



Steering Committee (SC) Governance Note for December 2, 2021 Meeting

Background¹

The Steering Committee is a vital element of PFTAC governance. Its role is to provide a platform to solicit views, debate, and provide endorsement on a consensus basis of strategic PFTAC issues, including the annual workplan and budget at an aggregate level. Membership comprises the 16 member countries, each donor (now totaling seven) and the IMF, with each member having a single and equal voice. It operates by consensus. At the discretion of the members, other organizations and individuals may participate as observers.

The chairperson is usually a representative of the country that hosts the annual meeting. Fiji held the chair on an ongoing basis until Phase V when rotational arrangements began. The PFTAC director is the SC Secretary and the local PFTAC staff provide secretarial support. Budget provision covers economy class travel and accommodation costs of one representative of each member country to the annual SC meeting venue, plus additional venue costs.

In-person meetings are held annually, usually over more than one day. The 2020 meeting planned for Niue was cancelled due to COVID-19, and three short virtual meetings were convened instead in April and August 2020, and February 2021, but with the PFTAC director chairing. The 2021 annual meetings were held virtually on June 29 and July 2, chaired by Fiji, the virtual host country, as is the mid-year meeting on December 2 also being held virtually.

The Phase V Mid-Term External Evaluation (MTE) made recommendations to strengthen SC governance, including establishment of an Executive Committee (EC), and developing a guidance document of the role and responsibilities of the SC, its members, and the proposed EC.

Towards the end of Phase IV in December 2015, a former Fiji official was commissioned to develop proposals for SC governance and cost-sharing by the 16 member countries that was proposed for introduction from the start of Phase V (see separate discussion). A charter, or guidance document was similarly proposed to lay out issues of SC membership, a voting system and respective voting rights, and the role and tenure of the chairperson, with the possibility of two-year terms, replacing the tradition of Fiji holding the chair as host of PFTAC.

Issues

During Phase V, the position of SC chair rotated annually to a representative of the SC meeting host country. This included Solomon Islands in 2017, Tonga in

¹ This note repeats elements and expands upon the note submitted to the July 2, 2021 SC meeting

2018 (although the meeting was relocated to Fiji at PIFS following Cyclone Gita), Papua New Guinea in 2019, and in 2020, COVID-19 resulted in the cancelation of the Niue meeting, with several short virtual meetings that were effectively chaired by the PFTAC director. Fiji chaired the 2021 virtual SC meeting and the mid-year meeting in December.

As the annual rotation of the chair is not particularly conducive to continuity regarding strategic issues and decision making, the PFTAC director on several occasions during Phase V sought the advice and input from a group of three comprising the current chairperson, the former chairperson, and the upcoming chairperson.

A two-year tenure for the chair as proposed in 2015 could increase continuity and engagement on strategic matters, but may require a de-linkage between the chair and the host country of the meeting, at least every second year. In any case, the COVID-19 experience has demonstrated the benefit of short virtual meetings being convened during the year between the annual event which may be worth continuing even after a resumption of travel. The MTE proposes three virtual meetings (every three months) plus the annual in-person meeting, but at least one or possibly two (every four months) virtual updates may be sufficient.

Recent Developments

The Caribbean experience briefly described at the 2021 SC meeting may be of interest to the Pacific. CARTAC had only two chairpersons for the first 15 years of the center's existence. Although this had many advantages, it was recognized that a succession plan was needed, including guidance on SC operations, and the role and tenure of the chair. A short 3-page operational guidance note was developed and endorsed, and a three year tenure agreed for the chair, with the position of vice-chair created with a parallel three year tenure to deputize if the chairperson was unavailable, or to assume the chair if vacated early or at the end of the three year term. These arrangements have now been in place at CARTAC for four years and are reported to be functioning well.

Draft Steering Committee Operational Guidelines

Steering Committee Operational Guidelines for PFTAC have been drafted drawing on the CARTAC model. If guidelines were to be adopted, they would formalize several arrangements for convening and chairing SC meetings, but leaving flexibility where appropriate. All clauses are open to discussion and refinement on the basis of the consensus of current SC members and their interest to document the role of the SC going forward.

Tenure of the chair is a foundational issue (article 13). Depending on the preferences of SC members, the current arrangements could be reflected where the position of chair rotates annually to a representative of the country that has offered to host the annual meeting. Other possibilities could be considered, including a longer tenure of the chair, possibly two years as proposed in 2015, or following the three year Caribbean model. A three-year term was chosen at CARTAC as it represented around

half the duration of the average operating phase of the center, like PFTAC typically between five and six years.

The possibility of a Vice-Chair (articles 13 and 14)? Beyond clear expectations for the chairperson's tenure, clarity of the succession process can further reinforce continuity and commitment to effective governance. While a replacement chair can be found when the need arises, there is always a risk of delay or rushed decisions in filling vacancies. Creation of a vice-chair position would serve two purposes: (1) provide a clear deputy to act on behalf of the chair when unavailable; and (2) provide certainty about the succession of the chair when the incumbent reaches the end of their term or otherwise resigns their position earlier. The tenure of the vice-chair position if created would parallel the tenure of the chair, although cumulatively could transcend the entire operating/funding cycle with a 2 – 3 year tenure of each position.

Frequency and Timing of SC Meetings (articles 5 and 6). Annual in-person meetings would continue if travel is possible, scheduled within two months of the start of the IMF fiscal year on May 1. A larger plenary event could be convened every second (or third?) year to include wider participation of member country beneficiary agencies not ordinarily attending, such as statisticians, tax officials, financial regulators, etc. At least one additional virtual meeting (more if needed) would be convened between annual meetings (the 2021 external evaluation proposed four meetings per year).

Sub-committees or Working Groups (article 8) can be established if needed. The external evaluation proposed an 'Executive Committee' to assist the chair and secretary. Other sub-committees and working groups can be constituted as needed – the Virtual Working Groups to provide input for Phase VI ahead of the 2021 SC meeting are examples.

Member countries can establish constituencies (article 10). With 23 member countries, CARTAC includes this provision, allowing for voluntary groupings of countries to be represented by one member speaking on their behalf. It wasn't utilized in recent years, and unclear whether of relevance for the Pacific.

Quorum for Meetings (article 11). Should a quorum be required for a meeting to be considered valid? CARTAC defines that as a minimum of 50 percent of contributors to the subaccount of which there are potentially 23 member countries and currently 7 donors, so a meeting must comprise at least 15 different country or donor representatives to be valid. What if any threshold would be appropriate for the Pacific with 16 member countries and currently 7 donors? Would members who have not yet made a financial contribution be excluded from quorum counting purposes?

Decision Making (article 9). The SC operates on a consensus basis, and if not initially attained for an agenda item, a proposal may be withdrawn or postponed and resubmitted for later consideration perhaps with changes to secure a consensus. Members may abstain from endorsing annual workplans.

Work Plans (articles 17 – 21). The development of workplans is complex, multi-year engagements between the member countries and regional entities (where applicable), with inputs from many stakeholders including donors, development partners, other TA providers, and various IMF departments and staff. The IMF Asia Pacific Department (APD) country mission chiefs and teams have ultimate responsibility in the IMF's relationship with the member countries and hence have significant voice in the prioritization of TA plans for consistency with the policy dialogue between the IMF and member countries. APD staff rely heavily on the PFTAC team and their backstopping

departments (e.g., fiscal affairs) in developing, monitoring, and managing workplans. Given the complexity and multiplicity of consultation and decision points, annual and future-year workplans are submitted for endorsement at the aggregate level. The best opportunity for the SC to exercise influence over the direction, focus, and resource weighting of workplans is in discussions for the next and future fiscal years beyond the active fiscal year which is the detailed workplan that the SC is invited to endorse.

Questions for SC Members and Next Steps

1. Is there a consensus to consider and develop Steering Committee Operational Guidelines?
2. If so, is the current draft a reasonable starting point to adapt and modify to the needs of the Pacific? Or should we start from scratch?
3. Are there any other issues not currently included in the draft guidelines that should be considered?
4. Are there any specific issues/articles that SC members may wish to endorse at this point, or should everything be deferred until the 2022 SC meeting when hopefully there will be ample time to debate and discuss the issues in person?
5. What can we do between now and May 2022? Is there appetite for a small group to be formed to further develop the guidelines or engage and seek views of all members in preparation for 2022 discussions and decisions?