission, January-February 2023, Tonga



Regional Workshop on Insurance Regulation and Supervision - April 2023, Fiji

## G

PUBLIC DEBT  
MANAGEMENT

## MAIN ACHIEVEMENTS

- (1) Helping countries to strengthen debt transparency through the understanding and implementation of key concepts and practices, including recording, analysis, reporting and monitoring;
- (2) Improving capacity to develop and implement debt and risk management strategies that are focused on a public debt management objective; and
- (3) Supporting the capacity development of debt management best practice and fundamental of debt management.



Debt Reporting Capacity Development - November 2022, Timor-Leste

## WORK PROGRAM EXECUTION

The 2023 Public Debt Management Program for the Pacific region, funded by the Government of Japan and situated within PFTAC, continued the implementation of country specific CD programs. The programmatic approach builds the foundation for good debt management practice and allows for the absorption of technical assistance where country resources are constrained.

Work program activities in FY2023 were predominantly delivered in-person with the reopening of country borders after COVID-19 restrictions were lifted. Remote delivery of TA was conducted successfully and resuming in-person TA was appreciated and welcomed by country authorities.

In FY2023, the Debt Management program delivered 7 missions (totaling 145 TA days), comprising 6 missions to member countries, and one in-person delivered regional training workshop. Relative to the FY2023 workplan (updated in October 2022), this was an outturn of 58 percent of planned missions (7 of 12), and 65 percent of planned TA days (145 of 223). This lower-than-expected outturn was due to changing requirements and absorptive capacity of TA by member countries.

Given the relative infancy of debt management in the region, assistance continued to focus on establishing a sound foundation and understanding of debt management, including capacity development in debt management fundamentals, debt transparency, and building capacity to establish a medium-term debt management strategy. Establishing a strong foundation of understanding and structure for good debt management practice are essential areas for many PFTAC members.

### In **Tuvalu**:

- (1) The Debt Management advisor and STX Michele Robinson, assisted the authorities in strengthening capacity in the development and formulation of comprehensive debt reporting and monitoring through hands-on training. 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 of debt. At the conclusion of the training, Tuvalu debt management officials produced a draft quarterly debt bulletin that is anticipated to be finalized and published. In the interim, the capacity was utilized to enhance debt management reporting within the annual budget.

### At the request of the **Papua New Guinea** authorities:

- (1) A mission by STX Juan Carlos Vilanova Pardo, Robert Andreoli, and Gabriel Presciuttini worked closely with country officials to increase capacity in the utilization of the Medium-Term Debt Management Strategy (MTDS) framework and analytical tool (AT) to develop and implement 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 regarding cost-risk trade-offs. Following the TA, authorities are internally drafting and reviewing a DMS for publication.

### In **Vanuatu**:

- (1) STX Juan Carlos Vilanova Pardo

and Michel Vaugois assisted country officials to build further capacity in the MTDS AT and framework to enable officials to develop an updated debt management strategy. Following the TA, authorities are internally drafting and reviewing a DMS for publication.

### In **Timor-Leste**:

- (1) The Debt Management Advisor worked with country officials in strengthening capacity in the formulation of comprehensive debt reporting and monitoring. 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. Officials prepared a Quarterly Debt Bulletin template at the conclusion of the training.

In **Papua New Guinea**, STX Michele Robinson and Matthew Appleby, and in **Tuvalu**, STX Michele Robinson provided capacity development to officials in debt management fundamentals. This hands-on training assisted officials in understanding key debt management principles including the role and institutional arrangements for public debt management, the various sources of debt financing and creditor practices in different markets, understand the provisions in standard loan agreements and related documents, financial calculations using different market conventions, debt portfolio analysis, and debt and risk indicators. This capacity development enables officials to better understand their role as debt managers, manage the risks within the debt portfolio and operation, and improve the provision of analysis to senior policy makers.

## BOX 17. WORKSHOP - MEDIUM-TERM DEBT MANAGEMENT STRATEGY (MTDS) ANALYTICAL TOOL (AT) AND FRAMEWORK

The PFTAC Public Debt Management advisor, alongside STX Juan Carlos Vilanova Pardo and Matthew Appleby, delivered a regional training workshop during FY2023 on the **Medium-Term Debt Management Strategy (MTDS) Analytical Tool (AT) and Framework**. The workshop achieved good participation, with twenty-two participants from eleven countries in the Pacific region undertaking the training. This was the first in-person training workshop under the PFTAC debt management program.

The workshop undertaken was over a one-week period in Nadi, Fiji. Exchange of country experience proved successful, with officials sharing their knowledge and experiences, leading also to peer-to-peer engagement outside of the workshop.

The workshop focused on enhancing knowledge of the MTDS AT and framework, leveling up capacity and enabling the authorities to develop their own MTDS in the future. The workshop provided capacity development to enable officials to understand the purpose of developing an MTDS, how to prepare debt data, analysis of the cost and risk characteristics of the current debt portfolio, identification of financing sources, how to use the MTDS AT, analysis of alternative strategies based on the cost and risk tradeoff, and the development of a debt management strategy document. This will facilitate better understanding and control of the cost-risk tradeoff in debt management, which is particularly relevant given the increase in the debt in the region during recent years.

Individual and group exercises allowed participants to put their new knowledge into practice, culminating in a final group exercise that required participants to utilize the MTDS AT to develop and present a debt management strategy for their fictitious country based on given constraints and parameters.

Feedback verified that participants recognized the importance of developing and implementing a debt management strategy, the importance of this training to their work, and the requirement for further assistance in the implementation of the debt management strategy through an annual borrowing plan.



**SECTION III**

# **WORK PROGRAM**

(MAY 2023 – APRIL 2024)

# SUMMARY AND OVERVIEW

This provides an overview of the work programs scheduled for delivery from May 1, 2023, to April 30, 2024, which corresponds to the 2024 IMF fiscal year (FY2024). This marks the first year of Phase VI operations that will continue for five years till FY2028.

Fundraising for Phase VI is in progress, with adequate funding secured so far to finance at least two years of operations.

## WORKPLAN DEVELOPMENT

The development of annual workplans is an iterative process involving continuous dialogue with counterparts and authorities of the CD beneficiaries of the 16 PFTAC member countries. This dialogue particularly focuses on subsequent steps emerging from ongoing CD delivery efforts and the identification of new priorities. Regional workshops and training events generate interest and requests for new bilateral CD, often based on experience sharing with peers. The engagement of regional groupings like PITAA and AFSPC in PFTAC activities is also a trigger for new reforms and new CD demands. For example, the identification of training priorities for the PFTAC Revenue program is a collaborative effort with PITAA and its own training needs assessment.

Reflecting the close integration between the CD and surveillance mandates of the IMF, the PFTAC team is in regular contact with the country teams in APD. Twice a year more formal meetings are scheduled to review ongoing CD projects and reforms, and identify new or emerging priorities, that shape the policy dialogue between member countries and the IMF. To help inform these discussions and to document country programs, PFTAC updates a summary note for each country, detailing their ongoing CD engagement.

The FY2024 workplan development was based on meetings held between the PFTAC and APD teams from February to March 2023. By late March 2023, workplans were prepared for implementation starting in May 2023. Most CD activities are planned for in-person delivery, a minority will be conducted remotely. Hybrid engagement will allow for more continuous engagement and regular follow ups.

PFTAC has developed comprehensive FY2024 workplans for review and endorsement at the Steering Committee meeting on May 24, 2023. These workplans are presented in the same format as recent years, offering two perspectives: (1) by program structured around country projects defined by an RBM objective aiming to achieve one or more targeted outcomes; and (2) by country, similarly documented by programs. Summarized tabular versions of these workplans are laid out in the respective chapters for the various PFTAC programs in this section of the Annual Report. Full details of the FY2024 plans is available at [www.pftac.org](http://www.pftac.org)

**FY2024<sup>3</sup> WORK PROGRAM** strives to deliver CD assistance in core areas to meet member's demand:

- 2,315 TA Field days are planned (982 LTX and 1,333 STX), down by 14 percent compared to FY2023.
- 171 Activities are planned (157 missions and 14 workshops/regional events), up 8 percent compared to FY2023.

The planned activity for FY2024 is lower than the FY2023 level, which was characterized by high demand

<sup>3</sup> 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 FY2024 DM work program is provided separately in this report with 14 planned missions/activities using 346 TA days, comprising 65 LTX days and 281 STX days.

and the resumption of in-person activities. However, the workplan is more ambitious than any previous Phase V outturn. Flexibility and prioritization are crucial when planning CD support across member countries. To ensure viability of the programs and respond to increasing demand for CD due to challenging macroeconomic developments and climate change shocks in the region, the planning process follows key principles to safeguard resources and meet members needs such as organizing back-to-back missions, advance planning of missions as well as greater use of regional experts in the delivery of CD missions. During Phase 6, a larger share of resources will target the six FCS supported by PFTAC.

The plan is subject to a review process during the financial year, and PFTAC will strive to meet additional demand that may arise from new government priorities or economic shocks. In

November, at mid-year, a comprehensive review is conducted across countries and project to assess execution and adapt the program for the remainder of the year. The updated workplan, as well as any change in the financing scenario, is communicated to the Steering committee members.

**In terms of regional events**, 14 workshops/ activities are planned during FY2024, of which 11 will be in-person. All programs will deliver at least one event. PFTAC will strive to host some in different countries, depending on costs. A majority will however be hosted in Fiji. One event will be held across programs – the Macro and Macroeconomic Frameworks program will organize a joint training on Macroeconomic Diagnostics given the topics overlap across the two programs.

**TABLE 10. FY2024 PLANNED WORKSHOPS/ SEMINARS**

| Sector             | Partner | Location         | Topic  | Estimated Date        | Duration (Days) |
|--------------------|---------|------------------|--|-----------------------|-----------------|
| Macro/ MF          |         | Tonga            | Macroeconomics Diagnostics Workshop                          | Aug 28 - Sep 1, 2023  | 5               |
| FSS                |         | Marshall Islands | AFSPC Meeting and Workshop                                   | Nov 4 - 8, 2023       | 5               |
| FSS                |         | Fiji             | Cyber Risk Regulation and Supervision                        | Mar 4 - 8, 2024       | 5               |
| GFS                |         | Fiji             | Government Finance Statistics Training                       | Aug 22 - 26, 2023     | 5               |
| RSS                |         | Fiji             | Annual National Accounts Workshop                            | Aug 27 - Sep 1, 2023  | 5               |
| PFM                |         | Fiji             | Gender Budgeting Workshop                                    | Nov 11 - 15, 2023     | 4               |
| PFM                |         | Fiji             | Forecasting Fisheries Revenue Workshop                       | Feb 19 - 23, 2024     | 4               |
| PFM                |         | Samoa            | Cost Benefit Analysis - Investment Projects Workshop         | Sep 27 - 30, 2023     | 4               |
| Revenue            | PITAA   | Marshall Islands | Performance Management Short Course                          | Jul 9 - 13, 2023      | 5               |
| Revenue            | PITAA   | Papua New Guinea | PITAA Heads Workshop - Compliance Data Analytics for Leaders | Sep 27 - 29, 2023     | 3               |
| Revenue            | PITAA   | Virtual          | Emerging Women Leaders in Pacific Revenue Administrations    | Nov 20 - Dec 22, 2023 | 15              |
| Revenue            | PITAA   | Fiji             | Risk Analysis Training                                       | Nov 6 - 10, 2023      | 5               |
| Revenue            | PITAA   | Virtual          | Legal Interpretation Workshop                                | Apr 3 - 4, 2024       | 2               |
| Revenue            | PITAA   | Virtual          | Facilitating ISORA for the Pacific                           | Oct 2 - Nov 30, 2023  | 20              |
| <b>TOTAL</b>       |         |                  |  |                       | <b>87</b>       |
| DM                 |         | Fiji             | Pacific Regional DSA Training                                | Oct 23 - 27, 2023     | 5               |
| DM                 |         | Fiji             | Undertaking Effective Investor Relations Workshop            | Mar 11 - 15, 2024     | 5               |
| <b>GRAND TOTAL</b> |         |                  |  |                       | <b>97</b>       |

Changes to the overall work program are as follows:

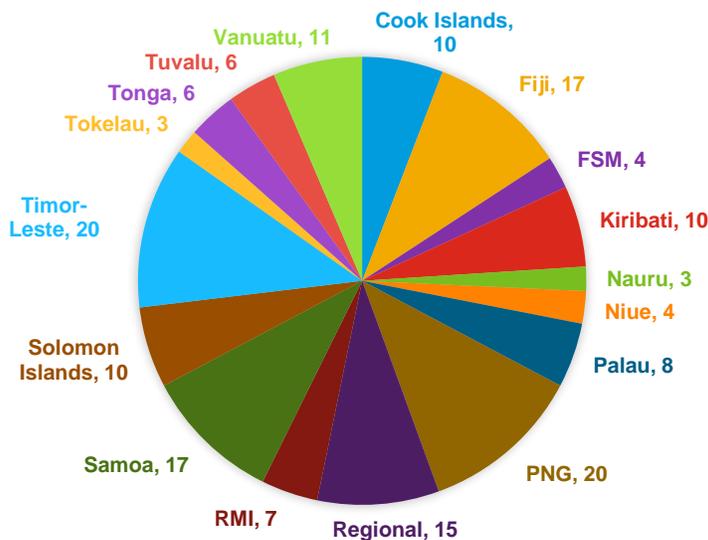
- The PFM program will expand significantly with 73 percent in TA days (401 to 693) and a 35 percent increase in missions (20 to 27). Work on advancing PFM laws and institutions, strengthening budget and fiscal reporting will continue with increased focus on improving public investment management. A PIMA and C-PIMA will be conducted for Samoa with a workshop on Cost Benefit Analysis of Investment Projects that informs decision making on the selection and design of identified project options and approaches. The program will emphasize the needs related to climate change and its impacts on the region. Climate related activities will further expand once funding is secured to finance the recruitment and activities for an additional advisor specialized in climate change issues.

- The Revenue program will operate at a budget level in line with pre-covid trends – but lower than the last two years. The planned activity declined by 22 percent (from 74 to 58) while the number of TA days declined by 47 percent (from 1,239 to 655). To offset the budget challenges, the program will provide 30 missions on remote basis. In the previous Phase, substantial additional and earmarked resources were allocated to the Revenue program to respond to growing demand from member countries on tax administration topics.

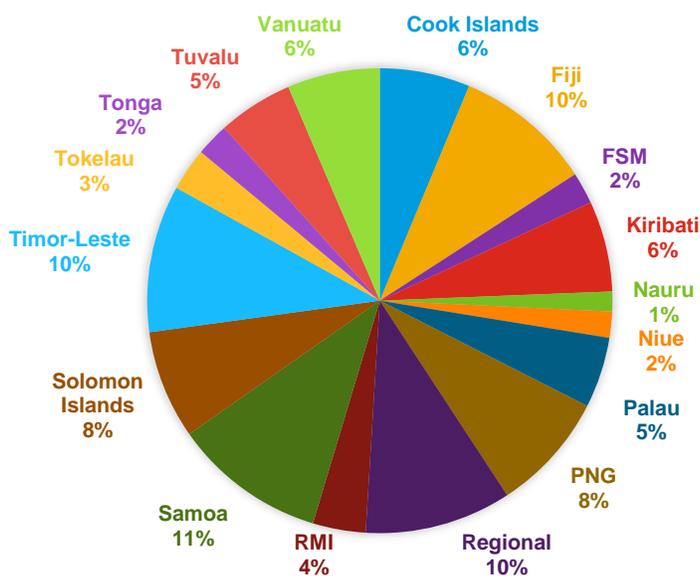
- Despite a decline in the number of TA days (268 to 231), the Macro program will retain the same number TA missions planned for FY2024. The program will complement the newly established Macroeconomic Frameworks program that aims to deliver 18 activities over 142 TA days. Joint country specific trainings are planned on financial programming

to **Papua New Guinea, Timor-Leste, and Vanuatu**. The Macro program will build on the macro-fiscal modelling projects that commenced in FY2023 in several countries. The Macroeconomic Frameworks program will primarily focus on FPAS/ Nowcasting and Financial Programming assistance.

**CHART 7. FY2024: 171 PLANNED MISSIONS/ ACTIVITIES**



**CHART 8. FY2024: 2,315 PLANNED TA DAYS**



- The FSS program plans to maintain a similar level of activity but with a reduced number of TA days (365 to 167) mostly due to a decline in STX days from 215 to 91 days. The cybersecurity regulations will be strengthened, and three trainings are planned for **Fiji, Papua New Guinea and Tonga** including a regional workshop on cyber risk regulation and supervision. Separately, additional TA activities have been identified for Papua New Guinea and will be executed subject to budget and funding scenario.

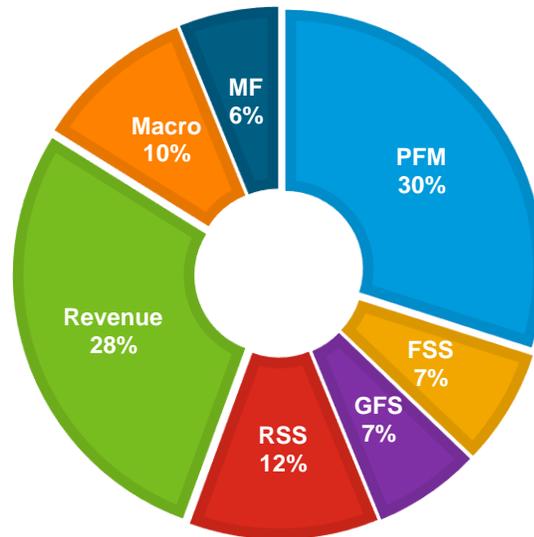
- Both Statistics programs envisage increased support during FY2024. With the full time GFS advisor in place, the GFS program will provide 154 TA days over 12 missions compared to 11 in FY2023. There is a marked increase in LTX delivery from 45 days to 102 days and a decline in STX days from 95 to 52 TA days. The RSS program will deliver 3 more missions in FY2024 (18 to 21) over 273 TA days, an increase of 5 percent from 260 days in FY2023. Two missions are planned on improving Balance of Payments statistics.

Given the change in the composition of the TA delivery at program level, the Revenue program would see its share of PFTAC activity decline to 28 percent (46 percent in FY2023). Growth in the PFM program will see its share double from 15 percent to 30 percent, leaving the share of fiscal related CD in FY2024 broadly unchanged (58 percent compared to 61 percent in FY2023). Movements in the other programs are modest - as a proportion of total delivery the FSS program is down (from 14 to 7 percent), the Statistics program up from 15 to 18 percent, and the Macro program share stable at 10 percent.

**COUNTRY LEVEL** planning will see a shift in the share of CD received by member countries considering funding scenario, prioritization of CD activities and TA demand from the membership. FCSs countries will represent a significantly higher share of CD.

- For the first time, **Samoa** will exceed the total share (10.6 percent) of CD dedicated to regional events which accounted for the biggest share in previous years. Significant support will be provided in PFM area with PIMA and C-PIMA planned for FY2024.
- Timor-Leste** accounts for second highest share (10.2 percent), moving from fourth place in FY2023 mainly owing to Revenue assistance to support the implementation of VAT as well as

**CHART 9. DISTRIBUTION OF FY2024 MISSION DAYS (2,315) BY PROGRAMS**



expanded training on financial programming under both Macro and Macroeconomic Frameworks programs.

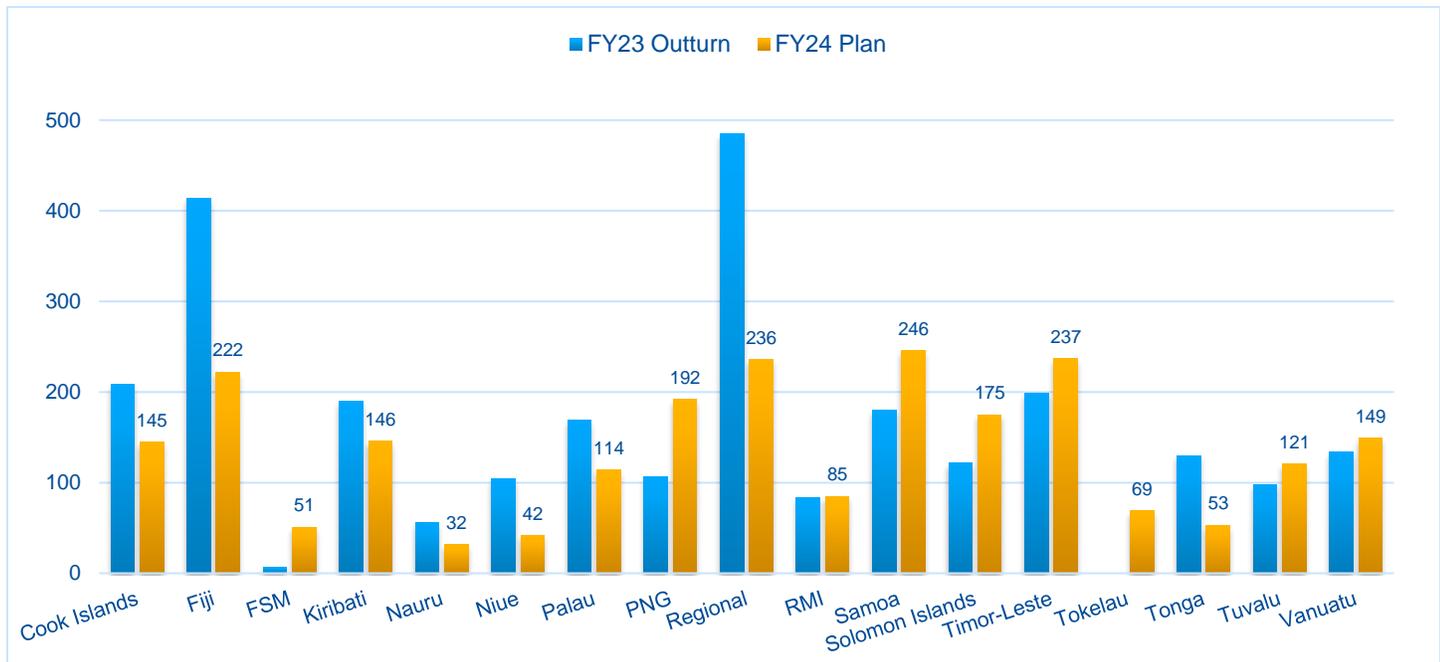
- The share of **regional** activities declines from 18 percent to 10.2 percent mainly attributed to a decline in the number of activities planned for FY2024 compared to a record high of 27 in FY2023.
- Fiji** drops from second to fourth place at 9.6 percent of the share. Fiji received massive support under Revenue program in FY2023 on performance management, organizational review and audit that is scaled down in FY2024 to provide space for the tax administrations to implement the recommendations of previous missions.
- Support to **Papua New Guinea** will increase substantially during FY2024 across all programs and share increased from 3.9 percent to 8.3 percent in FY2024 in line with recently approved Extended Credit Facility and Extended Fund Facility (ECF-EFF).
- Solomon Islands** share increases from 4.5 to 7.6 percent led by PFM assistance on drafting regulations, strengthening fiscal reporting framework and public investments.
- The share of TA support **Vanuatu, Kiribati, Tuvalu, RMI and Nauru** remain at a similar level in FY2024 over previous financial year, although the mix of TA support varies.
- Cook Islands** and **Palau** share of TA support decline due to scaled down Revenue support. The SOPs for Cook Islands have been developed while Palau has implemented the PGST in January 2023. **Niue** received assistance under RSS, PFM and Revenue programs in FY2023, however in FY2024 CD support will only be provided under RSS program leading to a decline in share from 4 percent to 1.8 percent. **Tonga** is in the process of defining their strategic priorities and will identify CD needs once this is finalized – the share drops from 4.8 to 2.3 percent.
- FSM** will see increased support in FY2024 while **Tokelau** after many years of no CD activity will engage across three programs in FY2024 with 3.0 percent share of total TA days.

The proportion of CD planned for FCS, which includes six PFTAC member countries will rise increase substantially in FY2024, accounting for 37 percent of planned TA

days (861 of 2,315), from 23 percent in FY2023. This growth is in line with the IMF's new FCS strategy adopted by

the IMF board in 2022. The growth also reflects a surge in support for Timor-Leste, particularly in revenue administration to assist in tackling urgent revenue mobilization imperatives.

**CHART 10. FY2024 WORKPLAN (2,315 DAYS) vs. FY2023 OUTTURN (2,685 DAYS)**



## BUDGET AND FUNDRAISING

The total budget for Phase VI, including external funding and IMF resources, is estimated at US\$ 43.5 million. External funding of US\$ 40.0 million is targeted, of which 90 percent (US\$ 36.0 million) is sought from donors and 10 percent (US\$ 4.0 million) from member countries, and the IMF contribution will be US\$ 3.5 million. Fundraising commenced during FY2022 with LOUs shared with members to finalize the agreement and contribution amount. Close management and financial oversight of PFTAC operations seeks to maximize value for money, including by preserving the strong partnerships with existing donors—all of whom have expressed interest in continuing their contributions to Phase VI. At the start of FY2024, US\$ 22 million of funds have been secured from donors and members sufficient to finance at least the first two years of operations.

**TABLE 11. PHASE VI BUDGET (US DOLLARS MILLIONS)**

| Project                                | Phase VI       | FY2024     |
|--|----------------|------------|
|  | Working Budget | Budget     |
| Public Financial Management            | 8.5            | 1.7        |
| Revenue Administration                 | 8.5            | 1.7        |
| Banking Supervision and Regulation     | 4.3            | 0.9        |
| Real Sector Statistics                 | 4.3            | 0.9        |
| Government Finance Statistics          | 3.3            | 0.7        |
| Macroeconomic Programming and Analysis | 3.3            | 0.7        |
| Macroeconomic Frameworks (ICD)         | 3.0            | 0.6        |
| Others                                 | 2.2            | 0.4        |
| <b>Total TA Provision/ Delivery</b>    | <b>37.4</b>    | <b>7.5</b> |
| Trust Fund Management                  | 2.6            | 0.5        |
| <b>TOTAL</b>                           | <b>40.0</b>    | <b>8.0</b> |
| IMF Contribution                       | 3.5            |            |
| <b>TOTAL</b>                           | <b>43.5</b>    |            |

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

The cash balance from Phase V is US\$ 1.3 million, approved by the Steering Committee for a roll over to Phase VI will increase the cash availability. The proposed FY2024 budget, which includes the management fee, is US\$ 8.0 million. This amount is slightly higher than FY2023 outturn of US\$ 7.6 million as it covers the full year cost for the GFS and Macroeconomics programs. PFTAC programs will be delivered by 9 LTXs with the additional PFM Climate expert to be recruited if sufficient funding is secured.

**TABLE 12. PROPOSED FY2024 BUDGET BY PROGRAM (US DOLLARS)**

|                                       | Revenue          | PFM              | Macro          | FSS            | RSS            | GFS            | MF             | Other          | Total            |
|---------------------------------------|------------------|------------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Resident Advisors (Long Term Experts) | 680,000          | 680,000          | 350,000        | 345,000        | 310,000        | 270,000        | 350,000        | -              | 2,985,000        |
| Direct TA Delivery                    | 1,020,000        | 1,020,000        | 310,000        | 515,000        | 550,000        | 390,000        | 250,000        | 410,000        | 4,465,000        |
| <b>Total TA Provision/Delivery</b>    | <b>1,700,000</b> | <b>1,700,000</b> | <b>660,000</b> | <b>860,000</b> | <b>860,000</b> | <b>660,000</b> | <b>600,000</b> | <b>410,000</b> | <b>7,450,000</b> |
| Trust Fund Management Fee             | 119,000          | 119,000          | 46,200         | 60,200         | 60,200         | 46,200         | 42,000         | 28,700         | 521,500          |
| <b>Total Trust Charges</b>            | <b>1,819,000</b> | <b>1,819,000</b> | <b>706,200</b> | <b>920,200</b> | <b>920,200</b> | <b>706,200</b> | <b>642,000</b> | <b>438,700</b> | <b>7,971,500</b> |

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

# REVENUE ADMINISTRATION

PFTAC's Revenue Administration program expanded during Phase V in response to country demand, thematic priorities, and ad-hoc additional financing.

In FY2024, available funding has been impacted by emerging global priorities in Revenue Administration, including war in Ukraine, regional programs, and the new MTRS in Papua New Guinea. The return to in-country CD delivery and increased travel costs also impacts the amount and modality of CD available.

The Revenue program will continue to provide support to member countries in meeting their revenue mobilization needs, including those related to COVID-19 as well as emerging challenges such as climate change and natural disasters. This will be achieved by utilizing appropriate delivery modalities, such as in-country, hybrid, and virtual approaches, within the available resources. Additionally, the program fully integrates gender equality dimensions.

The PFTAC CD strategy for revenue administration focus towards:

- Objective 1: Strengthened revenue administration



management and governance arrangements; and

- Objective 2: Strengthened core tax administration functions.

Under the proposed FY2024 workplan, 58 missions/activities are planned versus an outturn of 74 missions in FY2023, a 22 percent decrease, requiring an expected 655 TA field days (143 LTX and 512 STX), down 47 percent from 1,239 in FY2023 (100 LTX and 1,139 STX). The FY2023 missions include 3 missions (25 STX days) to assist with tax legislation in 3 countries. The workplan is planned on in-person mission delivery

complemented by remote engagement where practical.

More specifically, assistance in FY2024 and throughout Phase VI will be aimed at:

- Improving tax administration core functions;
- Design and implementation of MTRS;
- Supporting tax administration efforts for sufficient staff;
- Robust and fair revenue systems;

- The challenges of international tax issues;
- Supporting stronger integrated tax administration systems and digitization;
- Improving risk management and data analytics
- Further enhancing organizational structures;
- Assisting with areas like extractive industries and small and medium enterprises;
- Continuing training workshops delivered jointly with PITAA;
- Increasing cooperation and collaboration with other development partners and programs; and
- Improve information sharing, including protocols.

Furthermore, the Revenue program will remain flexible and responsive to the specific needs of individuals countries, considering the time constraints of executives and other staff.

To achieve the program's FY2024 goals, various modalities will be utilized for delivering and engaging in capacity development, as well as sharing knowledge and providing advice:

- Country-specific work: visits, reviews, and workshops
- Cross-country work: training and regional conferences
- Online courses
- Social media presence
- How to Notes on specific topics

This will involve maintaining a continued focus on supporting IMF's surveillance, providing technical assistance, and offering advice that contributes to capacity development in key areas such as strategy, structure, and core functions.

Various factors play a role in the impact of our capacity development and a country's success in

## HOW WE DELIVER CD - FAD'S CAPACITY DEVELOPMENT

Recognizing that capacity building is a long-term endeavor that involves multiple stakeholders and requires strong political commitment and ownership, the FAD CD model is based on a multiyear programmatic approach focusing on transformational fiscal reforms.



DIAGNOSTIC ASSESSMENT



REFORM STRATEGY ELABORATION



SEQUENCED IMPLEMENTATION



EVALUATION AND RE-PRIORITIZATION

implementing reforms. In addition to delivering sound technical work in line with international best practices, the "softer" aspects of reform processes - which are often overlooked - also play a significant role. As part of our support for transformational efforts, we will address issues that require changes in attitudes, beliefs, or behaviors, as well as emphasizing the importance of clear ownership of the reforms by the authorities.

**AT THE REGIONAL LEVEL**, the activities planned for FY2024 will continue building on the shift in modality towards shared learning that was introduced in FY2023. Through partnerships with PITAA and other development partners, we will strive to facilitate the ongoing shift towards the use of networks and communities of practice among PICs, with the aim of enhancing coordination, cooperation, and collaboration.

The following workshops have been identified for delivery in FY2024 in partnership with PITAA:

- **Performance Management** short course for Micronesian countries;
- **Tax Risk Analytics** training for Compliance Improvement;
- **Emerging Women Leaders** in PICs network;
- **Legal Interpretation and Understanding** of Use of Legal Powers, and
- **Facilitating the ISORA** data collection (building on all PICs completing ISORA in 2022).

PFTAC will continue to undertake and provide support for regional activities led by partners in key thematic areas such as Gender, Digitalization, Fragile and Conflict-Affected States, Governance & Anti-corruption, Climate Change, GovTech, and other emerging issues.

**IN TERMS OF COUNTRY ACTIVITIES**, two resident advisors will be available to provide support for country-based capacity development throughout FY2024. The program's experience in responding to country requests over recent years has enhanced its ability to respond quickly. Furthermore, having adapted to new remote working methods, remote engagement will continue to be utilized in the future. This approach allows for the tailored design of capacity development activities through remote or hybrid mixed modalities, where appropriate.

Several countries will see increased support. PFTAC will support **Papua New Guinea** undertake a new MTRS in the context of the new Fund supported program. **Timor-Leste** is implementing a VAT system and requires additional support from PFTAC. Similarly, **Solomon Islands** is in the process of modernizing its revenue administration through an ADB-led project and has requested ongoing support from PFTAC to develop enabling capabilities.

In all PFTAC countries, the program will concentrate on consolidating the implementation of key reforms, building upon the capacity development already provided. The

primary objective is to enhance revenue collection in the face of COVID-19 recovery and ongoing external threats, achieved through action planning, data and risk management, strategic planning, and investing in human resources.

**Cook Islands** support will focus on ensuring an appropriate organizational structure is in place, improving compliance and the audit capability, and a general capability uplift through reviews of training activities and supporting materials:

- Update the Compliance improvement strategy;
- Building on regional training in performance management (people), including job descriptions; and
- Reviews of Collections training products.

**Fiji** has undergone organizational changes. The new government focuses on rebuilding the revenue and customs administration. The CEO has prioritized people, performance, risk assessment, analytics, and international tax capability. Support is requested in the following:

- Organizational planning, monitoring, and reporting;
- Training on risk analysis and analytics;
- International tax frameworks;
- Performance management system readiness; and
- Understanding and addressing serious non-compliance and tax evasion.

**FSM** has an in-country long-term expert sponsored by World Bank. The authorities are also considering far-reaching tax policy reforms as an outcome of national tax reform commission developments. In this context, support will be limited until a request is received.

- Review of assistance required with a focus on a diagnostic assessment.

**Kiribati's** focus will continue strengthening audit skills and

encouraging voluntary compliance through improved taxpayer services. This complements assistance financed by the EU and will include:

- Strengthening audit function capabilities;
- Building on regional training in performance management (people);
- Improving taxpayer services to support voluntary compliance; and
- Review of assistance required with a focus on arrears.

**Marshall Islands** has made some progress on implementation and action plans, but there have been some challenges in the process. There have been discussions on tax reforms, including the potential introduction of a Consumption Tax; however, further progress may take some time. Activity will be:

- Sub-regional performance management (people) training to improve people capability; and
- Review of assistance requirements.

As a small administration, **Nauru** has limited absorptive capacity. Yet they are stretching to review and improve audit capacity, compliance, and integrated tax administration system. Support will include:

- Assistance with compliance improvement strategy, structure, and large taxpayer approach;
- Regional engagement in integrated tax administration system; and
- Regional training in performance management (people).

**Niue's** focus for the upcoming year will be to advance the capacity development provided towards the end of FY2023 and consolidate its efforts around a medium-term plan that its administration has the capacity to support.

**Palau** is in the middle of implementing the GST and BPT. This is the first step of their tax reform agenda. CD in FY2024 will focus on support and review of current reforms and tax

reform phase 2:

- Tax reform preparation and support; and
- Review of PGST and BPT CD support and reform implementation.

PFTAC will provide six missions to **Papua New Guinea** to assist with the new MTRS and continue support for the ambitious change agenda under the IRC strategic plan:

- Digital transformation, including procurement of a new revenue management system;
- Organizational design implementation and training;
- Legislative reform of the Income Tax Act;
- Improving taxpayer compliance; and
- Capability development in Change Management.

Assistance to **Samoa** is planned to increase in FY2024. The recent current state assessment identified the need for strengthening in all areas of tax administration. Priorities for FY2024 Workplan and beyond:

- Organization design and implementation;
- Strategic planning;
- Further improving risk management;
- Strengthening audit;
- Improving debt and returns management;
- Improving taxpayer services; and
- Enhancing industry partnership strategy.

PFTAC's collaboration with the ADB-led modernization project will continue to assist the **Solomon Islands**. The IRD has been making steady progress on tax modernization reforms and recommendations. The modernization project has developed an Inception Report. While aspects of the modernization effort will be included in the project, areas where support of PFTAC in FY2024 was specifically identified include:

- Organizational structure implementation;
- Human resource management

- capability;
- Auditor skills development;

In future years, support is requested in:

- Arrears management;
- Data integrity (registration data / uncollectable debt);
- Continuing to improve taxpayer services;
- Support IRD 'self-assessment' prior to ADB mid-project review; and
- Gender and social inclusion.

**Timor-Leste** has embarked on an ambitious program of reform, including the design and implementation of a VAT, which was developed with PFTAC's support. The Minister of Finance has requested regular support to aid in this effort. The current focus is on recruiting a VAT advisor, with support from PFTAC and Australian Department of Foreign Affairs and Trade (DFAT), as well as reform activities and the accession process to the Association of Southeast Asian Nations (ASEAN) and the World Trade Organization (WTO) membership. Priorities include:

- Finalize/ implement a strategic

- plan;
- Develop Internal Audit Strategy;
- Overhaul filing and payment compliance and management;
- Redesign audit business processes;
- Build staff audit capability;
- Improve organization arrangements;
- Focus on large taxpayers; and
- Subject to legislation, support implementation of VAT.

**Tonga** was affected by volcanic eruption and devastating tsunami on top of COVID outbreak which affected PFTAC activities in the country. The authorities plan to strengthen core tax functions such as audit, debt and return management and taxpayer services and improve the integrity of their data and register. Business continuity planning will be a high priority, along with:

- Review strategic plan;
- Strengthening tax audit;
- Improving risk management and compliance improvement strategy;
- Improving debt and returns management;
- Implementing industry partnership strategy; and

- Improving taxpayer services and developing a service and communications strategy.

**Tuvalu** will receive support in continuing the progress of the implementation of the compliance improvement strategy and operational plan. Organizational arrangements will be a priority:

- With authorities, plan to facilitate a modern tax administration and CD requirements;
- Support organizational design, approval, and implementation; and
- Support Assessment of Exchange of Information requirements.

As we close FY2023, **Vanuatu** is recovering from natural disasters. This will seriously impact the capacity in Vanuatu for CD, with efforts rightly focused on recovery. However, the government will need funds to rebuild and PFTAC plan to support:

- Filing, payment, and debt management.

**TABLE 13. FY2024 WORK PROGRAM – REVENUE ADMINISTRATION**

| Beneficiary   | Mode              | Activities   | Current Position  | Expected Outcomes  | Comments/ Risk   |
|---|-------------------|--|---|--|--|
| <b>STRATEGIC OBJECTIVE 1: BETTER REVENUE ADMINISTRATION, MANAGEMENT AND GOVERNANCE ARRANGEMENTS</b> |                   |  |   |  |  |
| Cook Islands  | LTX [remote]      | Review of reforms and CD planning  | Administration implementing CD recommendations and actions                                  | Progress assessment completed and future CD requirements confirmed | Outcome of review will determine specific assistance required - outcome & activities may change  |
| Cook Islands  | STX [remote]      | Update Compliance Improvement Strategy (CIS)                                     | Current CIS requires renewal  | CIS priority areas refreshed, and plan reviewed                    | Impact of COVID may change focus of CIS  |
| Fiji  | LTX [in-country]  | Design and implement organizational planning, monitoring, and reporting function | No clear line of sight between strategic plan and organizational and individual performance | FRCS ability to plan and report effectively improves               | Urgent need for a function that plans, monitors and reports, and ensures the right mix of activities to optimize resources and revenue |
| Fiji  | STX [in-country]  | Provide training on risk analysis  | As per needs analysis, CIS strategy and IMF development of guidance and tools               | Capability of RAFIT staff is increased                             | A starting level of capability should be assessed from which to measure improvement  |
| Fiji  | STX [remote]      | Inclusive Framework/ BEPS  | Government considering signing up to BEPS inclusive framework                               | Analysis is used to help with decision to join Global Forum        |  |
| Fiji  | LTX [in-country]  | Review reform progress   | Administration implementing CD recommendations and actions                                  | Project plan is tracking to time and budget                        | Outcome of review will determine specific assistance required - outcome & activities may change  |
| Fiji  | LTX/ STX [remote] | Readiness assessment for implementation of new                                   | No clear line of sight between strategic plan and organizational and                        | Ratings for each key project milestone assigned, and used to       |  |

| Beneficiary      | Mode             | Activities   | Current Position   | Expected Outcomes  | Comments/ Risk   |
|------------------|------------------|--|--|--|--|
|                  |                  | Performance Management system  | individual performance   | decide go/no-go on implementation  |  |
| Fiji             | STX [remote]     | Transfer Pricing regulations, Amendment to address gaps in Income Tax legislation regarding BEPS, DTAs and APA | Government considering signing up to BEPS inclusive framework  | Regulations and amendments accepted and enacted  |  |
| FSM              | LTX [in-country] | Review of reforms  | Administration implementing CD recommendations and actions   | Progress assessment completed and future CD requirements confirmed   | Outcome of review will determine specific assistance required - outcome & activities may change  |
| Kiribati         | STX [in-country] | Organizational Design / Taxpayer Services  | Compliment to EU funded work to improve taxpayer services in Income tax                                  | Taxpayer services and organizational design improved to support compliance of taxes other than income tax  |  |
| Kiribati         | LTX [in-country] | Review reform progress   | Administration implementing CD recommendations and actions   | Progress assessment completed and future CD requirements confirmed   |  |
| Marshall Islands | STX [in-country] | Progress implementation of performance management (people) to improve people capability                        | No clear line of sight between strategic plan and organizational and individual performance              | Support progression and implementation of PMS, building on PMS workshop, in IRC ahead of the annual staff reviews  | Authorities requested assistance to improve skills, knowledge and implementation   |
| Marshall Islands | LTX [in-country] | Review reform progress   | Administration implementing CD recommendations and actions   | Progress assessment completed and future CD requirements confirmed   |  |
| Niue             | LTX [in-country] | Develop Medium Term CD Plans   | Administration implementing CD recommendations and actions   | Progress assessment completed and future CD requirements confirmed   |  |
| Nauru            | STX [remote]     | Enhance Compliance Improvement Strategy and improve core tax functions   | Improvement required for management of outstanding returns and tax arrears                               | CIS is approved and improvement plan to improve revenue collection implemented including organization structure (design and monitoring unit) and large/ foreign resident taxpayers | Impact of COVID should be factored in, along with future of regional processing center and supporting industry.                                      |
| Palau            | STX [remote]     | Tax Reform Phase 2 - preparation   | Guidance to progress next tranche of reform as announced by Minister                                     | Advise Ministry of Finance in preparing for administrative implementation  | Series of support visits #1  |
| Palau            | STX [in-country] | Tax Reform Phase 2 - support   | Guidance and support provided to progress next tranche of reform   | Support to Ministry of Finance in progressing administrative implementation  | Series of support visits #2  |
| Palau            | LTX [in-country] | Review reform progress and Economic Symposium  | Administration implementing CD recommendations and actions   | Progress assessment completed and future CD requirements confirmed   | Review of PGST and BPT CD support, and participate in the Palau Economic Symposium (note donors and partners attend and important outreach activity) |
| Papua New Guinea | STX [remote]     | Program and change management support  | IRC is undergoing several changes, affecting people, processes, systems and taxpayers                    | Provide intermediate level CD to further establish and grow tax reform program and change management capability  |  |
| Papua New Guinea | STX [remote]     | Support on digital transformation including procurement of new revenue management system                       | Mix of activity underway including sourcing provider, scoping business processes and system requirements | Provide a review of and advice on the IRC ITAS procurement evaluation  |  |
| Papua New Guinea | STX [in-country] | Support implementation of legislative reform of Income Tax Act   | Guidance and support provided to progress implementation   | Advise IRC in preparing for administrative implementation of revised ITA   | Revision of ITA is an IMF Article IV recommendation  |

| Beneficiary      | Mode                | Activities  | Current Position   | Expected Outcomes  | Comments/ Risk   |
|------------------|---------------------|---|--|--|--|
| Papua New Guinea | STX<br>[in-country] | Performance management system implementation and training                         | No clear line of sight between strategic plan and organizational and individual performance  | Support progression and implementation of PMS, building on PMS workshop, in IRC ahead of the annual staff reviews  | This is specific country support to follow the Performance management workshop and activities in FY23<br>Implementing tools/practices/processes to assist with all aspects of Performance Management |
| Papua New Guinea | STX<br>[in-country] | Enable a seamless flow between HQ Design and Monitoring and operational work      | No clear line of sight between strategic plan and organizational and individual performance  | Developing the processes and procedures; improve collaboration to enable a seamless flow between HQ Design and Monitoring and the operational work             |  |
| Papua New Guinea | STX<br>[in-country] | Establish workload metrics and productivity benchmarks for key business processes | No clear line of sight between strategic plan and organizational and individual performance  | Building a better understanding of operational workloads and productivity benchmarks for key business processes to enable better usage of resources nationally |  |
| Samoa            | STX<br>[in-country] | Review and update Compliance Improvement Strategy and Data Analysis               | As per needs analysis, CIS strategy and IMF development of guidance and tools  | Tax administration CIS and CIP developed and approved  | With a new organization structure and focus on tax admin its necessary to revisit the priorities of the new tax administration   |
| Samoa            | LTX<br>[remote]     | Support establishment of the new Tax Administration                               | Transition from current to new structure and administration  | Establishment plan developed and approved for implementation   |  |
| Samoa            | STX<br>[remote]     | Review and provide guidance on requirements for tax processing system             | Support required for scoping business processes and requirements   | Develop modernization plan and assist with CIS and strengthening core tax functions  | Coordination with ADB funded project required  |
| Samoa            | STX<br>[remote]     | BEPS implementation   | Government considering signing up to BEPS inclusive framework  | Regulations and amendments accepted and enacted  |  |
| Solomon Islands  | STX<br>[in-country] | Human Resource Capability Uplift  | CD will be required to strengthen HR capability and activities   | Implementation strategies and plans for VAT finalized by December 2023   | Decision of government required prior to progressing<br>Coordination with ADB-led modernization project required   |
| Solomon Islands  | STX<br>[remote]     | Organization structure introduction and LTO operations support                    | Once approval is gained from the Ministry of Public Service, the primary focus of CD will be on assisting IRD in transition to the new structure | Change management strategy approved and implemented by end December 2023   | A decision to implement a VAT has been made with a request from the authorities to support implementation<br>Coordination with ADB-led modernization project required                                |
| Timor-Leste      | STX<br>[remote]     | Business case support to return registration function to TLTA control             | Road map recommendations made in the diagnostic assessment   | Registration function established in TLTA during FY 2024   | Tracking to the road map recommendations made in the diagnostic assessment   |
| Timor-Leste      | STX<br>[remote]     | Redefine and modify approach to Large Taxpayers                                   | Road map recommendations made in the diagnostic assessment   | Plan developed and endorsed for implementation   | Identified by TLTA to PFTAC as one of their top priorities   |
| Timor-Leste      | STX<br>[in-country] | Assist with implementation of VAT#1   | A decision to implement a VAT has been made with a request from the authorities to support implementation  | Project plan approved and first steering committee takes place   | Reform plan to design and implement a VAT  |
| Timor-Leste      | STX<br>[remote]     | Assist with implementation of VAT#2   | A decision to implement a VAT has been made with a request from the authorities to support implementation  | Project plan progress assessed, and remedial action implemented where necessary  | Reform plan to design and implement a VAT  |
| Timor-Leste      | STX<br>[in-country] | Assist with implementation of VAT#3   | A decision to implement a VAT has been made with a request from the authorities to support implementation  | Project plan progress assessed, and remedial action implemented where necessary  | Reform plan to design and implement a VAT  |
| Timor-Leste      | STX<br>[remote]     | Assist with implementation of VAT#4   | A decision to implement a VAT has been made with a request from the authorities to support   | Project plan progress assessed, and remedial action implemented where necessary  | Reform plan to design and implement a VAT  |

| Beneficiary  | Mode                  | Activities   | Current Position   | Expected Outcomes   | Comments/ Risk   |
|--|-----------------------|--|--|---|--|
|  |                       |  | implementation   |   |  |
| Timor-Leste  | LTX/ STX [remote]     | Develop a planning, design, and monitoring function                    | No clear line of sight between strategic plan and organizational and individual performance                        | TLTA ability to plan and report effectively improves  | Urgent need for a function that plans, monitors and reports, and ensures the right mix of activities to optimize resources and revenue                     |
| Timor-Leste  | STX [remote]          | Draft VAT and TAA laws   | A decision to implement a VAT has been made with a request from the authorities to support implementation          | Draft TAA and VAT laws finalized by February 2024   | PFTAC is supporting a request by the authorities to modernize their tax laws   |
| Tonga  | LTX [in-country]      | Review reform progress   | Administration implementing CD recommendations and actions   | Progress assessment completed and future CD requirements confirmed  | Agreement with the authorities on recommendations to facilitate modern tax administration and anticipated CD requirements post COVID and volcanic eruption |
| Tuvalu   | LTX [remote]          | Review reform progress   | Administration implementing CD recommendations and actions   | Agreement with the authorities on recommendations to facilitate modern tax administration and what anticipated CD requirements                                |  |
| Tuvalu   | STX [remote]          | Assessing Exchange of Information requirements                         | Government considering signing up to BEPS inclusive framework  | Advice used to inform decisions made by government in relation to participation in OECD Global Forum  |  |
| Regional   | LTX/ STX [in-country] | Performance Management short course                                    | Sub-regional (Micronesia) PMS workshop - Palau, Tuvalu, FSM and at request Kiribati and RMI                        | PMS plans developed by participants are endorsed by administration leaders and implemented  |  |
| Regional   | LTX [in-country]      | PITAA Heads Meeting  | Annual PITAA heads meeting bringing together mutual PFTAC/PITAA members and decision makers                        |   |  |
| Regional   | LTX/ STX [in-country] | PITAA Heads Follow-up Workshop - Compliance Data Analytics For Leaders | As per PITAA training needs analysis priorities and IMF development of guidance and tools                          |   |  |
| Regional   | LTX/ STX [remote]     | Emerging women leaders in Pacific revenue administration               | Supporting women leaders, and emerging leaders   | Talent management pilot program developed, trialed and evaluated  | Program will be piloted with core team with intention that it will be expanded across the Pacific  |
| Regional   | LTX/ STX [in-country] | Risk Analysis training   | As per PITAA training needs analysis priorities and IMF development of guidance and tools                          | Attendees develop their understanding of the types of data that supports compliance, where to get data, and capability in using tools to assess data improves | Each attendee will need to complete a pre-and post-assessment<br>Aimed at experienced and emerging data analysts   |
| Regional   | STX [remote]          | Legal Interpretation   | As per PITAA training needs analysis priorities Countries need to understand their powers and know how to use them | Attendees are confident in interpretation of legislation and understand their powers under law and how to use those powers                                    | Advice and legal interpretation not consistent in most tax administrations<br>Intended for auditors  |
| Regional   | STX [remote]          | Facilitating ISORA for the Pacific                                     | All Pacific Island countries complete ISORA in 2022 (First time)   | All Pacific Island countries complete ISORA 2023 within timeframe and standards   |  |
| <b>STRATEGIC OBJECTIVE 2: STRENGTHENED CORE FUNCTIONS EVIDENCED BY AN ACCURATE TAXPAYER BASE, TAXPAYER SERVICES SUPPORTING VOLUNTARY COMPLIANCE, IMPROVEMENTS IN FILING, PAYMENT, AND AUDIT SERVICES</b> |                       |  |  |   |  |
| Cook Islands   | STX [remote]          | Review of Collections training products                                | Current training products may be outdated  | Improved skills result in improved outcomes   | Authorities have requested assistance to improve skills and knowledge of service and collections staff   |
| Fiji   | STX [in-country]      | Technical and procedural training - evasion                            | Improvements required for the audit function to meet the required standards  | Improved revenue collection   |  |

| Beneficiary | Mode                | Activities  | Current Position  | Expected Outcomes  | Comments/ Risk  |
|-------------|---------------------|---|---|--|---|
| Kiribati    | STX<br>[in-country] | Strengthening Tax Audit   | Improvements required for the audit function to meet the required standards     | Quality and timeliness of audits improved  | The authorities have requested ongoing assistance in building audit function and capability                             |
| Nauru       | STX<br>[remote]     | Risk management of tax collection and tax audit capability development  | Capability diminished following loss of experienced staff, currently recruiting | Apply elements of CRMF to ensure decisions around the detention center are reflected in risk readiness |   |
| Samoa       | STX<br>[remote]     | Support data cleansing and write-off of irrecoverable duties            | Taxpayer data is not accurate and complete, impacting collections               | Integrity of the database is reliable  | Urgent recommendation from current state assessment completed in August 2022  |
| Samoa       | STX<br>[in-country] | Strengthen Audit and TMS  | Improvements required for the audit function to meet the required standards     | Quality of audits improved   | The authorities have requested TA to assist in building audit function and capability                                   |
| Timor-Leste | STX<br>[remote]     | Redesign/refine the Tax Clearance process in collaboration with Customs | Diagnostic identified the need to improve tax clearance process                 | An end-to-end process is developed and implemented   | Tax clearance process not optimized   |
| Timor-Leste | STX<br>[in-country] | Deliver Audit training #1   | Improvements required for the audit function to meet the required standards     | Improvement in audit staff capability  | Once SOPs finalized and TNA complete; Pre and post training capability assessments required                             |
| Timor-Leste | STX<br>[remote]     | Develop debt and return management strategy                             | On-time filing and on-time payment to be improved                               | Strategy developed and endorsed for implementation planning  | Agreed recommendation from November 2022 CD: Include broad-ranging instalment arrangement as per TLTA top 11 CD request |
| Tonga       | STX<br>[remote]     | Strengthen tax audit and POS  | Improvements required for the audit function to meet the required standards     | Quality of audits improved   | The authorities have requested TA to assist in building audit function and capability                                   |
| Vanuatu     | STX<br>[remote]     | Debt and returns management   | On-time filing and on-time payment to be improved                               | Filing and payment timeliness improves   | TA assistance requested by the authorities to improve current returns and payment compliance levels                     |

# PUBLIC FINANCIAL MANAGEMENT

In FY2024, PFTAC will support PFM CD in all objective topic areas, including in on-going projects. Planned support include:

- Continued support to updating PEFA assessments where existing assessments have now become outdated. These assessments will primarily utilize the *AgilePEFA* methodology which has shown to be more appropriate and less onerous for small island countries with small administrations. An *AgilePEFA* is planned for **Tuvalu** and a PEFA Climate assessment is planned for **Vanuatu**. A PIMA and C-PIMA is planned for **Samoa**;
- Developing and updating achievable PFM reform roadmaps, appropriately sequenced and prioritized to reflect institutional and capacity strengths and constraints
- Drafting financial regulations and restructuring PFM institutions;
- Strengthening budgeting practices and enhancing transparency of budget documentation and budget credibility; strengthening budget execution and control; and effective management of financial and nonfinancial assets;



- Strengthening the quality of fiscal reporting as well as in-year budget execution reporting;
- Developing capacity on the identification and management of fiscal risks, including the publishing of a fiscal risk statement in the medium term;
- Enhancing public investment management practices, specifically on the planning and cost benefit analysis of investment projects.

The FY2024 PFM workplan is ambitious, based on ramped up demand since the resumption of in-person missions. PFM support will be delivered through mix of resident

advisor and STX led missions – with 419 of the 693 planned mission days delivered by STX, reflecting 27 missions/ activities, up from 20 in FY2023. The planned number of TA days expected to be delivered by the resident advisors is 274, up from 128 in FY2023. Phase VI will expand on climate related PFM issues subject to funding availability, an additional advisor is expected to join during FY2024 to deliver CD in this critical area – with a focus on fragile countries.

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**, three

regional workshops are planned drawing on the resources of the PFTAC resident advisors, FAD staff and STX:

- A workshop on Public Investment Management, focusing on project appraisal and cost benefit analysis;
- A workshop jointly conducted by FAD and PFTAC on Gender 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**, the structure of the Ministry of Finance and Economic Management will be reformed to support the functions of the ministry. Support will also be provided to strengthen the management of fixed assets.

In **Fiji**, further support will be delivered on the identification and management of fiscal risks and incorporating fiscal

risk narrative into the annual Fiscal Strategy.

Assistance to **Kiribati** will include strengthening cash management and in-year financial reporting.

Support to the **Marshall Islands** on transparent budget documentation will continue in FY2024. Advice and guidance will also be provided on in-year budget execution reporting through the new FMIS.

Using the findings from the *Agile*PEFA assessment undertaken in FY2023, **Palau** will be assisted in formulating a PFM roadmap in FY2024.

In **Papua New Guinea**, PFTAC will facilitate an action plan for strengthening commitment and expenditure controls, including the management of payroll expenses.

Ongoing projects will continue in **Samoa** strengthening cash management and banking arrangement and fiscal risk management and reporting. A PIMA and C-PIMA will assess strengths and weaknesses in managing public

investment and provide guidance for strengthening practices.

In **Solomon Islands**, two activities will be supported. These include finalizing the financial regulations of the PFM Act and strengthening the fiscal reporting framework.

Further support is planned in **Timor-Leste** to improve budget credibility. Guidance will also be provided on strengthening oversight and management of state-owned enterprises fiscal risks.

In **Tokelau**, support will focus on enhancing budget transparency and credibility as well as strengthening the control environment.

An *Agile*PEFA is planned for **Tuvalu** (postponed from FY2023) to assess strengths and weaknesses in PFM practice. Support will also be provided to assist strengthening of in-year financial reporting by leveraging the full functionality of the new FMIS.

**TABLE 14. FY2024 WORK PROGRAM – PUBLIC FINANCIAL MANAGEMENT**

| Beneficiary   | Mode                  | Activities  | Current Position   | Expected Outcomes  | Comments/ Risk   |
|---|-----------------------|---|--|--|--|
| <b>STRATEGIC OBJECTIVE 1: IMPROVED LAWS AND EFFECTIVE PFM INSTITUTIONS</b>  |                       |   |  |  |  |
| Cook Islands  | LTX/ STX [in-country] | Review the MFEM Organizational Structure                  | Current structure does not appropriately reflect the functions expected to be delivered by MFEM.                       | Reformed organizational structure  | Resource constraint to staff new organizational structure.   |
| Palau   | LTX/ STX [in-country] | Develop PFM Roadmap                                       | <i>Agile</i> PEFA completed which will inform roadmap priorities.  | More effective PFM systems, processes, and practices                       | Potential overload of reform activities which need to be well planned, sequenced and prioritized     |
| Solomon Islands   | LTX/ STX [in-country] | Draft financial regulations of remaining Chapters of PFMA | Financial regulations required to operationalize the Act not completed.  | Financial regulations finalized.   | Authorities' commitment to complete regulations  |
| Tuvalu  | LTX/ STX [in-country] | <i>Agile</i> PEFA Assessment                              | Last assessment 2011 - due for updating.   | Updated assessment of PFM strengths and weaknesses for guiding PFM reforms | Small administration with multiple competing tasks impacting on diagnostics and implementing reforms |
| Vanuatu   | LTX/ STX [in-country] | Conduct a PEFA Climate Assessment                         | Last PEFA Assessment was done in 2013.   | Climate PEFA assessment completed  | Authorities' commitment to engage and provide data.  |
| <b>STRATEGIC OBJECTIVE 2: STRENGTHEN BUDGET PREPARATION TOWARDS MORE COMPREHENSIVE, CREDIBLE &amp; POLICY ORIENTED BUDGET</b> |                       |   |  |  |  |
| Marshall Islands  | STX [in-country]      | Strengthening Budgeting Practices                         | Ongoing project. New FMIS providing support to budget preparation including presentation of the budget book schedules. | More transparent budget book aligned to modern good practice               | Small administration and heavy reliance on technical advisors.                                       |

| Beneficiary   | Mode                  | Activities   | Current Position   | Expected Outcomes   | Comments/ Risk  |
|---|-----------------------|--|--|---|---|
| Solomon Islands   | LTX/ STX [in-country] | Strengthening fiscal reporting framework                             | Current framework is fragmented.   | An integrated fiscal reporting framework in place   | Authorities' commitment to sustain reforms.   |
| Timor-Leste   | LTX/ STX [in-country] | Budgeting practices and budget documentation - follow-up             | Well organized budget process but issues impacting budget credibility and enforcing binding budget ceilings                            | More reliable annual and medium-term budgets.   | Political level acceptance of recommendations   |
| Tokelau   | LTX/ STX [in-country] | Develop framework to enhance budget transparency and credibility:    | The PEFA Self-Assessment conducted in 2019 highlighted poor fiscal transparency and budget credibility.                                | Enhanced budget framework in place  | Thin local capacity to implement reforms.   |
| Regional  | LTX [in-country]      | Workshop on Gender Budgeting   | Follow on from remote workshop delivered in FY23   | Greater understanding of importance and benefits of more equitable allocation of budget resources | Competing priorities may mean gender budgeting is not a priority in some countries  |
| <b>STRATEGIC OBJECTIVE 3: IMPROVED BUDGET EXECUTION AND CONTROL</b>                                 |                       |  |  |   |   |
| 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  |
| Tokelau   | LTX/ STX [in-country] | Strengthen commitment control environment and improve audit controls | Current control environment is weak.   | Strengthened control environment adhered to   | Small administration and thin staff capacity.   |
| <b>STRATEGIC OBJECTIVE 4: IMPROVE COVERAGE AND QUALITY OF FISCAL REPORTING</b>                      |                       |  |  |   |   |
| Marshall Islands  | STX [in-country]      | Strengthening Financial Reporting and CoA                            | Limited in-year budget execution reporting. The new FMIS and CoA provides opportunity for strengthening 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   |
| Kiribati  | LTX/ STX [in-country] | Strengthening in-year budget execution reporting                     | No published in-year reporting, currently. New FMIS providing platform for enhanced reporting.   | Routine in-year financial reporting established   | Small administration and competing reforms may impact implementation - can be mitigated through adoption and formal endorsement of the PFM Roadmap. |
| Tuvalu  | LTX/ STX [in-country] | Enhancing FMIS coverage and functionality                            | New FMIS not being fully utilized - only partial coverage of government transactions. Some modules/functionality yet to be implemented | Full FMIS functionality utilized, and all transactions made through FMIS.                         | Limited capacity to implement recommendations   |
| <b>STRATEGIC OBJECTIVE 5: IMPROVED ASSET AND LIABILITY MANAGEMENT</b>                               |                       |  |  |   |   |
| Cook Islands  | LTX/ STX [in-country] | Develop an asset management framework                                | Current asset management framework is fragmented   | A consolidated asset management framework in place  | Asset locations spread around different islands   |
| 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                                     | Small administration and competing reforms may impact implementation - can be mitigated through adoption and formal endorsement of the PFM Roadmap. |
| Samoa   | LTX/ STX [in-country] | Strengthening banking arrangements                                   | Some consolidation of cash resources but overdraft accounts still used by line ministries  | Elimination of overdraft accounts and consolidation of all cash resources in the TSA              | Risk of competing activities impinging on cash management reforms   |
| Regional  | LTX [in-country]      | Workshop on Forecasting Fisheries Revenue                            | strengthening cash flow forecasting is of interest to all member countries. Forecasting fisheries is a specifically challenging area.  | Skills imparted and revenue forecasts made more reliable  | Capacity issues in some countries impact skills retention   |
| <b>STRATEGIC OBJECTIVE 6: STRENGTHEN IDENTIFICATION, MONITORING, AND MANAGEMENT OF FISCAL RISKS</b> |                       |  |  |   |   |
| Fiji  | LTX/ STX [in-country] | Broadening the scope of risks analyzed and                           | Work undertaken in FY23 using analysis tools to identify and quantify fiscal risks.  | MoF publishes a Fiscal Risk Statement with the Fiscal   | Fiscal risk management is highly technical and reliant on retaining existing capacity.  |

| Beneficiary | Mode             | Activities  | Current Position  | Expected Outcomes  | Comments/ Risk   |
|-------------|------------------|---|---|--|--|
|             |                  | disclosed in Fiscal Risk Statement  |   | Strategy   |  |
| Fiji        | STX [in-country] | Broadening the scope of risks analyzed and disclosed in Fiscal Risk Statement - follow-up | As above  | As above   | As above   |
| Samoa       | STX [in-country] | Introduction to fiscal risk analysis tools  | Work undertaken in FY23 using analysis tools to identify and quantify fiscal risks. | MoF publishes a Fiscal Risk Statement annually               | Fiscal risk management is highly technical and reliant on retaining existing capacity. |
| Samoa       | STX [in-country] | Extending the use of fiscal analysis tools  | As above  | As above   | As above   |
| 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 | Strengthening SOE risk oversight may not be a priority given the broad reform agenda   |

#### STRATEGIC OBJECTIVE 7: IMPROVE PUBLIC INVESTMENT MANAGEMENT (PIM)

|                 |                            |  |  |   |   |
|-----------------|----------------------------|--|--|---|---|
| Samoa           | LTX/ HQX/ STX [in-country] | Conduct a PIMA & C-PIMA  | Some good PIM practices but scope for further strengthening, including building resilience into infrastructure projects - the PIMA/C-PIMA will diagnose existing strengths and weaknesses and highlight areas for priority action. | Government owned action plan for strengthening PIM is implemented   | Competing PFM reforms                                     |
| Solomon Islands | LTX/ STX [in-country]      | Develop a framework to guide the planning, allocating, executing, and monitoring of Solomon Islands public investments | Public investment management is weak and fragmented.   | Planning of public investments is strengthened to ensure sustainability                                   | Competing PFM reforms                                     |
| Regional        | LTX/ STX [in-country]      | Workshop on Cost Benefit Analysis - Investment Projects  | There is scope for significantly strengthening project appraisal and cost benefit analysis in most member countries.   | Improved quality of project appraisals including planning for resilience and provisioning for maintenance | Capacity issues in some countries impact skills retention |

# MACROECONOMIC PROGRAMMING AND ANALYSIS/ MACROECONOMIC FRAMEWORKS

## MACROECONOMIC PROGRAMMING AND ANALYSIS

Over the course of FY2024, the Macroeconomic Analysis Program intends to deliver 15 CD missions to 10 of PFTAC's 16 member countries. These missions will primarily focus on macro-fiscal forecasting, as country authorities have shown a strong interest in assessing their debt sustainability outlook.

These missions will also include ongoing support for the IMF's Financial Programming training and model construction in **Timor-Leste** and **Vanuatu**. **Papua New Guinea** is also expected to receive PFTAC support for an ongoing IMF Financial Programming Project.

One large regional in person workshop is planned on *Macroeconomic Diagnostics* targeting about 30 – 40 participants. This workshop will be held in Tonga.

Additional smaller GDP forecasting workshops may be offered in different parts of the Pacific, depending on budget availability and airfare costs.

Under the Macroeconomic Programming these missions and workshops will contribute to 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. With the re-

opening of remaining country borders in the Pacific in late 2022, many country authorities are looking to ensure that debt accumulated during the pandemic is put on a sustainable footing.

To this end, several countries have requested macro-fiscal modeling missions. These missions provide forecasts for GDP and the fiscal sector, including their relationships with the external and monetary sectors.

The expenditure approach to GDP is utilized wherever possible as this more easily allows the relationship between government budgetary spending,

revenue, and debt repayments to the economy to be demonstrated. This ensures that changes in government spending are treated as being endogenous to changes in GDP.

This in turn means country authorities can gain a true insight into the overall impact on debt to GDP ratios and therefore debt sustainability, given any planned changes in government spending.

These user friendly excel based models can quickly and easily run a range of macro-fiscal scenarios, showing country authorities what the debt, deficit and GDP growth outcomes are likely to be under a range of different fiscal settings.

Having access to such a model is critical for country's abilities to formulate as well as implement Medium Term Fiscal Frameworks. If only standalone GDP and budgetary forecasts are instead relied on, it is unlikely that the full impact of changes in government spending and revenue policy decisions will be accurately incorporated into the macro-fiscal outlook.

Overall, most technical assistance under the Macroeconomic Analysis program is aimed at assisting countries to progress their ability to understand their macro-fiscal outlook. Assistance is tailored on a country-by-country basis, depending on starting capacity and desired outcomes:

- (1) **Basic budgeting** – ensuring the use of a basic budget execution model with relevant economic parameter inputs including 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.

In addition, the Macroeconomic program regularly receives a range of ad hoc requests from client countries including:

- Standalone forecasting models for GDP and inflation;
- Tax modeling in support of tax reform; and
- Industry contribution analysis.

## MACROECONOMIC FRAMEWORKS

The FY2024 workplan has the PFTAC Macroeconomic Frameworks adviser supporting programs in **Fiji, Papua New Guinea, Samoa, Timor-Leste, and Vanuatu**. The overarching objective of the Macroeconomic Frameworks Program is to develop capacity in macroeconomic forecasting

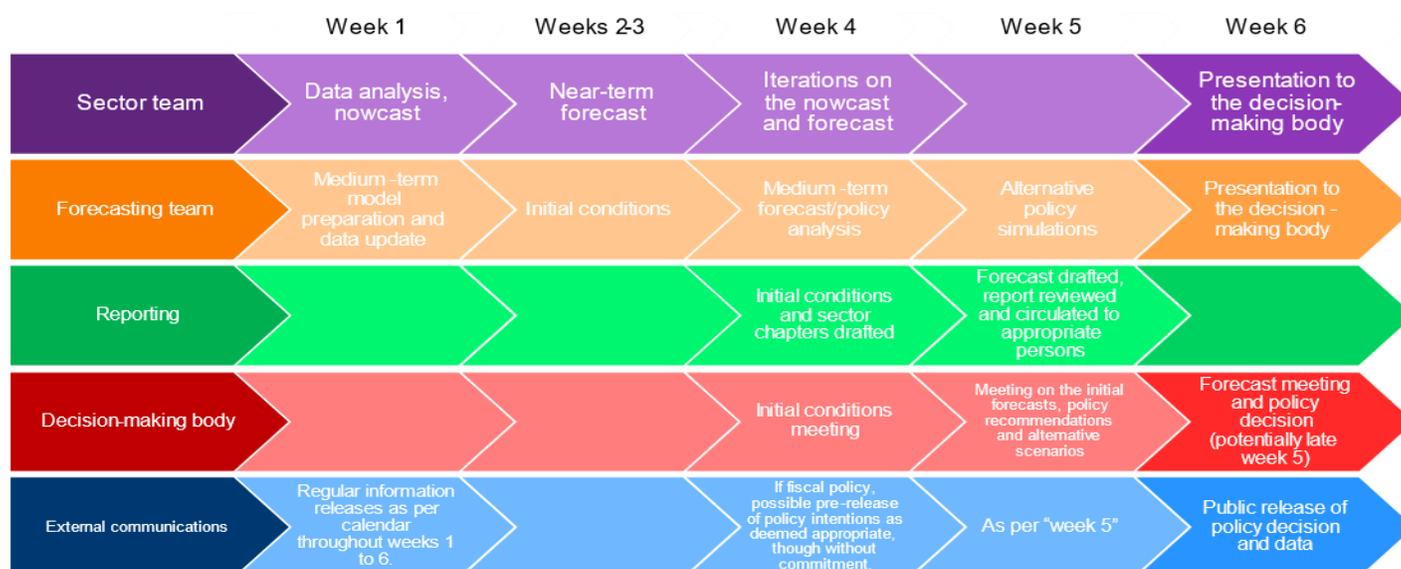
and policy analysis to support policy decision making and communications at central banks, ministries of finance and relevant government agencies, to promote macroeconomic stability, economic growth, and development.

Although there are many similarities, the approach taken in each country is very much determined by the development needs as ascertained by authorities and agreed with the various parties within the IMF. Core to each work program is the need to provide guidance to each authority on the development of a regular calendar of activities that taken as whole ensure that there is a well-structured approach of discovery leading up to a decision being taken. Despite the mandate differences between authorities within a country (e.g., the Ministry of Finance and the central bank) each needs a well-founded process to achieve its policy objectives. For central banks this process is commonly known as FPAS. Such a process supports all four outcomes as mentioned in the main body of this section.

The tools developed in both the Macroeconomic Analysis Program (e.g., Accounting driven models in Excel, satellite models in Excel or a statistics package) and those developed in the Macroeconomic Frameworks Program (e.g., Nowcasting models – whether in Excel or a statistics package) cross-support and complement each other, resulting in a solid foundation to build upon in the future.

An outline of the work program is provided in table 16. The FY2024 Macroeconomic Frameworks Work Program is intended to strongly complement the work for those countries where there is an overlap with the Macroeconomic Programming and Analysis program.

**Figure 2: Framework, Forecasting and Analysis Process - Stylized process diagram depicting interaction between policy framework, forecasting and analysis**



**TABLE 15. FY2024 WORK PROGRAM – MACROECONOMIC PROGRAMMING AND ANALYSIS**

| Beneficiary   | Mode             | Activities                         | Current Position  | Expected Outcomes   | Comments/ Risk  |
|---|------------------|------------------------------------|---|---|---|
| <b>STRATEGIC OBJECTIVE 1: STRONGER ANALYTICAL SKILLS AND BETTER MACROECONOMIC FORECASTING AND POLICY ANALYSIS</b> |                  |                                    |   |   |   |
| Cook Islands  | LTX [in-country] | Macro-Fiscal Modelling             | Good forecasting capacity                                 | Integrated macro-fiscal modelling capacity  | Key person risk if relevant staff were to leave.        |
| Fiji  | LTX [in-country] | Macro-Fiscal Modelling             | Preliminary macro-fiscal analysis carried out in 2021.    | Improved and updated macro-fiscal model. Detailed analysis of debt sustainability path  |   |
| FSM   | STX [in-country] | Macro-Fiscal Modelling             | Stand-alone economic and fiscal models                    | Production of integrated macro-fiscal model. Scenario analysis of macro-fiscal outlook. | Key person risk if relevant staff were to leave.        |
| Kiribati  | STX [in-country] | Macro-Fiscal Modelling             | Stand-alone economic and fiscal models                    | Macro-fiscal model inclusive of sovereign wealth funds                                  | Key person risk if relevant staff were to leave.        |
| Marshall Islands  | STX [in-country] | Macro-Fiscal Modelling             | Basic budgeting   | Improved fiscal forecasting   | Key person risk if relevant staff were to leave.        |
| Palau   | LTX [in-country] | Macro-Fiscal Modelling             | Stand-alone economic and fiscal models                    | Integrated macro-fiscal model   |   |
| Papua New Guinea  | LTX [remote]     | Financial Programming              | An IMF Financial Programming undertaken a scoping Mission | Support for Financial Programming training and modelling                                | Initial remote assistance previously provided by PFTAC. |
| Samoa   | LTX [in-country] | Macro-Fiscal Modelling             | Previous PFTAC supported models                           | Examination of existing models and modification or replacement if needed                |   |
| Solomon Islands   | LTX [in-country] | Macro-Fiscal Modelling             | Stand-alone economic and fiscal models                    | Integrated macro-fiscal model   |   |
| Timor-Leste   | LTX [in-country] | Support for Financial Programming  | Support for Phase II of the Financial Programming project | Greater sophistication in macroeconomic policy making                                   | 3 weeks of training                                     |
| Vanuatu   | LTX [in-country] | Support for Financial Programming  | Support for Phase II of the Financial Programming project | Greater sophistication in macroeconomic policy making                                   | 3 weeks of training                                     |
| Regional  | LTX [in-country] | Macroeconomic Diagnostics Workshop | Detailed training on Macroeconomic diagnostics            | Improved understanding of macroeconomic policy analysis                                 | Available air connections to Tonga                      |

**TABLE 16. FY2024 WORK PROGRAM – MACROECONOMIC FRAMEWORKS**

| Beneficiary  | Mode                  | Activities       | Current Position  | Expected Outcomes   | Comments/ Risk  |
|--|-----------------------|------------------|---|---|---|
| <b>STRATEGIC OBJECTIVE 1: DEVELOP CAPACITY IN MACROECONOMIC FORECASTING AND POLICY ANALYSIS TO SUPOPRT POLICY DECISION MAKING AND COMMUNICATIONS</b> |                       |                  |   |   |   |
| Fiji   | LTX/ ICD [in-country] | FPAS/ Nowcasting | The first mission in January 2023 focused on:<br>(i) Training to the RBF economic team on fundamental forecasting skills, near-term forecasting and nowcasting tools using EViews.<br>(ii) Guidance to the RBF forecasting team on how their near-term forecasting model results could be improved.<br>(iii) Guidance on how the forecasting results could be refined for regular policy use within the RBF, including in the narrative form of "Nowcasting Reports".<br>(iv) Determination of work and deliverables by RBF staff in preparation for subsequent missions. | Authorities have a baseline understanding of their existing forecasting and analytical capabilities and opportunities for improvement   | Underestimate of time and staffing resources (including insufficient number of appropriate staff) required to absorb the TA. Key person risk if relevant staff were to leave. Data availability and/or authorities not willing to share data/information. |
| Fiji   | LTX/ ICD [in-country] | FPAS/ Nowcasting |   | RBF continues to develop near-term forecasting and nowcasting models of real GDP and ARIMA-based near-term forecasting models for CPI inflation and tourist arrivals. RBF economists complete training in relevant sections of MFA and MDS courses. | Underestimate of time and staffing resources (including insufficient number of appropriate staff) required to absorb the TA. Key person risk if relevant staff were to leave. Data availability and/or authorities not willing to share data/information. |
| Samoa  | LTX [remote]          | FPAS/ Nowcasting | <ul style="list-style-type: none"> <li>Foundational elements of a forecasting policy analysis system (FPAS) have been progressed.</li> <li>The CBS team completed the estimation of a preliminary nowcasting model with estimates for 2022Q4 and 2023Q1 GDP. It is expected that the nowcasting model could be updated to cover 2023Q2 in time for the CBS's next policy meeting in June 2023.</li> </ul>   | CBS produces presentation for end-June policy board meeting on nowcasting and satellite model results. CBS incorporates forecast discussion in press release.   | Underestimate of time and staffing resources (including insufficient number of appropriate staff) required to absorb the TA. Key person risk if relevant staff were to leave. Data availability.  |
| Samoa  | LTX [in-country]      | FPAS/ Nowcasting | <ul style="list-style-type: none"> <li>A "trimmed mean" core inflation measure was selected from several candidate measures, based on statistical tests. This new core inflation measure is easily updated and could be used for the June 2023 policy meeting.</li> </ul>   | Majority of CBS economics complete customized MPAF training. CBS extends its suite of near-term forecasting models  | Underestimate of time and staffing resources (including insufficient number of appropriate staff) required to absorb the TA. Key person risk if relevant staff were to leave. Data availability.  |
| Samoa  | LTX [remote]          | FPAS/ Nowcasting | <ul style="list-style-type: none"> <li>Estimation of a neutral real policy rate was problematic, reflecting persistent excess liquidity and weak transmission from CBS rates to bank credit.</li> </ul>   | CBS produces presentation for end-end-2023 policy board meeting on nowcasting and satellite model results. CBS incorporates forecast discussion in press release.   | Underestimate of time and staffing resources (including insufficient number of appropriate staff) required to absorb the TA. Key person risk if relevant staff were to leave. Data availability.  |
| Samoa  | LTX [in-country]      | FPAS/ Nowcasting | <ul style="list-style-type: none"> <li>Substantial progress was achieved towards estimating an Exchange Rate Pass Through (ERPT) model on extending the modeling to include second stage passthrough.</li> <li>The customized MP course provided important background for the future implementation and use of a Quarterly Projection Model (QPM) in the FPAS.</li> </ul>   | CBS develops a preliminary version of a QPM. CBS develops action plan for improving FPAS procedures.  | Underestimate of time and staffing resources (including insufficient number of appropriate staff) required to absorb the TA. Key person risk if relevant staff were to leave. Data availability.  |

| Beneficiary      | Mode                     | Activities  | Current Position  | Expected Outcomes  | Comments/ Risk  |
|------------------|--------------------------|---|---|--|---|
| Vanuatu          | LTX/ ICD<br>[in-country] | FPAS/ Nowcasting  | Completed Phase 1 of a TA programme with MoF. Transitioning to separate (but related) Phase 2 TA. | Scoping, agreement on outcomes and programme of work   | Underestimate of time and staffing resources (including insufficient number of appropriate staff) required to absorb the TA. Key person risk if relevant staff were to leave. Data availability.  |
| Vanuatu          | LTX<br>[in-country]      | FPAS/ Nowcasting  |   | TBC - subject to scoping mission   |   |
| Papua New Guinea | LTX<br>[remote]          | <ul style="list-style-type: none"> <li>Review and recalibration of equations, where needed.</li> <li>IMF team supports core group in compiling user manual</li> <li>Core group to produce first round of medium-term forecasts</li> <li>IMF team provides hands-on training on the mechanics and model components of the framework</li> </ul>   | Phase 1 completed - Transitioning to Phase 2  | <ul style="list-style-type: none"> <li>Improved skills for macroeconomic policy analysis and forecasting</li> <li>The preparation of macroeconomic projections and economic policy analyses is integrated in the economic policy process, supported by better internal cooperation and communication</li> <li>Analytical models and forecasting tools are developed and operational</li> </ul> | Underestimate of time and staffing resources (including insufficient number of appropriate staff) required to absorb the TA. Key person risk if relevant staff were to leave. Data availability and/or authorities not willing to share data/information. |
| Papua New Guinea | LTX<br>[remote]          | <ul style="list-style-type: none"> <li>Authorities present their take-aways from the testing period and other issues learned from operating the framework</li> <li>IMF team provides hands-on training on the mechanics and model components of the framework</li> </ul>  |   |  |   |
| Papua New Guinea | LTX<br>[in-country]      | <ul style="list-style-type: none"> <li>The core team presents to the IMF TA team their baseline and alternative scenarios, projections, and policy assessment</li> <li>Perform comprehensive consistency checks, fine-tuning the projections, and discussion of policy analysis findings</li> <li>Core team with help from TA team finalizes the user manual including all documentation</li> </ul> |   |  |   |
| Papua New Guinea | LTX<br>[remote]          | <ul style="list-style-type: none"> <li>Core group presents to TA team the external forecasts and how they interact with the rest of the framework</li> </ul>  |   |  |   |
| Papua New Guinea | LTX<br>[remote]          | <ul style="list-style-type: none"> <li>Core group presents to senior Treasury and BPNG officials the baseline and alternative scenarios</li> <li>Core group presents policy recommendations</li> </ul>  |   |  |   |
| Papua New Guinea | LTX<br>[remote]          | <ul style="list-style-type: none"> <li>Assessment of project and completion</li> </ul>  |   |  |   |

| Beneficiary | Mode                     | Activities   | Current Position                                | Expected Outcomes  | Comments/ Risk  |
|-------------|--------------------------|--|---|--|---|
| Timor-Leste | LTX/ HQX<br>[in-country] | Financial Programming and Policies Analysis tool refresh, re-scope and agreement on work programme.  | Phase 1 completed -<br>Transitioning to Phase 2 | Rescoping and agreement on objective/outcomes, refresh on the use of the macroeconomic projections tool. | Underestimate of time and staffing resources (including insufficient number of appropriate staff) required to absorb the TA. Key person risk if relevant staff were to leave. Data availability and/or authorities not willing to share data/information. |
| Timor-Leste | LTX/ HQX<br>[in-country] | Financial Programming and Policies analysis, options and outcomes to support decision making.  |   | In depth understanding of shock transmission mechanisms and macroeconomic outcomes of policy options.    |   |
| Timor-Leste | LTX/ HQX<br>[in-country] | Financial Programming and Policies analysis, options and outcomes to support decision making. - discussion of appropriate decision support tools (e.g., tables, graphs, " what-ifs") |   | Tailoring the output of the macroeconomic projections tool to feed into policy decision making.          |   |
| Vanuatu     | LTX<br>[in-country]      | Financial Programming and Policies Analysis tool refresh, re-scope, and agreement on work programme.   | Phase 1 completed -<br>Transitioning to Phase 2 | Rescoping and agreement on objective/outcomes, refresh on the use of the macroeconomic projections tool. | Underestimate of time and staffing resources (including insufficient number of appropriate staff) required to absorb the TA. Key person risk if relevant staff were to leave. Data availability and/or authorities not willing to share data/information. |
| Vanuatu     | LTX<br>[in-country]      | Financial Programming and Policies analysis, options and outcomes to support decision making.  |   | In depth understanding of shock transmission mechanisms and macroeconomic outcomes of policy options.    |   |
| Vanuatu     | LTX<br>[in-country]      | Financial Programming and Policies analysis, options and outcomes to support decision making. - discussion of appropriate decision support tools (e.g., tables, graphs, " what-ifs") |   | Tailoring the output of the macroeconomic projections tool to feed into policy decision making.          |   |
| Regional    | LTX<br>[in-country]      | Macroeconomic Diagnostics Workshop   | Detailed training on Macroeconomic diagnostics  | Improved understanding of macroeconomic policy analysis  | Available air connections to Tonga (possible mitigation using Air NZ via Auckland). Accommodation.  |

# MACROECONOMIC STATISTICS

The macroeconomic statistics program primarily focuses on GFS and RSS, with a smaller component for ESS. The overall objective is to strengthen the compilation and dissemination of data on macroeconomic and financial statistics in accordance with internationally accepted statistical standards. This includes developing and improving statistical infrastructure, source data, serviceability, and metadata to support decision-making processes.

## GOVERNMENT FINANCE STATISTICS

There is a broad variation in the level of adherence to the international statistical standards across the PFTAC member countries. Some countries produce comprehensive, accrual-based datasets with a good level of coverage. Others lack both the source data and the capacity to compile the GFS and PSDS beyond the basic statements for the budgetary government sector; and a few lack dedicated resources to undertake any compilation at all. PFTAC has adopted a flexible model whereby the capacity development is complemented by capacity supplementation in countries where the resource constraints are most severe.

With the majority of the PFTAC member countries now producing the



flow statements in accordance with the international statistical standards, albeit still mostly on a cash basis, the GFS workstream will focus on improving the balance sheet coverage, and on strengthening the transaction and institutional sector classifications. The former is a pre-requisite for an accurate and internationally comparable measurement of public sector debt; the latter is crucial for ensuring that the statistical datasets always reflect the economic substance of transactions.

A sustainable expansion of the GFS and PSDS coverage remains a longstanding challenge for many member countries. The compilation of the data relating to state-owned

enterprises tends to be more labor-intensive and often requires a higher level of conceptual knowledge than the equivalent process for the core government entities, thus exacerbating these challenges. The TA will therefore prioritize this area of development in the countries where resources exist to maintain the business process.

Fiscal statistics are designed to facilitate the analysis and evaluation of fiscal policy, including its impact on the economy. To meet this overarching objective, the right balance between the quality of the data and their timeliness should be achieved: even the most robust estimates may present little practical interest to the nation's policymakers and development

partners if they are significantly out of date. Thus, an additional priority lies in improving the timeliness of the fiscal data in the countries which saw major delays in the source data availability during the COVID-19 pandemic. Where the data sources permit the compilation of sub-annual outputs, the program will also facilitate the production of quarterly or monthly datasets based on the preliminary in-year information.

In support of the ongoing PFM reforms and the rollout of the new FMISs across several countries, PFTAC will continue to provide advice on the chart of accounts to enable the presentation of the national budget estimates consistently with the international best practice and streamline the compilation of the outturn estimates.

#### IN TERMS OF COUNTRY

**ACTIVITIES**, in FY2024 the GFS program plans to deliver 12 CD activities, comprising 11 TA missions to 11 member countries and 1 regional workshop. The upcoming fiscal year will see a return to in-person delivery of the CD activities, except for very rare cases where international travel may be impractical. In addition, headquarters plan to deliver 2 missions funded from the D4D trust fund to **Papua New Guinea** (jointly with PFTAC) and **Timor-Leste**.

In the **Cook Islands**, the TA will support the recently reestablished quarterly GFS compilation and assist the authorities in producing exhaustive balance sheet estimates, including the stocks of nonfinancial assets. These estimates are essential for reflecting the state of government finances.

The expansion of debt statistics coverage beyond the core budgetary sector continues to be at the center of PFTAC's assistance to **Fiji**. Another priority development area relates to the consistent recording of intra-government grants in the various sets of fiscal data, which would enable the production of consolidated datasets to take place.

In the **FSM, Marshall Islands** and **Palau**, the TA missions will work on

the issue of timeliness of the fiscal data. As the countries are transitioning to the new FMISs, assistance will also be provided to ensure the new charts of accounts support the presentation of the data in accordance with the international statistical framework. Among the other benefits, this would pave the way to a GFS-consistent presentation of the budget estimates.

The TA to **Kiribati** will build on the work by FY2023 mission on the sovereign wealth fund estimates and will continue to strengthen the balance sheet reporting. The switch to the new FMIS will also require amendments of the compilation process and tools, and PFTAC's assistance will be targeted at ensuring that the GFS compilers can extract the full benefit from the government's new software solution.

In **Tonga** and the **Solomon Islands**, reconciliation between various sets of fiscal data remains a priority, being a necessary step towards producing consolidated datasets and minimizing statistical discrepancies.

The planned mission to **Tuvalu** will focus on reinstating the GFS compilation, which had not taken place for several years. While PFTAC will be providing capacity supplementation during the initial phase, internalizing the process, and building capacity would be the key priorities for the TA activities in the country.

The expansion of the sector coverage of fiscal statistics is a priority in **Vanuatu**, where the next major GFS milestones are the production of the consolidated estimates for the general government sector and the expansion of debt statistics coverage. In turn, these pieces of work require a further refinement of the institutional sector classification, which will be the focus of the upcoming TA mission.

The joint PFTAC-Headquarters mission to **Papua New Guinea** will facilitate the rollout of the GFS reporting framework to the low tiers of government, although this process is not expected to be quick. The compilation and dissemination of debt statistics in compliance with the

international standards are another priority.

A D4D-funded mission to **Timor-Leste** will continue to build on the conceptual training that was conducted during FY2023, to equip the country's GFS compilers with tools to resume and sustain the compilation of fiscal statistics following a period of high staff turnover.

#### 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 COVID-19, 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. 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. 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 objectives.

#### IN TERMS OF COUNTRY

**ACTIVITIES**, in FY2024 the RSS program plans to deliver 21 TA missions to 13 member countries. Additionally, one regional training event is planned. Finally, PFTAC will fund two balance of payments missions in FY2024, one to **Cook Islands** and one to **Fiji**.

Note that while we will strive to

maintain the overall shape and thrust of the program described below. PFTAC will adjust its support to reflect the emerging needs and capabilities of the PFTAC countries.

In FY2023, PFTAC provided a mission to the **Cook Islands** to support the statistics office in maintaining National Accounts production when their current national accountant leaves, we will offer another mission in 2024 to assist the new compiler in his first year and the implementation of the recommendations made this year.

Assistance to **Fiji** during the year will be focused on the full incorporation of the results of the 2019-20 HIES into the National Accounts. There will also be assistance to improve Balance of Payments statistics.

As in FY2023, assistance to **Nauru** will focus on producing an updated annual GDP estimate using the streamlined production process developed in this year's mission and training the staff of statistics office in using the new system. We will also attempt rebasing to incorporate the 2015-16 HIES.

As in FY2023, assistance to **Niue** will focus on producing an updated annual GDP estimate but this year we will also allocate more time to allow for a rebasing exercise.

Assistance to **Palau** will focus on monitoring and implementation of the recommendations to deflators and the development of Producer Price indices, in particular the Tourism Services Price Index.

Assistance to the National Accounts of **Papua New Guinea** is coordinated together with an adviser from Australian Bureau of Statistics (ABS) who worked with the national statistics office for many years. A scoping mission to identify the most appropriate form of engagement was launched at the end of FY2023 and assistance during FY2024 will start implementing the recommendations.

Assistance to the **Solomon Islands** will focus on better integration of the regular indicator collections made by the central bank and used in quarterly estimates, with the statistics office's

annual national accounts systems and improving the transparency of the latter in order to put them in a position to take on methodological improvements.

Assistance to **Samoa** will focus on the program for development of a Supply and Use Table (SUT).

**Tokelau** will see the first PFTAC mission for several years. No new GDP estimates have been made since the last mission and the TA will provide updated estimates.

Due to recent staff turnover in National Accounts, **Tonga's** ability to produce annual accounts may be affected. Therefore, PFTAC will focus on providing support in maintaining the system for producing annual accounts and ensuring continuity in knowledge of the quarterly GDP procedures developed in FY2023.

Assistance to **Vanuatu** will focus on updating the National Accounts to 2022 and providing training.

**TABLE 17. FY2024 WORK PROGRAM – MACROECONOMIC STATISTICS (GOVERNMENT FINANCE STATISTICS)**

| Beneficiary   | Mode                     | Activities  | Current Position   | Expected Outcomes  | Comments/ Risk  |
|---|--------------------------|---|--|--|---|
| <b>STRATEGIC OBJECTIVE 1: STRENGTHEN COMPILATION AND DISSEMINATION OF FISCAL STATISTICS</b> |                          |   |  |  |   |
| Cook Islands  | STX<br>[in-country]      | Compiling GFS for the entirety of the government sector                               | GFS for the consolidated general government sector are compiled on an annual basis.<br><br>The compilation of higher frequency statistics resumed in late 2022 but with some quality issues. | Reinstate regular compilation and dissemination of the quarterly GFS.<br><br>Investigating the accounting and reconciliation of nonfinancial assets stocks and flows to reduce statistical discrepancies in reported data. | Dependent on confirmation by data producers and users in country. |
| Fiji  | LTX/ STX<br>[in-country] | Building consolidated general government sector datasets                              | GFS for the general government sector are compiled but no consolidation takes place.<br><br>Debt statistics are produced for the budgetary central government only.                          | Develop consolidation methods for the general government sector.<br><br>Expand the sector coverage of debt statistics to the general government sector.  | Dependent on confirmation by data producers and users in country. |
| FSM   | LTX<br>[in-country]      | Increasing the timeliness of the data and assisting with the chart of accounts reform | GFS for the public sector are compiled on an annual basis, however with a substantial time lag.<br><br>The legacy chart of accounts cannot be easily mapped to the GFSM 2014 taxonomy.       | Assist authorities in designing a new chart of accounts in a GFSM 2014-compliant way.  | Dependent on confirmation by data producers and users in country. |

| Beneficiary      | Mode                     | Activities   | Current Position  | Expected Outcomes  | Comments/ Risk  |
|------------------|--------------------------|--|---|--|---|
| Kiribati         | LTX<br>[in-country]      | Developing the recording of the sovereign wealth fund and producing balance sheet statistics   | The first experimental set of GFS estimates relating to the sovereign wealth fund produced in 2023.   | Embed the production of sovereign wealth fund's data into the regular GFS compilation and finalize the associated methods.   | Dependent on confirmation by data producers and users in country. |
| Marshall Islands | LTX/ STX<br>[in-country] | Assist Economic Policy, Planning and Statistics Office (EPPSO) in improving the compilation and dissemination of government finance statistics (GFS) | GFS for the public sector are compiled on an annual basis, however with a substantial time lag.<br><br>The legacy chart of accounts cannot be easily mapped to the GFSM 2014 taxonomy.              | Assist authorities in designing a new chart of accounts in a GFSM 2014-compliant way.<br><br>Examine the use of preliminary estimates in the GFS compilation.                  | Dependent on confirmation by data producers and users in country. |
| Palau            | LTX<br>[in-country]      | Increasing the timeliness of the data  | GFS for the public sector are compiled on an annual basis, however with a substantial time lag.<br><br>The chart of accounts cannot be easily mapped to the GFSM 2014 taxonomy.                     | Assist authorities in designing a new chart of accounts in a GFSM 2014-compliant way.  | Dependent on confirmation by data producers and users in country. |
| Papua New Guinea | LTX<br>[in-country]      | Expanding the coverage of the GFS to lower tiers of government.  | GFS for the budgetary central government are compiled on a quarterly basis, but data sources for the lower tiers of government are incomplete or cannot be easily mapped to the GFSM 2014 taxonomy. | Asses the feasibility of expanding the sector coverage to the lower tiers of government.<br><br>Provide targeted training and establish methods to expand the sector coverage. | Dependent on confirmation by data producers and users in country. |
| Solomon Islands  | LTX<br>[in-country]      | Compiling GFS for GG operations  | The compilation of the GFS for the budgetary central government had been interrupted by the transition to a new system.   | Review methods and processes to support the use of the source data derived from a new system.  | Dependent on confirmation by data producers and users in country. |
| Tonga            | STX<br>[in-country]      | Reconciling GFS data sources and facilitating consolidation  | GFS for the budgetary sector government are being compiled, however statistical discrepancies indicate underlying quality issues.   | Investigate and minimize statistical discrepancies.  | Dependent on confirmation by data producers and users in country. |
| Tuvalu           | LTX<br>[in-country]      | Establishing GFS compilations  | GFS are not being produced.   | Assess the feasibility of establishing the GFS compilation and develop methods and systems accordingly.  | Dependent on confirmation by data producers and users in country. |
| Vanuatu          | LTX<br>[in-country]      | Building consolidated general government sector datasets   | GFS for the budgetary government sector are being compiled, however only for the flows and not stocks.  | Develop balance sheet compilation methods and embed them into the regular production cycle.  | Dependent on confirmation by data producers and users in country. |
| Regional         | LTX/ HQ<br>[in-country]  | GFS Workshop   | Workshop not held.  | Workshop held.   | Dependent on confirmation by data producers and users in country. |

**TABLE 18. FY2024 WORK PROGRAM – MACROECONOMIC STATISTICS (REAL SECTOR STATISTICS)**

| Beneficiary  | Mode                | Activities   | Current Position  | Expected Outcomes  | Comments/ Risk                                  |
|--|---------------------|--|---|--|---|
| <b>STRATEGIC OBJECTIVE 1: STRENGTHEN COMPILATION AND DISSEMINATION OF REAL SECTOR STATISTICS - NATIONAL ACCOUNTS</b> |                     |  |   |  |   |
| Cook Islands   | STX<br>[in-country] | Training new National Accounts staff and improving deflator methodology                                  | NA staff are all entirely new to NA and require support in first year   | NA staff better trained & more confident & recommendations from previous visit implemented   | More staff changes                              |
| Cook Islands   | HQX<br>[in-country] | Compilation of Balance of Payments statistics  | BoP available to 2021. Net Errors for recent years up to 90% of imports   | BoP available to 2022. Net Errors for recent years reduced                                   | More staff changes                              |
| Fiji   | LTX<br>[in-country] | Rebasing national accounts to HIES 2019-20   | National Accounts do not include 2019-20 HIES   | National Accounts include 2019-20 HIES   | Staff changes as head of office moves           |
| Fiji   | HQX<br>[in-country] | Reducing the Statistical discrepancy for BoP   | Current BoP discrepancy Circa 8%  | A lower Statistical Discrepancy  | Staff changes as head of office moves           |
| Kiribati   | STX<br>[in-country] | Rebase GDP - new benchmark   | GDP based on old Benchmark  | GDP based on New Benchmark   | Staff shortages                                 |
| Kiribati   | LTX<br>[in-country] | Update GDP 2022  | GDP not updated to 2022   | GDP updated to 2022  | Staff shortages                                 |
| Nauru  | LTX<br>[in-country] | Updating national accounts to 2021-22  | GDP not updated to 2021-2022 & compilation system opaque  | GDP updated to 2021-2022 & compilation system improved                                       | Only one National Accountant                    |
| Niue   | STX<br>[remote]     | New GDP Benchmarks - Data Sources  | Sources for new GDP benchmarks not prepared   | Sources for new GDP benchmarks prepared  | Only one National Accountant                    |
| Niue   | LTX<br>[remote]     | Update GDP 2021-22   | GDP not updated to 2021-2022  | GDP updated to 2021-2022   | Staff shortages                                 |
| Niue   | STX<br>[in-country] | New GDP Benchmarks - Publication   | GDP series with new Benchmarks not Published  | GDP series with new Benchmarks Published   | Staff shortages                                 |
| Palau  | STX<br>[in-country] | Develop Producer Price Index (PPI)   | Office of Planning & Statistics has not begun new data collection   | Office of Planning & Statistics has begun new data collection                                | Staff shortages                                 |
| Papua New Guinea   | LTX<br>[in-country] | Improve timeliness of GDP production   | Scoping mission to identify the most appropriate form of engagement will report end of FY23   | Implementation of FY23 recommendations started   | Institutional & Security problems               |
| Papua New Guinea   | LTX<br>[in-country] | Improve timeliness of GDP production   | Scoping mission to identify the most appropriate form of engagement will report end of FY23   | Implementation of FY23 recommendations started   | Institutional & Security problems               |
| Samoa  | STX<br>[in-country] | Reduce Expenditure/Production discrepancy and provide recommendations for Supply & Use table development | GDP discrepancy almost 10% of GDP   | GDP discrepancy lower  |   |
| Solomon Islands  | LTX<br>[in-country] | Updating Quarterly GDP   | Quarterly GDP prepared internally up to 2022Q1  | Quarterly GDP prepared up to 2023Q1 and regular production started                           | Need to coordinate SINSO and CBSI work          |
| Solomon Islands  | LTX<br>[in-country] | Updating national accounts to 2021   | GDP for 2021 not released   | GDP for 2021 released  | Need to coordinate SINSO and CBSI work          |
| Tokelau  | STX<br>[in-country] | Updating national accounts   | Latest GDP estimate for 2015  | More recent GDP estimates  | Staff shortages                                 |
| Tonga  | LTX<br>[in-country] | Maintaining Annual GDP Production  | The head of Economic Statistics & the Annual National Accounts Compiler have recently left the Quarterly National Accounts Compiler to prepare the 2021-22 Annual Estimates | Annual Estimate for 2020-21 prepared and QNA compiler better able to deliver annual accounts | Staff shortages                                 |
| Tuvalu   | STX<br>[in-country] | Updating national accounts to 2022   | 2022 GDP not available  | 2022 GDP available   | Staff shortages                                 |
| Vanuatu  | LTX<br>[in-country] | Preparing Vanuatu for Rebasing   | Vanuatu has recently completed several new surveys that must be processed for establishing a  | Plan for incorporating new Datasets and releasing benchmark established                      | Some of the new source data may not be ready on |

| Beneficiary | Mode                     | Activities                                    | Current Position  | Expected Outcomes | Comments/ Risk |
|-------------|--------------------------|---|-------------------|-------------------|----------------|
|             |                          |   | new GDP benchmark |                   | time           |
| Regional    | LTX/ HQX<br>[in-country] | Workshop on Annual National<br>Accounts (ANA) | Workshop not held | Workshop held     |                |

# FINANCIAL SECTOR SUPERVISION

The FSS CD work program for FY2024 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 program will cover all major segments of the financial sector with banking sector continuing to dominate the TA activities in the region. Under the proposed FY2024 workplan, 19 missions/ activities are planned versus an outturn of 18 missions/ activities in FY2023. During FY2024, PFTAC expects to renew its engagement with the countries that had expressed preference to in-person TA.

## Regional Workshops

At the regional level, PFTAC has planned to organize one workshop in FY2024 to commence the second phase of the cyber risk supervision project – extension of the project to the remaining PICs building on the successful implementation of the project in four PICs. PFTAC will also support the annual meeting of the AFSPC that includes a workshop on supervisory topics.



## Review of Financial Sector Legislation

Revisions to the financial sector legislation have been progressing rather slowly. FY2024 is expected to see **RMI** complete the review of its banking sector legislations. **Papua New Guinea** is contemplating a review of its financial sector legislation with support from PFTAC and other TA providers active in the region.

## 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)<sup>4</sup>.

<sup>4</sup> 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 FY2024, **Solomon Islands, Papua New Guinea, Tonga, RMI, Tuvalu** and **Vanuatu** are expected to complete the impact study of the standards developed/reviewed during last two years and issue the final standards for implementation or announce their phased implementation as considered appropriate. While **Palau** and **Tuvalu** are expected to advance the work on the review of their existing prudential standards, **FSM** and **Timor-Leste** will commence the review during FY2024. A few countries (e.g., **Cook Islands, Papua**

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).

**New Guinea, and Fiji**) may move on to Phase 2 reforms.

### Supervision Framework Enhancement Program

During FY2024, follow-up missions will assist **Papua New Guinea, Solomon Islands** and **Vanuatu** to finalize and embed the financial risk analysis component of SFEP. In **RMI** and **Tuvalu**, building on the work on risk-based supervision already done during FY2023, the enhancements to bank risk rating model will be considered.

During FY2021 and FY2022, the cyber risk project was put on hold due to travel restrictions. The project was reactivated in March 2023 with the resumption of travel. In FY2024, the program aims to conduct cyber risk on-

site examination training missions in **Fiji, Papua New Guinea, and Tonga**.

### Other Financial Sector Reforms

During FY2023, PFTAC assisted Government of **Kiribati** in setting up Financial Supervisory Authority. PFTAC will continue to assist the government further regarding operationalization of the FSA as needed including formulation of regulatory and supervisory frameworks. Building on the outcomes of the workshop on stress testing held in March 2023, PFTAC will consider coordinating bilateral TA requests on training on implementation of IFRS 9 and corresponding US GAAP standard.

**TABLE 19. FY2024 WORK PROGRAM – FINANCIAL SECTOR SUPERVISION**

| Beneficiary  | Mode                     | Activities   | Current Position   | Expected Outcomes  | Comments/ Risk   |
|--|--------------------------|--|--|--|--|
| <b>STRATEGIC OBJECTIVE 1: DEVELOP AND STRENGTHEN BANKING REGULATIONS AND SUPERVISION FRAMEWORK</b> |                          |  |  |  |  |
| Cook Islands   | LTX<br>[in-country]      | Basel III Standardized Approaches for Measurement of Various Risks           | Currently, Financial Supervisory Commission of Cook Islands (FSC) follows a risk weighting approach that is hybrid of Basel I and Basel II. It is considering implementation of Basel III Standardized Approach as recommended by PFTAC. The capital adequacy framework of FSC does not include capital charge for market risk, operational risk and counterparty credit risk. | More risk sensitive capital adequacy framework requiring capital for all financial risks.  | The Authorities are committed to regulatory and supervisory reforms.   |
| FSM  | LTX/ STX<br>[in-country] | Review of Prudential and Risk Management Regulations                         | The prudential and risk management standards for banks in FSM are outdated.  | The prudential and risk management standards for banks in FSM are aligned with Basel II/III.   | The staff strength of FSM Banking Board is inadequate and if there is no improvement in it, the implementation might be delayed. |
| Fiji   | HQX<br>[in-country]      | Review of Banking Act 1985   | The Fiji Banking Act has not been reviewed for more around four decades and needs to reflect the developments in banking regulation and supervision over this period.  | The Banking Act is aligned with the international standards and best practices.  | The Authorities are committed to regulatory and supervisory reforms.   |
| Kiribati   | LTX/ STX<br>[in-country] | Development of Prudential Standards for Banks                                | Government of Kiribati is in the process of setting up Kiribati Financial Supervisory Authority (KFSA). Currently, there are no prudential standards for banks and other financial institutions in Kiribati.   | The setting up of KFSA and issuance of prudential and risk management standards for banks will significantly strengthen the financial stability in Kiribati. | The Authorities are committed to regulatory and supervisory reforms.   |
| Marshall Islands   | LTX<br>[in-country]      | Impact Study on Prudential Standards and Training on Financial Risk Analysis | RMI is in the process of finalizing the prudential and risk management standards for banks and no-banking credit institutions. The current bank risk rating model needs to be aligned with the recent upgrade of regulatory and supervisory frameworks.  | The bank risk rating model reflects the recent enhancements to regulatory and supervisory frameworks.  | The Authorities are committed to regulatory and supervisory reforms.   |

| Beneficiary  | Mode                     | Activities   | Current Position   | Expected Outcomes  | Comments/ Risk  |
|--|--------------------------|--|--|--|---|
| Palau  | LTX<br>[in-country]      | Development of Prudential Standards for Banks  | The prudential and risk management standards for banks in Palau are outdated.  | The prudential and risk management standards for banks in Palau are aligned with Basel II/III.   | The staff strength of Financial Institutions Commission, Palau is inadequate and if there is no improvement in it, the implementation might be delayed.                             |
| Papua New Guinea   | STX<br>[in-country]      | Review Banking and Financial Institutions Act  | The PNG Banks and Financial Institutions Act has not been reviewed for more than four decades and needs to reflect the developments in banking regulation and supervision over this period.  | The PNG Banks and Financial Institutions Act is aligned with the international standards and best practices.                           | The Authorities are committed to regulatory and supervisory reforms.  |
| Papua New Guinea   | LTX/ STX<br>[in-country] | Impact Study on Prudential Standards and Training on Financial Risk Analysis                               | PNG is in the process of finalizing the prudential and risk management standards for banks.  | The regulatory and supervisory frameworks for banks are aligned with Basel III Framework and good international practices.             | The Authorities are committed to regulatory and supervisory reforms.  |
| Samoa  | LTX<br>[in-country]      | Diagnostic Mission on Implementation of Basel III Standards and enhancements to RBS                        | Several prudential standards issued by Central bank of Samoa are not aligned with Basel III.   | The regulatory and supervisory frameworks for banks are aligned with Basel III Framework and good international practices.             | The proposed TA is dependent on the Authorities prioritization of regulatory and supervisory topics.  |
| Solomon Islands  | LTX/ STX<br>[in-country] | Implementation of Risk-Based Supervision -Follow-up of Previous Work and Review of Banks Risk Rating Model | Solomon Islands is in the process of finalizing the prudential and risk management standards for banks. The bank risk rating model needs to be aligned with the recent upgrade of regulatory and supervisory frameworks.   | The bank risk rating model reflects the recent enhancements to regulatory and supervisory frameworks.                                  | The Authorities are committed to regulatory and supervisory reforms.  |
| Timor-Leste  | LTX<br>[in-country]      | Diagnostic Mission on Implementation of Basel III Standards and enhancements to RBS                        | The prudential and risk management standards for banks in Timor Leste are outdated.  | The prudential and risk management standards for banks in FSM are aligned with Basel II/III.   | The Authorities are committed to regulatory and supervisory reforms. However, the proposed TA is dependent on the Authorities' prioritization of regulatory and supervisory topics. |
| Tonga  | STX<br>[in-country]      | Training on -onsite examination of banks through attachments with other supervisory authorities            | The National Reserve Bank of Tonga (NRBT) is in the process of enhancing its regulatory and off-site supervision frameworks, the bank examiners are yet to receive on-site examination training on supervision of banks especially in relation to assessment of risk management systems. | The NRBT bank examiners are trained in the assessment of current risk management practices of banks.                                   | The Authorities are committed to regulatory and supervisory reforms.  |
| Tuvalu   | STX<br>[in-country]      | Implementation of Risk-Based Supervision -Follow-up of Previous Work and Review of Banks Risk Rating Model | Tuvalu is in the process of finalizing the prudential and risk management standards for banks. The bank risk rating model needs to be aligned with the recent upgrade of regulatory and supervisory frameworks.  | The bank risk rating model reflects the recent enhancements to regulatory and supervisory frameworks.                                  | The Authorities are committed to regulatory and supervisory reforms.  |
| Vanuatu  | LTX<br>[in-country]      | Risk-Based Supervision - Training on Financial Risk Analysis and Review of Bank Risk Model                 | Vanuatu is in the process of finalizing the prudential and risk management standards for banks and no-banking credit institutions. However, its supervisory framework is still outdated.   | The supervisory framework of Reserve Bank of Vanuatu is upgraded.  | The Authorities are committed to regulatory and supervisory reforms.  |
| Regional   | LTX/ STX<br>[in-country] | AFSPC Meeting and Workshop   | This is a regular meeting held annually.   | The members will benefit from the exchange of experiences and supervisory initiatives. The workshop will enhance supervisory capacity. | The Association is committed to promoting co-operation among the PICs.  |
| <b>STRATEGIC OBJECTIVE 2: DEVELOP/ STRENGTHEN CYBERSECURITY REGULATIONS AND PRUDENTIAL NORMS</b> |                          |  |  |  |   |
| Fiji   | STX<br>[in-country]      | Training - On-site examination of a bank's cyber risk exposure   | Fiji has issued the prudential regulation on cyber risk supervision.   | Reserve Bank of Fiji staff will have enhanced capacity to supervise cyber risk.  | The Authorities are committed to regulatory and supervisory reforms.  |

| Beneficiary      | Mode                             | Activities   | Current Position   | Expected Outcomes   | Comments/ Risk   |
|------------------|----------------------------------|--|--|---|--|
| Papua New Guinea | HQX<br>[in-country]              | Training - On-site examination of a bank's cyber risk exposure | PNG is in the process of finalizing the prudential regulation on cyber risk supervision. | Bank of PNG staff will have enhanced capacity to supervise cyber risk.  | The Authorities are committed to regulatory and supervisory reforms. |
| Tonga            | HQX<br>[in-country]              | Training - On-site examination of a bank's cyber risk exposure | Tonga has issued the prudential regulation on cyber risk supervision.                    | NRBT staff will have enhanced capacity to supervise cyber risk.   | The Authorities are committed to regulatory and supervisory reforms. |
| Regional         | LTX/ HQX/<br>STX<br>[in-country] | Workshop on Cyber Risk Regulation and Supervision              | Nine of thirteen PICs have no prudential regulation on supervision of cyber risk.        | The relevant PIC put in place prudential regulation on supervision of cyber risk. This will improve supervision of cyber risk in these countries. | The Authorities are committed to regulatory and supervisory reforms. |

## G

PUBLIC DEBT  
MANAGEMENT

The Debt Management CD work program for FY2024, 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;
- Enhancing knowledge of the debt sustainability analysis framework and tool; and
- Developing capacity and improving knowledge on latest developments in international standards and best practices in public debt management.

In FY2024, CD for the Debt Management program will focus on strengthening the fundamentals of public debt management in the Pacific region. This is important due to the relative infancy of debt management



operations and the need to establish a solid foundation. In some countries, CD will also work to strengthen local currency bond markets. The proposed workplan for FY2024 includes 14 missions/activities, compared to 7 in FY2023, which reflects the initial development phase of the DM program and lower absorptive capacity of member countries.

PFTAC plans to hold two regional workshops in FY2024 to enhance debt sustainability analysis and effective investor relations. These will build on previous workshops that focused on developing a medium-term debt management strategy and public debt reporting. Improving knowledge of debt

sustainability analysis will connect debt management to the fiscal context.

#### Formulate and Implement Debt Management Strategy

PFTAC will assist **Papua New Guinea** in developing an annual borrowing plan (ABP) and issuance calendar, consistent with an updated medium-term debt management strategy (MTDS), by providing capacity development in the use of the ABP tool. This follows a TA to assist in the development of an updated medium-term debt management strategy in FY2023.

#### Strengthening Institutional

## Arrangement for Debt Management

In FY2024, 3 activities will focus on strengthening institutional arrangements. In **Palau** and **Kiribati**, PFTAC will assist with the development of an organizational structure for debt management. For Palau, this follows recommendations outlined within a FY2022 mission that developed a high-level debt management policy. In **Timor-Leste**, a review of the organizational structure for debt management will provide recommendations to strengthen and align the organizational structure with best practice.

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

In FY2024, PFTAC will undertake 2

activities related to debt transparency to Kiribati and Samoa. Both activities will be focus on debt recording, reporting, and monitoring, to support better and more regular and comprehensive debt reporting. In Samoa, capacity development will focus on enhanced debt reporting.

## Develop Market Infrastructure and Capacity for Cost Effective Financing

PFTAC will assist **Solomon Islands**, **Papua New Guinea**, and **Vanuatu** in FY2024 to strengthen the local currency bond market, specifically the development of the primary market for domestic market-based issuance, including issuance practices, investor relations, and market infrastructure. Strengthening of the primary market where a local currency bond market

exists is necessary to establish a reliable and cost-effective source of financing.

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

Capacity development in debt management best practice will be undertaken in **Vanuatu** and **Palau** in FY2024 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 20. FY2024 WORK PROGRAM – PUBLIC DEBT MANAGEMENT**

| Beneficiary   | Mode                     | Activities   | Current Position  | Expected Outcomes   | Comments/ Risk   |
|---|--------------------------|--|---|---|--|
| <b>STRATEGIC OBJECTIVE 1: FORMULATE AND IMPLEMENT A MEDIUM-TERM DEBT MANAGEMENT STRATEGY (MTDS)</b>               |                          |  |   |   |  |
| Papua New Guinea  | STX<br>[in-country]      | Capacity development in formulating an annual borrowing plan and issuance calendar | PFTAC recently assisted in developing capacity in the MTDS formulation, assisting authorities to develop an MTDS. Capacity development for the implementation of the MTDS is required | Enhanced capacity in MTDS implementation; and an ABP and issuance calendar are developed, documented, and published | Resource adequacy; management support and technical staff commitment   |
| Regional  | LTX/ STX<br>[in-country] | Regional workshop on undertaking effective investor relations                      | Regional Workshop   | Enhanced capacity for undertaking effective investor relations  | Management support and technical staff commitment; resource adequacy; application of skills to in-country debt management activities |
| <b>STRATEGIC OBJECTIVE 2: ESTABLISH EFFICIENT INSTITUTIONAL FRAMEWORK FOR DEBT MANAGEMENT</b>                     |                          |  |   |   |  |
| Kiribati  | LTX/ STX<br>[in-country] | 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   |
| Palau   | LTX/ STX<br>[in-country] | 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   |
| Timor-Leste   | LTX/STX<br>[in-country]  | 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   |
| <b>STRATEGIC OBJECTIVE 3: DEVELOP/ STRENGTHEN PROCESSES FOR ACCURATE DEBT RECORDING, REPORTING AND MONITORING</b> |                          |  |   |   |  |
| Kiribati  | STX<br>[in-country]      | Strengthening debt reporting capacity  | Capacity development required to enhance debt reporting activities  | Enhanced capacity in debt reporting activities  | Resource adequacy; management support and technical staff  |

| Beneficiary   | Mode                     | Activities   | Current Position   | Expected Outcomes   | Comments/ Risk  |
|---|--------------------------|--|--|---|---|
|   |                          |  |  |   | commitment  |
| Samoa   | LTX/ STX<br>[in-country] | Strengthening debt reporting capacity              | Capacity development required to further enhance debt reporting activities from current reporting  | Enhanced capacity in debt reporting activities  | Resource adequacy   |
| <b>STRATEGIC OBJECTIVE 4: DEVELOP MARKET INFRASTRUCTURE AND CAPACITY FOR COST EFFECTIVE FINANCING</b>   |                          |  |  |   |   |
| Papua New Guinea  | STX<br>[in-country]      | Local currency bond market development             | Assistance required to strengthen the domestic debt primary market and develop secondary market  | An effective primary market with market-based issuances; an effective secondary market for wholesale market participants                        | Political support; management support and technical staff commitment; resource adequacy                           |
| Solomon Islands   | STX<br>[in-country]      | Local currency bond market development             | Assistance requested to strengthen the primary market issuance of local currency instruments including issuance mechanism and investor relations | An effective primary market with market-based issuances; Enhanced capacity in domestic financing and financing through market-based instruments | Political support; management support and technical staff commitment; resource adequacy                           |
| Vanuatu   | STX<br>[in-country]      | Local currency bond market development             | Assistance requested to strengthen the domestic debt primary market  | An effective primary market with market-based issuances   | Management support and technical staff commitment; resource adequacy  |
| <b>STRATEGIC OBJECTIVE 5: DEVELOP CAPACITY AND IMPROVE KNOWLEDGE AND SKILLS ON LATEST DEVELOPMENTS IN INTERNATIONAL STANDARDS AND BEST PRACTICES IN DEBT MANAGEMENT</b> |                          |  |  |   |   |
| Palau   | LTX/ STX<br>[in-country] | 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 |
| Vanuatu   | STX<br>[in-country]      | 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 |
| <b>STRATEGIC OBJECTIVE 6: DEVELOP/ENHANCE STAFF CAPACITY TO CONDUCT DEBT SUSTAINABILITY ANALYSES</b>  |                          |  |  |   |   |
| Regional  | LTX/STX<br>[in-country]  | Regional workshop for debt sustainability analysis | Resource capacity requires development for understanding of the debt management context  | Improved knowledge of the DSA Framework and toolkit   | Management support and technical staff commitment; application of skills to in-country debt management activities |



PFTAC Staff

**SECTION IV**

**PFTAC STAFF**

## Director



**Samir Jahjah**

(Since August 2022)

Samir Jahjah joined PFTAC in August 2022. Prior to joining the PFTAC team Samir served as Center Director of AFRITAC West – the IMF’s West African Assistance Center based in Abidjan. With more than 20 years as an IMF economist, he has extensive experience in program and surveillance work – his most recent assignments include IMF mission chief for the Central African Republic, IMF Resident Representative for Ghana and for the Democratic Republic of Congo. In these assignments he played a key role in program design, negotiations, and program monitoring – supporting the authorities implement their development, capacity development, and economic agenda and engaging closely with development partners and various stakeholders. Before joining the IMF, Samir was an assistant professor for several years at the Université Libre de Bruxelles in Belgium. Samir holds a PhD in Economics and a Master in Econometrics. Samir is a Belgian national.

## Resident Advisors

### FISCAL AFFAIRS DEPARTMENT

#### REVENUE ADMINISTRATION



**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.



**John McAlister**

(Since November 2022)

John comes from Thimphu Bhutan where he was the Resident Advisor. Over 35 years, John has led large and complex change programs that have changed the way that people deal with tax authorities, how businesses deal with government and each other. This includes working in Whole-of Government programs, the Australian Taxation Office, private sector business change and digital enablement and with IMF. Most recently John has supported the Royal Government of Bhutan with preparation for a Goods and Services Tax, including development of skills, capability, and design processes for all aspects of the implementation along with the new Bhutan Integrated Taxation (Administration) System (BITS). John is passionate about innovation, business process reengineering and the transformational benefits of ‘digital’ in addressing disadvantage, creating transparency, delivering better business outcomes and improved user experience. He understands that data is the lifeblood of administration and has never been more in focus than in the modern digital economy.

## FISCAL AFFAIRS DEPARTMENT

### PUBLIC FINANCIAL MANAGEMENT



**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.

## INSTITUTE OF CAPACITY DEVELOPMENT

### MACROECONOMIC FRAMEWORKS



**Ian Nield**

(Since February 2023)

Ian joined PFTAC in February 2023. Ian comes from the IMF's Africa Training Institute (ATI) where he taught across the breadth of the ICD curriculum and supported numerous technical assistance missions with African colleagues, primarily on fiscal matters. Prior to joining ATI in October 2016, Ian was the Monetary Operations Adviser with the IMF's Bangkok-based Capacity Development Office in Thailand (CDOT). Ian has worked in and around financial stability in many ways for more than two decades. During his professional life he has been a research scientist and university lecturer. He also acquired financial market experiences in the private sector. From 1998-2013 he was a senior central bank official with the Reserve Bank of New Zealand. Ian studied at the University of Waikato in Hamilton, New Zealand and at Cranfield University in England. He read Chemistry, Mathematics and Physics at Waikato where he was awarded an MSc (Hons) degree. At Cranfield he read Physics for his PhD.

## 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



**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.

### GOVERNMENT FINANCE STATISTICS



**Eduard Moskalenko**

(Since November 2022)

Eduard is an Estonian national and joined PFTAC in November 2022. Eduard has extensive experience in the areas of the GFS and PSDS, as well as national accounts, which he accumulated at the UK's Office of National Statistics over the last nine years. Prior to joining the IMF, he worked as the Head of Branch, leading the team responsible for methodological advice, innovation, and compliance with the international framework in the GFS area. In this role, he led the UK's work on data and methodology related to the government interventions during the COVID-19 pandemic, the transition to new data collection approach for public corporations and contributed to the development of European statistical guidance in areas of high importance to the UK, such as income-contingent loans. Eduard holds a bachelor's degree in Economics (first Class) from the University of Exeter, United Kingdom, and a Master of Social Science in Economics from the University of Uppsala in Sweden.

Administrative Staff



OFFICE MANAGER  
**Maria Nina Samuela**



SENIOR ADMINISTRATIVE ASSISTANT  
**Elenoa Bogiwalu**



ADMINISTRATIVE ASSISTANT  
**Kalara Raidruta**



ADMINISTRATIVE ASSISTANT  
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