Item 1 – Endorsement of Updated FY2022 Work Program

FY2022 WORK PROGRAMS set very ambitious targets beyond pre-COVID-19 levels of activity—expanding significantly on FY2021 outturn. With COVID constraints continuing, execution at midyear and projected to yearend is similar to FY2021 levels:

- 2,694 TA Field days planned (721 LTX and 1,973 STX), up 60.6 percent from 1,677 days in FY2021, but at mid-FY2022 delivery is at 834 TA field days or 32 percent.

- 200 Activities planned, up 53.8 percent over 130 activities in FY2021, but at mid-FY2022 50 activities have been delivered, or 25 percent of the plan.

AT MID-FY2022, **delivery has become increasingly challenging** with missions taking longer and requiring more resources than was experienced during the same period a year earlier. Workplan delivery is impacted by requests to defer delivery until travel resumes, or is encumbered by the inability to move forward when prerequisite steps are delayed. Some countries have understandably prioritized urgent actions to manage COVID-19 outbreaks over CD. Compared to mid-FY2021, a period when CD was also remotely delivered, a slight decline in the number of missions (down from 55 to 50, or 9 percent) is observed at mid-FY2022, but conversely with a large increase in the number of TA days utilized up from 556 to 834, or 50 percent increase.

	Baseline FY22 Workplan				Mid-FY22 Updated Workplan				% Chg Updated/Original Plan			
Program	LTX	STX	Total	Missions	LTX	STX	Total	Missions	LTX	STX	Total	Missions
Public Financial Management	227	380	607	32	188	277	465	26	-17%	-27%	-23%	-19%
Financial Sector Supervision	92	260	352	42	119	135	254	16	29%	-48%	-28%	-63%
Government Finance Statistics	25	29	54	7	10	51	61	7	-60%	76%	13%	0%
Real Sector Statistics	132	59	191	18	122	71	193	18	-8%	20%	1%	0%
Revenue Administration	126	1099	1225	74	151	999	1150	64	20%	-9%	-6%	-14%
Legal/Tax Policy	0	88	88	10	0	70	70	8	-	-20%	-20%	-20%
Macroeconomic Programming and Analysis	119	58	177	17	167	95	262	19	40%	64%	48%	12%
Total	**721**	**1973**	**2694**	**200**	**757**	**1698**	**2455**	**158**	**5%**	**-14%**	**-9%**	**-21%**

	Delivered thru end-Oct 2021				% Orig Plan Delivered				% Updated Plan Delivered			
Program	LTX	STX	Total	Missions	LTX	STX	Total	Missions	LTX	STX	Total	Missions
Public Financial Management	45	61	106	6	20%	16%	18%	20%	24%	22%	23%	24%
Financial Sector Supervision	33	46	78	4	36%	18%	22%	10%	28%	34%	31%	27%
Government Finance Statistics	10	25	35	4	40%	86%	65%	57%	100%	49%	57%	57%
Real Sector Statistics	45	43	88	8	34%	73%	46%	44%	37%	61%	46%	44%
Revenue Administration	38	318	356	16	30%	29%	29%	22%	25%	32%	31%	25%
Legal/Tax Policy	0	14	14	3	-	16%	16%	30%	-	20%	20%	38%
Macroeconomic Programming and Analysis	87	69	156	9	73%	119%	88%	50%	52%	73%	60%	45%
Total	**258**	**576**	**834**	**50**	**36%**	**29%**	**31%**	**25%**	**34%**	**34%**	**34%**	**32%**

While the flexible benefits of remote engagement remain real, the efforts and inputs needed have grown. In FY2021, the substitution of a typical two-week in-country mission with a remote engagement might have taken 2 – 6 weeks to complete, but the longer the COVID constraints continue, engagements are becoming more protracted beyond weeks into months to conclude remotely launched

FY22/H1	FSS	GFS	Macro	PFM	Revenue	RSS	Totals
LTX Days	33	10	87	46	38	45	259
STX Days	46	25	69	61	332	43	576
Total TA Days	78	35	156	107	370	88	**834**
Missions/Activities	4	4	9	6	19	8	**50**
Av TA Days/Mission	18	9	18	17	19	11	**17**
FY21/H1	**FSS**	**GFS**	**Macro**	**PFM**	**Revenue**	**RSS**	**Totals**
LTX Days	33	40	44	61	14	65	257
STX Days	36	0	12	67	184	0	299
Total TA Days	69	40	56	128	198	65	**556**
Missions/Activities	10	4	5	11	17	8	**55**
Av TA Days/Mission	7	10	11	12	12	8	**10**
Changes FY22vs FY21	**FSS**	**GFS**	**Macro**	**PFM**	**Revenue**	**RSS**	**Totals**
Total TA Days	9	-5	100	-21	172	23	**278**
Missions/Activities	-6	0	4	-5	2	0	**-5**
Av TA Days/Mission	12	-1	7	5	8	3	**7**

Reserve Bank Building
Level 7, Pratt Street
GPO Box 14877
Suva, Fiji

www.pftac.org

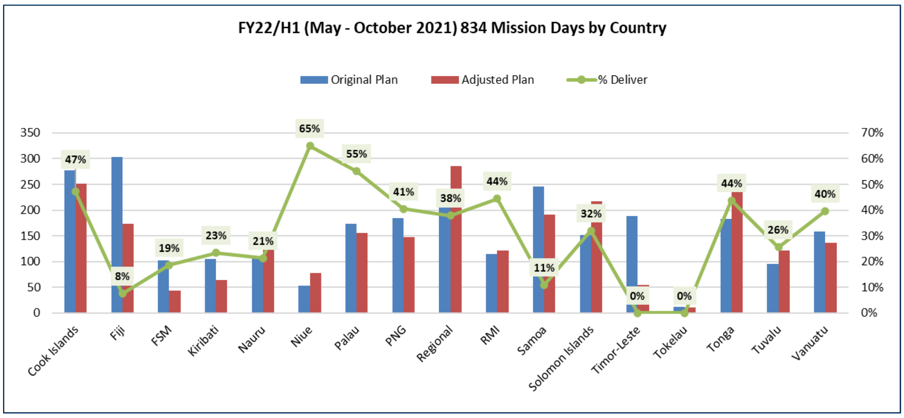
CD missions. The average number of TA days per mission is up in all programs in FY2022 other than GFS, markedly for the FSS, Revenue, and Macro programs at +12 days, +8 days, and +7 days respectively. Earlier savings in expert time are now shifting and requiring more TA days per missions to conclude, whether from more time needed to complete the task and/or more experts needed to contribute to the effort.

The Macro program has performed strongly, with an expansion of the workplan proposed with 12 percent more missions using 48 percent more in terms of TA days. STX utilization by the Macro program has grown significantly, along with newly requested missions on tax reform modelling as well as new activity on financial programming training, inflation forecasting, and macro-fiscal frameworks exceeding the missions postponed till FY2023. The Statistics program mission numbers remain unchanged with an upward revision of TA days by 13 percent for the modest GFS program, while some RSS missions were substituted to replace postponed or cancelled TA that kept overall delivery numbers close to the original plans.

A modest reduction is proposed to the substantial Revenue program with a 14 percent decline in the number of missions but using only 6 percent fewer TA days. The PFM program is revised downwards in terms of missions by 19 percent and TA days by 23 percent. Several missions were planned at the request of the beneficiaries for in-country delivery, but ongoing travel restrictions necessitates a delay of some missions to FY2023. Two resource and time intensive PEFA assessments (**Fiji** and **Nauru**) are expected to be delivered in the latter half of FY2022, with the adjusted plan reflecting a modest increase in TA days for this exercise.

The major downward adjustment is under the FSS program with a 63 percent decline in mission numbers and 28 percent reduction in TA days. The FSS program has faced specific challenges around delivery of an extremely ambitious workplan that has proven difficult. Many FY2022 missions were planned to be delivered sequentially – with limited progress on preliminary tasks and communication challenges with some TA recipients resulting in a significant decline and postponement of many activities such as with insurance legislation, cybersecurity regulations, and legal support on banking legislation delayed until FY2023 after initial preparatory work advances.

Six countries (**Nauru**, **Niue**, **Marshall Islands**, **Solomon Islands**, **Tonga** and **Tuvalu**) **see increases in the volume of TA they will receive from the proposed adjusted workplans** along with regional TA delivery versus the original plan. Net declines are shared across the other 10 PFTAC countries, that more than offsets the increase. Of these 10 countries, **Fiji** and **Timor-Leste** account for 50 percent of the total reduction in TA days.



The baseline FY2022 workplan was formulated on the basis of travel resuming from November 2021. At the mid-point of FY2022, each program workplan was carefully reviewed to reflect actual delivery against expectations and to identify and make provision for changing or unforeseen circumstances. While Fiji borders are reopening from December 1 2021, reopening plans for other PICs remain unannounced, so workplan assumptions have had to be adjusted accordingly, with expectations of in-person missions significantly downgraded to a possible handful of engagements towards the end of FY2022 possibly in March and April 2022.

The proposed adjusted FY2022 workplans now aim to deliver 158 missions and activities versus the original plan of 200, a reduction of 21 percent using 2,455 TA days, a 9 percent reduction over the original plan. Of important note is that the reduced workplan is mostly the result of deferral of missions or activities until FY2023 when travel is hoped to have mostly rebounded. The net proposed adjustments to the FY2022 workplans at mid-year are:

- ***PFM***: 26 instead of 32 missions/events, using 465 instead of 607 days;
- ***FSS***: 16 instead of 42 missions/events, using 254 instead of 352 days;
- ***Macro***: 19 instead of 17 missions/events, using 262 instead of 177 days;
- ***Revenue***: 64 instead of 74 missions/events, using 1,150 instead of 1,225 days;
- ***RSS***: 18 missions/events (unchanged), using 193 instead of 191 days;
- ***GFS***: 7 missions/events (unchanged), using 61 instead of 54 days;
- ***Legal***: 8 instead of 10 missions/ events, using 70 instead of 88 days.

Proposal for Endorsement

The SC is invited to provide its high-level strategic endorsement of the proposed adjustment to the FY2022 workplan as presented. The respective workplans including details of delivery through October 31, 2021 and net adjustments are available at www.pftac.org from two perspectives, program-by-program and additionally by country.

Item 2 – Affirmation of Phase V Extension

Background

The June 29, 2021 SC meeting endorsed an extension of Phase V beyond the originally intended end-date of April 30, 2022. Endorsement was for a minimum extension of six months, and potentially a full-year through April 30, 2023 depending on the projected FY2022 budget utilization picture emerging at mid-year.

Phase V Financial Update @ December 1, 2021 (all amounts in USD millions)		
Ph V Program Document (PD) Fund-Raising Target:		**$ 39.7**
- Program period 66 months (Nov 1, 2016 - Apr 30, 2022)		
- Proposed 12 month extension, 78 months, through April 2023		
Funds Raised (or assured):		**$ 38.1**
- From 7 Donors (ADB, Australia, Canada, EU, Korea, NZ, USA)	**$ 34.7**	
- From 14 countries (except Palau, Timor Leste):	**$ 2.9**	
- Brought forward from Phase IV:	**$ 0.5**	
Expenses through April, 2021 (end FY21):		**$ 25.5**
- Actual for FY17 through FY21 (incl Trust Fund Fee):	**$ 25.5**	
Funds Available for Balance of Phase V (FY22 plus FY23 Extension):		**$ 12.6**
Endorsed FY2022 Budget:		**$ 7.3**
- less projected FY2022 outturn		
- Conservative Outturn Estimate:	**$ 4.0**	
- Most Likely Outturn Estimate:	**$ 4.5**	
- Optimistic Outturn Estimate:	**$ 5.0**	
Funds Available for Phase V Extension in FY2023 (most likely):		**$ 8.1**
- Upper Estimate:	**$ 4.0**	**$ 8.6**
- Lower Estimate:	**$ 5.0**	**$ 7.6**

The endorsed FY2022 budget of US$7.335 million inclusive of trust fund fee, has a projected outturn by year-end around US$ 4.5 million, or 60 percent of the budget if achieved, up from US$ 4.0 million in FY2021. The new CD-MAP platform introduced at the start of FY2022 to manage all aspects of CD planning, delivery, and reporting includes a new accounting approach. For comparability with the budget categories used since the start of Phase V, efforts have been made to track expenditures and firm commitments for FY2022 under the previous and new systems, resulting in some differences but a sound basis to project an outturn most likely in the range of US$ 4.0 – 4.5 million based on the proposed updated FY2022 workplans unless there is a surge in travel and in-person CD delivery late in FY2022 that may push outturn towards US$ 5.0 million. Under the three scenarios, a robust balance of between US$ 7.6 million and US$ 8.6 million is projected to be on-hand at the end of FY2022, with the most likely scenario around US$ 8.0 million.

A detailed full-year FY2023 workplan and budget will be submitted for consideration and endorsement at the May 2022 SC meeting based on the actual FY2022 outturn**.** The funds expected to be on-hand will be sufficient to finance a work program on par or greater than any year of activity before COVID-19, allowing for extensive travel and in-person training. Consideration could be given to accelerating activities or resources planned for Phase VI if available funds exceed the cost of an ambitious but achievable FY2023 work program to minimize remaining unspent balances at yearend. Such options would be for the May 2022 SC meeting to consider in light of donor reaction to the proposed Phase VI program.

Proposal for Endorsement

The earlier endorsed extension to Phase V is proposed to be affirmed for one full year from May 1, 2022 through April 30, 2023.

Item 3 – Retention of Member Country Contribution Formula

Background

Established in 1993, PFTAC was the IMF's first Regional Capacity Development Center (RCDC) that has now flourished into a network of 17 centers, although a decade passed before the second center was opened in the Caribbean. PFTAC was a pioneer in many respects, demonstrating a very effective model that has been widely emulated. As centers opened over time, the financing model evolved from being predominantly donor financed with some IMF contribution.

Member countries were increasingly called upon to contribute to their center's operations, for lower income countries, typically contributing about 10 percent of the center's costs, but a significantly higher portion from higher income countries like oil-producing countries in the Central African center. The most recently opened centers in Mauritius, India, and Kazakhstan include large financial and in-kind contributions from the host country. In the Caribbean, all 23 CARTAC member countries each are called upon to voluntarily contribute $US 100,000 a year – from the smallest member Montserrat with fewer than 5,000 citizens to Haiti with more than 11 million, with many small and micro-states in between.

As Phase IV was ending, PFTAC member countries were asked to demonstrate the value they placed on PFTAC services and develop an arrangement of affordable and equitable contributions. PFTAC was the only center at the time where member countries did not financially contribute. A regional expert was commissioned to develop a proposal to cover 5 – 15 percent of the anticipated Phase V budget. The model and formula that was endorsed by the 2016 SC provided for 10 percent of Phase V costs totaling approximately $US 3.9 million to be covered by voluntary contributions of the 16 member countries over the 5 ½ period, with the remaining 90 percent of the budget targeted for fund-raising from donors. The IMF covered additional expenses of approximately $US 2.5 million.

Formula for Member Contributions

Various models were developed and considered to reflect the disparate size and level of development of the 16 member countries, their ability to contribute, and their relative share of PFTAC resources in Phase IV. The base formula had three weighted components: (1) national GDP (the size of the economy which ranges from relatively massive Papua New Guinea to tiny Tokelau) – a weighting of 70 percent; (2) per capita GDP – a weighting of 15 percent; and (3) share of Phase IV PFTAC resources – weighting of 15 percent. Affordability was subject to a reasonableness test such that the annual contribution could reasonably fall between 0.01 percent and 0.02 percent of the annual government budget expenditure of each member, with a downward adjustment for Papua New Guinea as an outlier that would have borne a disproportionate share of costs with a contribution closer to 0.005 percent of annual government expenditures. On these rankings, countries were grouped into several annual contribution clusters that if all paid would generate around $US 707,000 a year, over the 5 ½ year period of Phase V, totaling around $US 3.9 million.

Country Contributions Agreed for Phase V and Proposed for Phase VI

Countries	Phase V contribution per country over 5 ½ payments (US$'000)	Phase VI contribution per country over 5 annual payments (US$'000)
Papua New Guinea	250	282
Fiji	125	141
Timor-Leste	100	112
Solomon Islands	30	34
Samoa	30	34
Vanuatu	30	34
Tonga	20	23
Micronesia	20	23
Cook Islands	20	23
Palau	20	23
Marshall Islands	20	23
Kiribati	15	17
Nauru	15	17
Tuvalu	5	6
Niue	5	6
Tokelau	2	2
Total per country/p.a.	707	800
Total over Phase	3,888	4,000

Member country contributions are voluntary. Payment is unrelated to SC participation or rights or access to PFTAC services. To financially contribute, each country was required to sign a Letter of Understanding (LoU) outlining their intended voluntary contributions based on a payment schedule of the country's choosing. The IMF would send out requests for payment in accordance with the proposed schedule. Of the 16 PFTAC member countries, 15 countries signed an LoU and made contributions during Phase V, of which four are fully paid. By December 2021, received contributions totaled $US 2.963 million, about $US 900,000 short of the target.

Retention of the regional contribution model and formula is proposed given the consensus members reached to support the model as reasonable, equitable, and affordable. However, if a 10 percent member contribution target is to be retained, the annual payments applicable under Phase VI would need to increase approximately 13 percent notwithstanding similar financing envelopes of approximately $US 40 million for both phases but over slightly different periods of 66 months (5 ½ years) and 60 months (5 years) respectively. Retaining a 10 percent member contribution target, $US 4 million would be sought from member country contributions in Phase V versus the $US3.88 million target for Phase V, but over 5 years would require $US800,000 collected across the 16 member countries versus US$ 707,000 over 5 ½ years, a 13 percent increase.

Proposal for Endorsement

Retain the Member Contribution model in Phase VI previously adopted by consensus and in use from the start of Phase V, but recognizing that annual member contributions will increase approximately 13 percent.