

## **PFTAC Steering Committee Draft Meeting Minutes**

**Day 1 – 24<sup>th</sup> May, 2022**

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## ACRONYMS

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ADB	:	Asian Development Bank
ANS	:	Assessment of National Systems
EU	:	European Union
FI	:	Financial Instructions
FMA	:	Financial Management Act
FMIS	:	Financial Management Information Systems
IMF	:	International Monetary Fund
MOU	:	Memorandum of Understanding
PEFA	:	Public Expenditure Framework Assessment
PFTAC	:	Pacific Financial Technical Assistance Centre
PFM	:	Public Financial Management
PFM IP	:	Public Financial Management Improvement Plan
PICs	:	Pacific Island Countries
RBF	:	Reserve Bank of Fiji
WB	:	World Bank

## **WELCOME BY PFTAC DIRECTOR, MR. DAVID KLOEDEN**

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The PFTAC Director, Mr. David Kloeden welcomed delegates to the first day of the two-day 2022 Pacific Financial Technical Assistance Centre (PFTAC) Annual Steering Committee meeting and asked the PFM Advisor, Mr. Iulai Lavea to say a word of prayer.

*Opening Prayer, Mr. Iulai Lavea, PFTAC Public Financial Management (PFM) Advisor*

## **INTRODUCTION OF DR. BO LI, IMF DEPUTY MANAGING DIRECTOR**

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Delegates were again welcomed to the PFTAC Steering Committee meeting, the first day of the two-day sessions. As a hybrid event, representatives from six member countries and four donors were physically present in the meeting room, including various International Monetary Fund (IMF) officials and observers. He also welcomed delegates who were virtually present, including representatives from another 7 member countries, 2 donors, observers and other IMF colleagues.

Mr. Kloeden welcomed 2 senior officials whose support were vital to the ongoing success of PFTAC. On behalf of the host Government, he welcomed Fiji's Attorney General and Minister for Economy, Civil Service, Communications and Housing in Community Development, Hon. Aiyaz Sayed-Khaiyum. He also welcomed the IMF's Deputy Managing Director, Dr. Bo Li. This was his first visit to Fiji and the Pacific from Washington DC since he took up his appointment as Deputy Managing Director (DMD) of the Fund in August 2021.

Before joining the IMF, DMD Li worked at the China Peoples Bank for many years and served as a Deputy Governor. He was also Vice Mayor of China's largest municipality. Dr. Li holds a PhD from Stanford University, an MA from Boston University in Economics, and a Doctor of Jurisprudence from the Harvard University.

## **COMMENTS BY DR. BO LI**

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Dr. Li thanked the Fiji Government for the warm welcome for his first visit to the Pacific Region. He had the opportunity to interact with many participants virtually at the high-level conference during the IMF/World Bank (WB) Spring meetings and appreciated the opportunity now to meet some participants in person.

He stated that the IMF had been extremely active responding to the pandemic through an unprecedented expansion of the Fund's emergency financing facility and the 2021 SDR allocation since borders closed in 2020. Work to support member countries continued in the midst of other shocks including natural disasters that are all too common in the Pacific and more recently the war in Ukraine.

Engagement with member countries continued with all hands on deck throughout the crisis delivered through lending to many dozens of countries and maintaining an extensive dialogue to allow policy makers to respond to these unprecedented times. Furthermore, the Fund has continued to deliver its

important mandate of providing technical assistance and capacity development. There were a lot of lessons learned in responding, and everyone is keen to re-engage in person as borders reopen. PFTAC has taken the first step. This is demonstrated with the return of the IMF looking forward to in-person re-engagement as the year unfolds.

For the Pacific, there is still much to do across many fronts, including rebuilding fiscal and external buffers while facilitating inclusive growth. In particular, there is great emphasis on ongoing efforts on climate change and natural disasters. The large infrastructure needs in the region need to adjust to these events and access to higher levels of climate finance is very important.

Dr. Li was pleased to see that PFTAC had been active in supporting efforts of the Pacific Islands Forum Secretariat (PIFS) as well as member countries to strengthen their PFM systems and public investment management capacity. In recognizing the criticality of climate change, PFTAC has stepped up its capacity by adding a third PFM advisor from the start of the next phase of operations.

Di Li further added that the 2 day meeting was important to the IMF's engagement in the region. PFTAC was the outcome of a home-grown Pacific initiative that arose almost 30 years ago. PFTAC was created as a experimental model in 1993 from the urging of officials of Pacific nations to ensure they were better served with technical assistance despite their small size and great distance from Washington DC. This model of proximity to the client has been hugely successful. While it was another decade for the second such regional capacity development center to be opened in the Caribbean, the model has since expanded to a network of 17 centers worldwide. Not only has the model brought IMF services to the doorstep of the member countries, but all stakeholders have a key role in the governance of the centers. Dr. Li said that this was demonstrated at the first day of the meeting that the 16 member countries and 7 donors who financed this Phase of operations all have an equal voice in Steering Committee governance.

PFTAC is now in its final year of Phase V that was extended by budget savings accrued during the covid pandemic. He noted that over the years, many evaluations have highlighted the important contributions PFTAC provides in responding to the needs of the member countries. And for the first time starting in this Phase, member countries voluntarily made financial contributions towards PFTAC operations which signals the value of PFTAC services that have adapted over time. The external evaluation mandated during each phase has provided suggestions to further strengthen the model, with various improvements being implemented and several governance enhancements being considered.

PFTAC started out with 4 Advisors and programs. Over 25 years, PFTAC has doubled in size to respond to regional demands with additional Fiscal Advisors in PFM and Revenue and the recently launched Debt Management Program with the support of the Japanese Government. Looking to the future, and subject to the ongoing support and contributions of the donor community, plans are to expand by 3 more Advisors in the areas of Climate Change, Government Finance and Public Debt Statistics, and a new Macroeconomic Framework Program to help strengthen countries analytical modeling capacity.

PFTAC's well appreciated support to the region on fiscal, financial, and statistical issues will only be possible to continue with the generosity of donors that currently include the Governments of Australia, Canada, Korea, New Zealand, and the United States of America (USA), the Asian Development Bank (ADB), and the European Union (EU).

Dr. Li said that the region and the IMF are deeply grateful and have enjoyed synergies and complementarities with the donors and the development community over the years that he hoped will continue in Phase VI. There have been discussions around these possibilities, beyond current donors to some prospective donors.

Although the Fiji Government has been a gracious and hospitable host of PFTAC for more than 28 years, the IMF now seeks to formalize the arrangement with the signing of a Memorandum of Understanding (MOU) for the ongoing hosting of PFTAC. To some extent this is a legacy of the groundbreaking role of PFTAC. He stated that Mr. Kloeden's previous appointment as the Director of the Caribbean Center, the hosting agreement there was similarly constituted many years after establishment and successful operations.

Dr. Li concluded that he was pleased that the Pacific was his first destination abroad since joining the IMF management last year. He looked forward to this being the first of many future visits to the region.

#### **FIJI GOVERNMENT RESPONSE: HON. AIYAZ SAYED-KHAIYUM, ATTORNEY-GENERAL AND MINISTER FOR ECONOMY**

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Hon. Sayed-Khaiyum welcomed the Deputy Managing Director, member countries, and development partners, the RBF Governor, and PFTAC. He noted that it was a pleasure for the Government of Fiji to host PFTAC over the past 30 years. He stated that it was not just something beneficial to Fiji, but also to the other Pacific Island Countries (PICs). There was great benefit of having the resources, the technical expertise, and people at hand to help countries navigate their way through this difficult period both regionally for PICs and globally.

The challenge he stated is that small countries in the Pacific and other regions that are concentrated in the services sector have been immensely challenged, requiring great fortitude and a lot of vision to navigate a way through. Technical partners, international development banks, and assistance from various organizations have been critically important to understand what PICs have faced and the challenges to put in place long term goals and strategies. He noted that issues to address included debt, GDP growth, and levels of foreign reserves, and how these measures actually impact the prosperity and livelihoods of the people that ultimately is what matters.

Hon Sayed-Khaiyum further stressed the need to ensure that the ordinary citizens, namely the men and women of individual countries have livelihoods that do not fall into poverty and those who became unemployed are able to again be re-employed. These are fundamental issues as well as those noted by DMD Li including the impact of inflation PICs face that is mostly beyond their control, the conflict in Europe, and the pandemic. PICs needed to work together with organizations like the IMF to help respond to the effects of such events.

Hon. Sayed-Khaiyum stated that it is important to develop solutions and that leaders needed to think beyond the short term. It is necessary to look long term with a vision and game plan and the political, administrative, and technical commitment to work towards these objectives. Otherwise, he said countries will fall behind.

The Government of Fiji was pleased to host PFTAC and finally after almost 30 years to formalize that into an agreement with the assistance of the Reserve Bank of Fiji (RBF). The Minister thanked Dr. Li for making this first visit to the Pacific and hoped that the PICs will see more of him as it does inspire the Pacific to have officials from Washington visiting the Pacific.

Hon. Sayed-Khaiyum noted the reference of DMD Li to climate change which is one of the many challenges and risks that Fiji faces having experienced 14 cyclones since 2016. Fiji has suffered cyclones that wiped one-third of the nation's GDP in 36 hours. These challenges are beyond our control, but must be faced with resilience and adaption and indeed to some extent contributing to mitigation. He was glad that organizations such as the IMF, the World Bank, and the ADB are all collaborating on climate change.

## **OVERVIEW OF PHASE VI OF PFTAC OPERATIONS AND FUNDING, DAVID KLOEDEN, PFTAC DIRECTOR**

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### *Phase VI Proposal – the Macroeconomic Context*

The PFTAC Director, David Kloeden provided some brief context about Phase VI plans that are heavily influenced by the anticipated post-COVID recovery and the need to address imbalances and capacity weaknesses exposed by the crisis like debt sustainability in some PICs. Climate change and vulnerability to disasters similarly underlines the context. It was also noted that recovery is likely to be slow and divergent, and faces additional headwinds from war in Europe, as well as inflationary pressures and additional supply constraints.

Some longstanding issues have worsened or come to the fore with COVID, such as debt, Stated Owned Enterprise contingent liabilities, rising non-performing loans, and the adequacy of PFM systems to unlock climate financing.

Medium term frameworks and capacity around modelling and forecasting will be crucial to plot and manage the way forward. Over the year of analysis and design of Phase VI, the message was clear that the need for PFTAC is more essential than ever.

#### *Phase VI Proposal – The Process*

The PFTAC Director provided a brief recap of the path taken in the Phase VI development. First, the one-year extension of Phase V was a result of COVID induced savings and brought PFTAC some extra time to thoroughly prepare for Phase VI and be ready well advance of the delayed start date of May 2023.

The exercise began in early 2021 when 5 Virtual Working Groups (VWG) that were convened to consider the impact and focus of PFTAC over Phase V and to consider the priorities for the next Phase, particularly in the context of the COVID crisis that was then at its height.

The findings and recommendations of the VWGs were presented over a dedicated day at the 2021 Steering Committee meeting. The Internal IMF processes were completed to fully reconcile the requests and needs articulated by the stakeholders with the IMF's resources and backstopping ability. A strategy was developed and endorsed by IMF management in November 2021.

The outline of that strategy was presented at the December 2021 Steering Committee meeting followed by the drafting of a Program Document. Following internal review and revision of the draft Program Document in early 2022, a version was circulated to Steering Committee members in early March. This solicited a range of helpful observations and suggestions that were incorporated into a final version that was circulated in late April.

It was noted that the final version of the Program Document has just been reformatted broadly following the design of the Annual Report and it is now available on the PFTAC website.

#### *Phase VI – Programs and Resources*

The PFTAC Director continued by noting inputs from the 2021 Steering Committee meeting and the VWGs that recognized the ongoing need to retain all of the existing PFTAC programs. Not counting the Debt Management program, which is financed separately by Japan, there has been an average of 7 resident advisors at PFTAC during Phase V.

In Phase VI, the numbers of resident advisors will increase to 10. The increase in numbers includes the return of the resident GFS advisor with a widened responsibility for Public Sector Debt Statistics. A second Macroeconomic Frameworks advisor is also planned, differentiated from the current program and advisor backstopped by APD.

This to be closely integrated but overseen by ICD and titled the Macroeconomic Framework advisor. A third PFM advisor will be appointed with an explicit focus on Climate Change fiscal issues, building on recent work of the PFTAC team but extending it even further. This is in response to the clear message received from member countries and regional entities and reflective of stepped-up efforts of partners and



corresponds to a heightened role the IMF being developed within the context of its macroeconomic mandate.

A third advisor would provide space for the other PFM advisors to do more in other topics such as gender and digitalization, as well as responding to the critical fiscal challenges of the region.

#### *Phase VI Proposal – Costs and Fundraising*

The funding period for Phase VI is 5 years from May 2023 to April 2028 compared to 5 ½ years for Phase V which was extended to 6 ½ years. It represented an increase of close to 25 percent in terms of inputs, activity levels, and outputs.

As indicated by the PFTAC Director, the fundraising target is similar to Phase V at \$US40 million, of which \$US36 million is to be provided by the donors and the remaining 10% from member countries under the current contribution formula. The IMF is expected to contribute to additional costs of at least \$US3 million over the 5 years period which may yet increase.

#### *Phase VI Proposal – Costs and Fundraising*

PFTAC provided the high-level 5 years budget breakdown of \$US40 million envelope which is tagged in Annex A in the Program Document.

## **MEMBER COUNTRY OBSERVATIONS OF PFTAC SUPPORT: FIJI, COOK ISLANDS AND SOLOMON ISLANDS**

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### **Fiji (Mr. Shiri Gounder, Permanent Secretary)**

Mr. Gounder thanked the development partners including the IMF, PFTAC, WB, Australia, EU, and the ADB who have all supported Fiji for the past 2 years without which Fiji would not be where it is today. Fiji has had an extremely painful experience with devastation relating to the socio economic impact of the pandemic, disruptions to education, and of course the challenges in the health sector. The development partners have assisted with the foundations laid with PFTAC support.

In 2019, PFTAC assisted the Government of Fiji with the Public Expenditure Accountability Framework (PEFA) assessment. The Government of Australia in conjunction with the team that completed the PEFA assessment also completed an Assessment of National Systems (ANS). Following the PEFA assessment, the PFM Improvement Plan (PFMIP) detailed the reforms to be tackled with Fiji's PFM system, covering budget and planning, treasury management, and the legislative architecture to govern financial management operations. He noted the help provided in two key areas: (1) reforms within the PFM space, and (2) Financial budget support over the past 2 years from the ADB, WB, JICA plus grants

from NZ and Australia. The financial and budget support was closely linked to PFM reform, particularly the outcome of the PEFA Assessment and PFMIP prepared with strong PFTAC support.

The PFM reforms over the past 2 years were complicated by covid challenges, offset by opportunities where the Ministry was able to tackle a number of challenging reforms that helped secure donor financing. In terms of the financial architecture, a major amendment of the Financial Management Act (FMA) helped strengthen good governance, transparency, and accountability. He also noted that the pre-election fiscal and economic update were released for the first time.

Mr. Gounder stated that the FMA also required the MOE to prepare a fiscal strategy upon which the budget would be formulated. Reforms undertaken were very useful, with the outcomes contributing to the post covid recovery in the move to fiscal consolidation and a fresh look at the medium term fiscal strategy. PFTAC assisted in recent months with macro fiscal modelling, with an expert working on a revenue projection model, a revenue strategy, and model for the VAT regime. Challenges faced include Inflationary pressures coming out of the Ukraine war and supply disruptions, and the need to amend and restructure the VAT system. With the assistance from PFTAC, revenue projections were modeled based on a fully recovered economy. The MOE was also assisted with the tax reform agenda with inputs from IMF Technical Assistance as well as the APD mission chief for Fiji, Mr. Schneider and his team.

Also arising from the work of PFTAC are several reforms that align the FMA with international best practice, including strengthening internal audit with a clearly legislated role of the internal audit division.

#### *Some of the recent reforms*

In the PFM space, there is much more Fiji has to do. Fiji looks forward to the support from PFTAC and other development partners in strengthening the budget framework around project appraisal and selection. Every dollar of government investment is very important, ensuring dollars are put in the right place. Development of a framework is needed to assess capital expenditure proposals to be funded by the Government.

He further highlighted that PFTAC had played a key role with reform of the FMA, and moving forward, two priority items for reform are: (1) procurement legislation and (2) Financial Instructions (FI) and a manual to guide the various ministries and agencies in the next phase of reform. Treasury is relooking at the Financial Management Information System (FMIS) for further improvements with the current payroll system that sits separately. He requested the assistance of PFTAC and the IMF that has a lot of expertise in this area as a reform priority .

Mr. Gounder highlighted another important issue that were also noted by the IMF mission chief for Fiji and DMD Li about the need of Fiji to put debt on a downward trajectory. In this respect he noted the need for revenue reforms as well as some scope on non-tax revenue plus a lot to be done on the expenditure front. A lot of additional debt has been taken on in the last 2 years, including the provision of fiscal guarantees to state entities like Fiji Airways that have been important. He highlighted that the PFTAC

team are helping the MOE on this to ensure sustainability and to effectively manage fiscal risks and contingent liabilities.

The Macro fiscal model that was designed carefully by the MOE team working closely with PFTAC will guide fiscal policy with the post pandemic recovery that must be private sector driven as the government's fiscal space is very constrained. As the Minister had noted, a lot of work is needed around structural reforms. For example, how can the government make more productive land available, possible immigration reforms, price controls, and easing exchange controls. These are tough questions to be answered that Mr. Gounder reiterated PFTAC and the IMF can contribute greatly.

### **Cook Islands (Mr. Garth Henderson Financial Secretary)**

Mr. Henderson highlighted the strategic nature of the experience of the Government of Cook Islands (GoCI) with PFTAC echoing similar sentiments of Fiji about PFTAC engagement. He noted that small countries with small Finance Ministries like the Cook Islands seem to have larger mandates than bigger countries in the region and the world. He stated that 40 percent of the outputs of the Cook Islands MOF are non-legislated, existing within grey areas between the legal mandates of other government agencies.

Covid has been the biggest challenge ever faced by the country. He reflected that the PFTAC work program in 2019 before Covid was very relevant, but then a year later with the outbreak of Covid they realized that their medium-term fiscal situation had changed. At the time, PFTAC was supporting the Cook Islands with banking supervision reforms and a revenue administration development program. However, Covid highlighted the importance of managing banking risks and maintaining taxpayer relationships despite the Covid upheavals. He had seen figures from the ADB that the Cook Islands faced the biggest economic decline in the region if not globally at 34.3%. The Government went into covid well prepared, particularly given the work done by PFTAC and other development partners. He particularly noted the support from the ADB including Mr. James Webb who had responded to the economic challenge. Mr. Henderson stated that the Cook Islands like Fiji had weighed up the medical risks with the economic responses with both countries having now opened for business and tourism.

The question Mr. Henderson asked is *how we do finance recovery?* The Cook Islands came into the crisis with good finance and good GDP growth. Mr. Henderson highlighted that a unique economic challenge was the work force immigrating to New Zealand and Australia causing the economic stimulus to move offshore given that nationals carried NZ passports giving them residency and employment access in both Australia and NZ where there is large demand for labor in construction.

Mr. Henderson described the recent support of PFTAC with their debt strategy that was just implemented in the past few weeks. It addresses financing sources as well as financing to meet the new and future landscape as well as post disaster financing and keeping up repayments. He reiterated that the Government needed to do this to adopt financial business over the next 10 years. Moving ahead, Mr.

Henderson applauded the good work done by Mr. Iulai Lavea, PFTAC's PFM Advisor in developing the PFM strategy that will be rolled out as part of the Ministry's plan.

On PFTAC more generally, he noted that the help was very useful, consistent, and reliable in responding to Covid. The quality of the TA has been excellent and the relationship between senior staff and consultants has been very good, with similar comments from the consultants themselves.

### **Solomon Islands (Dr. Luke Forau, Governor Central Bank)**

Dr Forau began by thanking PFTAC for providing capacity building TA. He also thanked the PFTAC outgoing Director, Mr. David Kloeden for his leadership that has shown a lot of TA support to member countries including Solomon Islands. He also acknowledged donors in the room and those attending virtually.

Solomon Islands has benefitted from PFTAC's capacity building support. Over Phase V, support was provided with key strategic objectives of PFTAC focus on strengthening macro and fiscal resilience, promoting macro sustainability, and facilitating inclusive growth.

He noted from a strategic perspective, PFTAC's strengths were in *financial sector supervision, macroeconomic statistics and analysis, and fiscal revenue mobilization to support revenue enhancement and strengthening public financial management*. Solomon Islands has benefitted significantly. An example was the review of the tax regime where PFTAC assisted the Government to identify the best form of consumption tax with modelling to identify possible options. The Tax Administration Bill is currently before parliament. The Central Bank has provided views on the bill to the relevant Committee.

PFTAC has supported financial sector supervision mostly with prudential guidelines issued to commercial banks. The Central Bank continues to improve its prudential guidelines that have been renamed prudential standards.

Solomon Islands has received support in macroeconomic forecasting and analysis and just recently completed forecasting support from the PFTAC Macroeconomic Advisor, Mr. Andrew Beaumont and in the Financial Sector Supervision Program, assistance was received by Mr. Rajinder Kumar.

Strategically moving forward, Governor Forau stated that Solomon Islands will focus on areas of optimal benefit to ensure that PFTAC sees the value for money in terms of its TA. He also stressed that donors need to ensure their funds are well spent, and that member countries receive optimal benefit. The macroeconomic challenges, the need and demand for PFTAC's assistance to member countries have been higher than before, and with the new Phase VI, it was noted that 3 additional advisors will be recruited. The Governor welcomed this recruitment and wanted to see more sustainability in the programs. He also noted that there is re-engagement on GFS in the public sector and hoped to see that

program continued again with the Central Bank. Governor Forau also stated that another area that is new to the Central Bank is climate risk related supervision and he hoped to see more of this topic.

## PHASE VI – PERSPECTIVE OF THE IMF

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### Comments by DMD Li on future role and importance of PFTAC

Dr. Li thanked the representatives from the 3 member countries who described how they have benefitted from PFTAC support and looked forward to this continuity to help them tackle recent emerging economic challenges.

As the IMF first capacity development Centre, PFTAC had served the region well for almost 3 decades responding to the changes in member needs arising from global, regional, and national developments. Over the years, various reviews and assessments have attested to the on-going need and positive impact of PFTAC. The model has been adapted and improved over time having been emulated across the world. PFTAC has had a demonstrated impact in the region through *revenue mobilization, more effective PFM systems, improved national capacity in modelling and economic forecasting a stronger financial sector oversight*.

Member countries have demonstrated the value they see with these services by contributing their own resources to cover PFTAC costs and are committed to do so in the next phase. He reiterated what Mr. Kloeden had shared about the collaborative effort with stakeholders to define the PFTAC priorities and resource requirements for the next 5 years that was clearly laid out in the program document circulated in April. That exercise concluded that the current PFTAC programs needed to continue and adapt as necessary to the latest priorities particularly in the aftermath of covid and emerging global developments.

To that end a modest expansion of PFTAC is planned with 3 new resident advisors making a team of 10 leading to about 23 percent more PFTAC activities. This is within the absorptive constraints of the membership that is well understood by PFTAC and complementary to the support provided by other donors in the region.

Members looked to PFTAC to continue supporting issues of relevance to the region such as climate change and the challenges faced by small island developing states (SIDS). The IMF is responding with an additional PFM expert focused on climate change and the return of the GFS advisor with an expanded focus on public sector debt statistics. There will also be a new macroeconomic framework program and advisor that will build upon the success of the current Macro program working with central banks and treasury officials to provide data analysis for policy making.

The areas where IMF capacity development has expanded over time to macro critical issues include climate change, digitalization, and the importance of supporting fragile and conflict affected states that

comprise almost half of the PFTAC membership. Dr. Li stated that PFTAC will be active in these areas in Phase VI, as well as on gender issues.

Dr Li concluded by addressing the current and prospective donors. He stressed that PFTAC can only deliver services to the Pacific with their continuing generosity. He stated that there is a need to secure a pledge of US\$36m to deliver PFTAC's program for 5 years from May 2023. The PFTAC model has delivered excellent value for money over the years. The contributions from organizations are critical to good governance and economic development in the Pacific and the work of PFTAC in particular is complementary to their own initiatives. He hoped that development partners can make commitments that will enable PFTAC to continue its vital role without interruption when Phase VI starts in May 2023.

## PHASE VI – DONOR OBSERVATIONS

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*Observations and Comments about future support by Phase V PFTAC donors (Asian Development Bank, Australia, Canada, European Union, Korea, New Zealand, and United States) and potential future donors (United Kingdom)*

### **Australia (Ms. Melissa Tipping, First Secretary, Australian High Commission, Suva, Fiji)**

Ms. Tipping began by stating that her government supported PFTAC's work as a long-standing funding donor, and were incredibly proud of the replication of this Pacific innovation beyond the region. As heard in the opening addresses and statements by country representative, PFTAC remains as relevant as ever for the Pacific and globally as countries return to economic growth following the various stages of the pandemic.

Ms. Tipping stated that PFTAC remains an important part of the regional architecture that was reinforced by the presentations that set out the value it is bringing to partner countries. She was very pleased that PFTAC has retained their focus on demand driven programs and that Australia really appreciated the effort to build the new design in a consultative process. She thanked the outgoing PFTAC Director, Mr. Kloeden, and those who participated in the Working Groups.

The outcome of the just held Australian federal elections will result in new policy settings that determine future funding. Ms. Tipping stated that she is not in a position to announce a pledge, but she anticipates that Australia will remain PFTAC's funding partner in the new phase. She echoed the sentiments of the Solomon Islands in thanking Mr. Kloeden for his work that ensured that PFTAC provided support during covid and ensured a stronger more responsive PFTAC, making sure that this is an organization that represented its member and was demand driven.

**New Zealand (Dr. Chris van Hooft – Senior Advisor Economics, NZ Ministry of Foreign Affairs and Trade – Virtual)**

Dr. van Hooft said that New Zealand valued the importance of PFTAC in contributing to the region in providing highly specialized demand driven PFM and other important reforms. The inclusion of new areas of work such as debt management have been important to support countries in managing the economic impact of covid 19.

She noted and appreciated that these areas of work will continue to be significant as countries in the region move forward and return to economic resilience. She also welcomed the expanded focus on both climate change and gender mainstreaming among other issues of PFTAC work. The continuing presence of a resident representative in the region signaled the IMF commitment in the Pacific and thanked Mr. Kloeden's contributions to PFTAC for the past 5 ½ years including shepherding through the challenges of managing pandemic.

Dr. van Hooft stated that while they are still working through their internal approval process, they will be pleased to provide and continue to finance the next phase of PFTAC. NZ Government expected that the amount to be a more modest contribution than previously, but noted that there is the possibility of additional financial support at a later stage during the next phase. She welcomed the opportunity to discuss whether PFTAC could incorporate flexibility to accommodate an additional package of funding. She noted that New Zealand was able to step in and reduce a large funding gap during Phase V over and above its originally committed contribution resulting in New Zealand making a very large Phase V contribution.

Mr. Kloeden then said that during the Steering Committee Meeting in Port Moresby 3 years ago, it was noted that the funding gap was provided by the New Zealand Government to see Phase V through. He said that going forward, PFTAC is always open to flexibility and bilateral discussions as well.

**European Union (Mr. Michael KREJZA, Head of Development Cooperation)**

Mr. Krejza reflected on the Covid19 pandemic which has amplified the importance of all the areas of PFTAC work in the Pacific. He was therefore happy that all the existing programs will continue into the future and that some additional areas are being added.

He added that PFTAC has been a highly valuable and reliable partner for the EU development operations in the Pacific for many years. Between 2018 and 2022, the EU contributed Euro 6 million to PFTAC Phase V through the regional PFM program. The work done by PFTAC in the areas of PFM diagnostics through PEFA's, PFM reform plans and capacity building has been instrumental for better prioritizing and

sequencing of PFM reforms, thus enhancing overall fiscal discipline and public finance effectiveness and efficiency.

Strong PFM systems, especially internal and external audit, transparency, internal controls, and procurement are also essential in the process of accessing finance for climate change adaptation. With the early launch of the PFTAC Phase VI initiative, the appointment of a third PFM resident advisor with a focus on climate change issues can play a very positive role that Mr. Krejza welcomed. He stated that this will also directly support the so called 'Green-Blue Alliance' between the EU and the Pacific which is the main focus of the EU's funding programs between 2021 and 2027.

Under the EU's budget support operations that account for a substantial part of the EU development portfolio in the Pacific, the EU is aiming for positive developments in the PFM space through annual budget support disbursements that are linked to progress in the implementation of PFM reform plans that are supported by the work of PFTAC. The EU will pursue its budget support operations for the benefit of PICs during the coming years.

In this respect, Mr. Krejza stated that important decisions have already been taken following the approval of the EU 7-year development budget for 2021-2027. They have adopted a multi annual indicative programming document for this period for the Pacific region, following closely the logic of the EU Green Deal. The EU program will focus on the fight against global warming, sustainable growth and jobs, and environmental protection. Among the first concrete actions under new framework that were approved in December 2021 is an action entitled "Strengthening PFM Oversight and Accountability in the Pacific Region". This action aims to strengthen government mechanisms to enable PICs to achieve fiscal sustainability and to diversify their economies to recover from the pandemic and natural disasters in a fair and responsible manner.

In view of the excellent work of both PFTAC and UNDP in this area, the EU intends to keep working with both partners in the future. More specifically, the new action is expected to contribute to improved budget transparency and accountability, domestic fiscal policy, and fiscal reforms that are conducive to achieving regional climate objectives and enhanced digitalization.

Under this new action, the EU will contribute Euro 5 million to PFTAC Phase VI from May 2023 through April 2028. The preparation of the contribution agreements with the IMF and the UNDP are already well advanced and the contracts will be signed before the end of this year.

Mr. Krejza finally commented about the fruitful cooperation between the EU Delegation for the Pacific and Mr. Kloeden, thanked him for all the excellent work and wished him all the best in the future and sincerely hoped that relations will be equally good with his successor.



**Asian Development Bank (Mr. James Webb, Public Management Specialist)**

Mr. Webb reaffirmed PFTAC's key role during the pandemic as well in the recovery by supporting the fiscal recovery. He noted that PFTAC over successive years had enabled ADB itself to engage more deeply in a number of areas in PFM and that would later go on to support budget operations that were instituted across the Pacific region during the pandemic. These operations supported PIC governments to respond to the covid pandemic as well enabling ADB to expand their TA operations into a number of areas they wouldn't have possible if not for the earlier work by PFTAC.

He reiterated that they look forward to working closely with PFTAC over the coming cycle as well as both financially and with their own technical support in key areas. Mr. Webb look forward to further discussions with the PFTAC team on how they can best work together as they have a number of interesting TA programs that can support PFTAC directly.

**Korea (Ms. Younsult Chi, Policy Analyst, Ministry of Economy and Finance)**

Ms Chi hoped that PFTAC will continue to support sustainability development of member countries, contributing to adjust various issues. Korea is reviewing their possible financing to Phase VI and hoped to provide an update on its funding as soon as the process is complete.

**United States of America (Mr. David Stack, International Economist, Department of Treasury)**

Mr. Stack began by stating that the US remained supportive of PFTAC's work on enhancing government efforts on macroeconomic stability across the region and in particular was appreciative of the Phase VI workplans that it continues to place an emphasis on fiscal and debt issues as well as the proposed additional resident expert on climate finance issues.

He stated that PFTAC areas are important and are aligned with US priorities in the region to enhance fiscal resilience for PICs against future shocks and promoting access to finance for investments in climate adaption. While he cannot commit, he noted that the US Treasury that he represented will pursue all available funding options to continue supporting PFTAC's critical work in Phase VI

**United Kingdom (Mr. Jean Paul Penrose, Pacific Development Director, British High Commission)**

Mr. Penrose stated that as an Observer he is keen to learn what PFTAC does. The UK Government is considering whether they can provide support to PFTAC. Hearing the feedback from member countries is critical to helping with a decision.

The crisis and conflict in Ukraine, climate change, and the covid pandemic really made the role of PFTAC critical building the foundations as the Fiji Permanent Secretary of Finance said so that countries emerge

stronger after the crisis 19. The role of PFTAC seems strikingly important and clear, there is a solid and sound program to deliver that is clear with demonstrated results with the messages on PFTAC outcomes heard clearly.

Mr. Penrose highlighted that as a perspective donor, understanding the outcomes better would be helpful, particularly where eloquently described by the member states. This is because activities and outputs are important indicators of the work done, but it is the outcomes and the change produced that leads to sustainable, resilient, and inclusive economies. These are the factors that make the difference for a potential donor like UK to be able to make the case to provide support.

As the UK is a prospective donor, the contribution that member states make is a really strong expression of demand and signals something very clear that he hopes will continue. He also highlighted that the UK as co-president of COP26 continues to be committed to work on climate change. They support the breadth of work that PFTAC has engaged and find it particularly helpful that there a support around working to tackle the climate emergency with some basic tools to get good PFM in place.

Mr. Penrose stated that if they can provide support, it will be through climate financing. It will be general funding under a case that the UK support is contributing to its climate goals. He reiterated that he cannot make any promise at this stage, but they will know in the next few months about the potential for the UK and will liaise with the PFTAC team accordingly.

His final comments were that PFTAC laid foundations to help countries going into the crisis and building resilient economies. There is a growing movement with changing roles for SIDS and how the international community look at SIDS. The vulnerability of SIDS was considered at an OECD meeting in June, and at an Ocean summit in Lisbon. He noted that that the IMF Board met last week to take their independent evaluation on support from the IMF to small states and it seems a big shift towards how SIDS may access finance from the international community. What PFTAC does is a key part of building the foundations to enable that access to climate finance, as well as development finance in the private sector. He was hopeful that the new IMF resilience sustainability trust will also be one of those tools that will come the aid of Pacific Nations and that what PFTAC does on PEFA foundations will be instrumental in accessing that new finance.

Mr. Kloeden concurred with the comments by the UK representative about impacts which can take many years to achieve but there are steps along the way. The IMF has invested very heavily over the years, and over a decade in instituting a results-based management system that is focused on outcomes. While PFTAC counts dollars and missions during each fiscal year, there is a clear focus on outcomes that is measured to the best of our ability. It can be somewhat objective, but the IMF has learned from the best, particularly the UK and the EU and many other donors as well. It is still work in progress that we acknowledge that we are focused and committed to. PFTAC has been involved particularly with PIFS on climate financing through a technical working group. There is an imperative to unlock greater access to

climate financing. PFTAC's added value comes from robust and capable PFM system that are an imperative for that exercise. PFTAC works with member countries towards robust PFM systems.

## PHASE VI – SUMMING UP

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### **Summing up of Phase VI priorities and support, Mr. Todd Schneider, APD/Pacific Division Chief**

Mr. Schneider joined many of the speakers to thank Mr. Kloeden for the last 5 ½ years and the close collaboration they had. Between the 2 IMF mandates of capacity development and surveillance, PFTAC worked closely with the IMF teams and Mr. Kloeden did an exemplary job. PFTAC is an example of what can be done well.

The focus on the future of PFTAC is Phase VI, over the 5 year period from May 2023. He noted how committee members were actively involved in the process to design the next phase, based on their experience with the TA and training provided by PFTAC in recent years. The priorities going forward of what PFTAC does in the fiscal, financial, macroeconomic, and statistical space is loud and clear, particularly given the current uncertain world as the region recovers and rebuilds from the pandemic and also continues to deal with the risks from disasters, climate change, inflationary pressures, and supply spill overs from global events.

With the help of PFTAC, Pacific institutions are arguably stronger, human capacity has been built, foundations are in place, but much more needs to be done. He heard from representatives that membership of PFTAC has done to assist with the needs and their expectations are for the future.

Mr Schneider reiterated DMD Li's observations on that the areas of planned PFTAC expansion , including the use of Pacific resources, a focus on the fiscal aspects of climate change, a revamped government finances statistics program, increased focus on public sector debt statistics, and a new macroeconomic framework program to help strengthen policy making. The existing, expanded, and new programs in Phase VI all aim to continue doing the much appreciated work of PFTAC to strengthen financial economic institutions, build capacity, and support the reforms that contribute to macroeconomic stability and inclusive and sustainable growth across the region.

The role of PFTAC is really indispensable, not only for the member countries themselves, but also to leverage and extend the impact of the complementary support provided by donors and development partners. This was a recurring theme heard about the PFTAC strength of collaboration and cooperation with the development community that we very much we want to continue.

These valued services are obviously not free, but they are excellent value for money that member countries are noted have demonstrated by contributing almost 10 percent of costs during Phase V and have committed to continue doing so in Phase VI.

Mr. Schneider then directed his speech to the current and prospective donor community, seeking them to crystallize their commitments and pledges to keep PFTAC operating realistically beyond its recent levels

of activities and areas of coverage. It is also important to note that PFTAC is very much in line with the rest of the IMF, in being a demand driven institution where the financing being sought is simply responding to demand and ensuring that the right resources are in place to deliver the needed services.

The fundraising target for Phase VI as discussed is comparable to Phase V, but as Mr. Kloeden has noted, is expected to run 60 months versus 78 months in Phase V that was extended using covid savings from the inability to travel or convene in person-training.

The IMF and the beneficiary countries with the generosity of the 7 current donors looks to them to continue their support through financial contributions. As in the past, the IMF also warmly welcomes the possibility of new donors joining the PFTAC community. It is vital that efficient donor funding pledges materialize in the coming months with contributions scheduled to ensure adequate liquidity to maintain operations. If there is uncertainty over the size and flow of contributions this could be very detrimental and necessitate difficult choices about which programs and activities would need to be curtailed.

The well advanced commitment by the EU of Euro 5 million is a welcome start and it is hoped that other donors can formally line up their support in the coming months. Although in uncertain world with many demands, the Pacific region remains important with the welfare and economic development of its citizens underpinning the motivation of donors. PFTAC makes a unique contribution that is worth supporting.

## **STEERING COMMITTEE GOVERNANCE ISSUES**

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### **Draft Operational Guidelines**

Mr. Kloeden started by noting that he will focus on several issues that are expected to enhance the effectiveness and governance of the Steering Committee. These issues were first tabled in June 2021 and further elaborated in December 2021 at the Steering Committee meeting through an explanatory note that members agreed they would take back to their administrations to consider and return with the views for discussions at the meeting, either in person or virtual.

The issues under consideration partly arose from the findings and recommendations of the recent external evaluation and even the previous evaluation for Phase IV in 2015. The IMF also shared its experience at the Caribbean center for consideration in the context of the Pacific.

The December note that explained the issues for consideration has been further updated and circulated, along with the Draft Operational Guidelines. To assist the Steering Committee members to focus on these issues, a simple online survey was circulated in early April to garner the views of the members. Non-respondents were hastened several times, and we ultimately received responses from 4 of the 7 donors and 5 of the 16 member countries, a total of 9 responses.

A simple 3-page Operational Guidelines was circulated for consideration that provided some background and contextual language to guide the Steering Committee as well as various articles on issues.

All 9 respondents of the survey found merit in the Steering Committee being guided by short Operational Guidelines. *Mr. Kloeden asked the members their views and whether they have supported the Guidelines for endorsement?*

The Deputy Governor of the Reserve Bank of Fiji and Chair of the Steering Committee Meeting said that given sufficient time provided to consider these issues, it was agreed to deal with other issues then come back to the operational guidelines.

### **Tenure Term of the Chair**

The current arrangements are not articulated and have simply comprised a rotation each year to a representative of the country hosting the annual meeting. These arrangements bring into question whether the Steering Committee meeting will have the continuity, commitment, and potential regional leadership with a rotation of the chair each year. In 2015, the suggestion was for a two year term for the chair, while the Caribbean model is three years which is about half of the center's average funding and operating cycle.

The survey results were 8 of the 9 respondents favored a defined term rather than an annual rotation of which, 5 of the 8 favored a two-year term, and the remaining 3 responses favored a three-year term.

*The two questions that were tabled for the Steering Committee members were: (1) does a chair term or tenure have merit; and (2) if there is a consensus, what should the term be?*

The discussions on the chair tenure started with Fiji. Deputy Governor Masitabua (acting as the SC Chair) shared his experience over the past 2 years acting as the SC chair for continuity purposes during Covid. He suggested that the term of the chair is extended beyond a year as proposed by the external evaluation. DMD Li had also noted the external evaluations and how the PFTAC model has adapted to change over time. Given the Phase V evaluation recommendations, Deputy Governor Masitabua stated that Fiji supports a tenure for the role of chair, and based on the responses to the online survey, favors a 2 – 3 year term.

For the Cook Islands, Mr. Garth Henderson noted that sometimes key officials around the table changed more frequently than over a 2-year period. He explained that a longer tenure may be problematic as individuals able to attend meetings often changed within the government and questioned how these can be maintained consistently at a regional level. He proposed a 'Troika' model where 3 people contribute to the role of the chair which ensures that if one drops out 2 remain available. This could comprise the past chair, the current chair, and the incoming chair, providing a degree of consistency and continuity, a model that he favors. Seeking clarification, the Chair asked Mr. Henderson which model he is referring to, and Cook Islands stated the annual model with the Troika model overlapping for continuity giving all island countries an opportunity to host the SC and act as chair if they wished that could be difficult with a longer

tenure for smaller countries like Niue to have such an opportunity to host. Cook Islands opts for an annual term for the chair under the Troika model.

Mr. Kloeden noted the merit of the idea of the Cook Islands and suggested this is a potential model versus a longer 2 – 3 year tenure of a single chairperson. This could be a good alternative, to formalize the Troika when a country steps up to host next year along with the outgoing host and chair as well as the host/chair from the year before all act together to ensure continuity and consistency in PFTAC governance over a clear 2 – 3 year horizon.

The Chair observed that there were strengths of having tenure as it assigns responsibility. However, when it depends on who hosts, other unanticipated issues may need to be addressed such as covid-19, or a cyclone or natural disaster that was the experience when Tonga was due to host in 2018. With a defined tenure, the members know who is going to chair and who will be the primary point of contact along with the PFTAC Director. That is the benefit of tenure as it provides clear responsibilities over the course of the phase which has been demonstrated over the past 2 years where it was not possible for the chair to rotate due to Covid. Continuity of the chair helps mitigate the challenges where countries do not consistently attend meetings, with different people being delegated, and national issues understandably taking higher priority requiring representation to be delegated.

Mr. Morgan Mougavalu on behalf of the *Government of Niue* noted that from his regional experience, for example, the country hosting should also chair the meeting. The Chair suggested that there is a way around it, where the host could co-chair the meeting with the standing chair, but they do need to understand the regional perspective.

Mr. Andrew Oaeke on behalf of the *Government of Papua New Guinea* also shared the same view as the Cook Islands. He noted that the Troika model comprising the current chair and the chairs for the next and previous meetings takes care of the continuity issue and gives the opportunity to every member of the Steering Group to host and contribute to PFTAC governance. In PNG's experience, this type of model applied for hosting the APEC meeting which provided the continuity.

*Cook Islands*, Mr. Garth Henderson shared his views that the strength of continuity was through robust secretariat support. Considering domestic and national interests, the Troika model is the best, pulling together the 3 best people and is a model that has worked well with PIFS.

The Chair then shared the survey results where 8 out of 9 favored the Chairperson on a defined term, while 5 out 8 responses supported the 2-year term as the vice chair.

Mr. Kloeden said that the region needs a model of engagement. The Troika model would need to be formalized with clear understanding of the roles without being overburdening. It can be on a trial basis given the commitment to the model advocated by the Cook Islands, PNG, and Niue. The Troika of

current, past and next chairpersons should be representatives of the 16 member countries rather than a donor or the IMF who acts as secretary.

Mr. Michal Krejza from the EU shared his experience with 27 member states of rotating roles. They use different models, with constant rotation using the proposed Troika model. An alternative Troika model is where all 3 Troika members remain fixed for 3 years and then all are replaced at the end of that period. Both models provide continuity of work.

The Chair noted the results of the online survey but recognized that there are now some different views which have been tabled and supported by the 3 member countries.

Mr. James Webb speaking for the ADB shared his views regarding the survey including the equal representation of donors and member countries, noting that the views and preferences expressed by member countries at this forum were very important. In linking the position of the chair with the SC meeting host, presumably those countries that can host are more likely to host regularly, while smaller countries without adequate facilities, may be more challenged to host events. However, the willingness of Niue to host the postponed meeting due to Covid is an example of the commitment of a very small member country to host and contribute to PFTAC governance.

Mr. Kloeden noted that Steering Committee members need to consider the Troika model in light of its support and use by the EU and within the region by PIFS. This is a rolling model of three key officials with the longest serving member being replaced by a new member each year. Cook Islands noted the importance of regionalism as well as the benefits and honor of hosting that is part of the Pacific culture that recognizes relationships and the respect of culture.

The Chair noted that tenure model does not stop a country from hosting. Mr. Kloeden reflected that Niue should have hosted in 2020 and they were still owed this opportunity once borders fully reopen. The Chair said that the Steering Committee should take on board the strong sentiments from the floor and relook at the model. Mr. Kloeden said the Troika model was not articulated in the survey. However, rather than have the matter remain unresolved for too long, Steering Committee members will be asked to consider endorsing the model on a lapse of time basis with the model articulated within the SC Guidelines appropriately updated to reflect the proposal. At the end of the day, there are different pathways to what needs to be achieved that encourages greater involvement, greater ownership, and greater voice in the SC. If the region believes that is the best pathway forward, then we respond accordingly.

The Solomon Islands Governor was inclined to the tenure model but support the comments from Cook Islands and the consensus of the Troika model. Next year meeting to be hosted by Niue and they should chair the meeting.

*The Chair summed up and agreed to explore the Troika option and PFTAC will circulate some refined guidelines along what is being put on the floor. Mr. Kloeden agreed to this as the way forward, it make probably make the issue of a Vice Chair position moot with a group of three providing the necessary continuity.*

*There were other several other issues to solicit the views from the Steering Committee.*

### **Sub-Committees Working Group**

Mr. Kloeden asked whether the guidelines should explicitly include provision for the Steering Committee to form sub-committees as and when they may be needed. Indeed, the Troika could be described as an Executive Sub-Committee. The evaluators proposed an Executive Committee that may be worthwhile regardless of the role and tenure of the chair. Mr. Kloeden observed that they had already formed virtual working groups which were essentially sub committees for the particular purpose Phase VI planning. These went beyond Steering Committee members as some involved observers.

Whether sub-committees are formed or not, it is a useful prerogative of the Steering Committee to have articulated in the guidelines by providing an option in the governance toolkit.

The Chair asked if there were any members supporting the proposal to be able to form an Executive Committee and other sub committees. Mr. Kloeden added if there is consensus on the Troika model, then a name is needed, which could simply be the Executive Committee. The Chair supported Mr. Kloeden's statement on the Troika model, and in the absence of any objection was adopted to be taken forward with the refinement of the guidelines.

### **Quorum**

Mr. Kloeden highlighted that the Steering Committee decisions are by consensus. Should there be a requirement for a quorum for SC meeting attendance for such decision making? Each of the 16 member countries, 7 current donors, and the IMF each have an equal voice, currently a total of 24 voices, so support for a quorum means a percentage of this number needing to be involved in any decision making.

On the survey results, 7 of the 9 responded favored a quorum. Of these, one favored a low threshold in the range of 20-30 percent of the membership, whereas a further 3 favored a minority in the range of 30-50 percent of the membership and another 3 favored a majority above 50 percent.

*The question posed by Mr. Kloeden was whether the quorum favored? If yes, what precise percentage of the membership should it be?*

Governor Forau said that there is a need for a quorum which would be a majority of the members present at that time. Mr. Kloeden added that decision process should by consensus. While a quorum may require



a minimum number of participants for decision making, the consensus model requires 100% of those participating to support the matter, or at least not have any objection. The question was then raised of how many people need to be at the table or connected virtually to be considered to form the quorum?

Mr. Kloeden gave an example that at the meeting where there are 6 countries present and another 7 online, one voice for the IMF, plus 6 donors gives the donors 30 percent of the participating voices at the Steering Committee on the day. It is noted that if the meeting had a majority quorum requirement, there would need to be at least 12 out of the 23 current members present for any decision to be valid.

Another item to be considered is the need for constituencies to allow another SC member to exercise the voice of another member. The Chair stated that basically the quorum is the number of members that have to be present to make a decision that binds everyone, and Mr. Kloeden added that those who were present or legally allowed to speak on behalf of the Steering committee members.

The Chair and Mr. Kloeden reflected that the majority view from the survey of between 30-50% to form a quorum. Mr. Kloeden then questioned if there are regional models or experiences to consider in this matter or to provide lessons? Mr. Garth Henderson added to keep it as simple as possible. He liked the quorum of 50 percent of the membership as it is clear cut but does not favor the idea of constituencies or proxies.

The Chair then proceeded with the resolution without objection to go with a 50 percent quorum, agreeing with Mr. Henderson to keep it simple and for Steering Committee members to show commitment. Mr. James Webb of the ADB added that as Mr. Kloeden has stated, the quorum will include online participants and not just those physically present in the room. This is important if not allowing constituencies or proxy representation.

The Chair agreed that the Quorum will not be less than 50 percent of the SC membership for all decision making. The motion was put forward by Cook Islands and agreed by Fiji. The Constituency option was not supported.

Governor Forau sought clarification whether it was 50 percent of total members or 50 percent of those present. Mr. Kloeden clarified it was the 50 percent of the membership. If a quorum of SC members is not reached for any decision making (whether in-person, virtual, or lapse-of-time), decisions must be delayed until a quorum can be constituted, an important consideration in planning SC meetings). Decision making is by consensus which requires everybody present to endorse or at least not object to the decision under consideration, or if necessary, the matter is modified to achieve consensus, or withdrawn.

Governor Forau was confused if a member is not present in a meeting, will they be represented by another proxy? Mr. Kloeden ascertained to *keep it simple, quorum is the majority of the 16 countries and 7 donors and the IMF. Steering Committee members must reach the halfway point attending the meeting virtually or in person for an item to be taken forward by consensus.*

## **Steering Committee Meeting Frequency – Views of the Members/Donors – Going Forward**

On the frequency of meetings, there is an appetite that all meetings going forward are held in-person but with the opportunity to attend virtually.

The final issue was SC meeting frequency going forward. The external evaluations proposed 4 times a year that may be excessive. However, being able to convene virtually it is possible to be convened more frequently than annually. From the survey it was interesting that 7 of the 9 survey respondents proposed meeting just once per year. Mr. Kloeden asked whether there was a consensus on the frequency of meetings, and if so, what would be the modality or modalities even when the Steering Committee can fully return to in-person.

Mr. Kloeden noted there was a clear requirement to hold meetings at least once a year and the question if there is any merit for a mid-year meeting, possibly just virtual. He added that it was expensive to come together in-person to meet more than once a year and no Center does that. There is great benefit for the Center Director to be engaged with the Steering Committee members more regularly than once a year, even if just for a short virtual 2 hour session. This helps keep the Steering Committee members engaged and receive feedback particularly on tricky items rather than multiple rounds of discussions that can be protracted over several years.

Mr. Kloeden requested views particularly learning lessons from the survey to ask the right question.

Tonga agreed with the consensus on the issues that were raised for consideration.

Mr. Taufia Patolo of Tuvalu announced the passing away of the Government's Deputy Prime Minister. He supported the idea of the consensus with a 50 percent majority quorum and with the frequency of the meeting be flexible, but he opted for once a year meeting regardless of in-person or virtually which does not stop engagement with PFTAC or other member countries.

Mr. Kloeden added that were more work needs to be done. The Chair noted the consensus of the Steering Committee members pertaining to the topics discussed.

- (1) To develop guidelines reflecting the Troika model;
- (2) Incorporate the option for subcommittees and a quorum of 50 percent of the SC membership;
- (3) In terms of the frequency of the meetings, the Steering Committee members are yet to decide. From the past and also experience from the support provided by the secretariat, at least 1 virtual meeting has served well between the annual in-person meeting .

Without any objections, these provisions will be incorporated into the guidelines and recirculated. Mr. Kloeden sought endorsement on the guidelines reflecting those on lapse of time basis, taking on views and adjusting accordingly.

The meeting ended at 1.00p.m.