

**PACIFIC FINANCIAL TECHNICAL
ASSISTANCE CENTRE STEERING
COMMITTEE MEETING**

Suva, Fiji

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MINUTES

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Welcome Address

Presented by Mr. David Kloeden, PFTAC Director, Fiji.

1. **Mr. Kloeden** welcomed everyone to the two days of the 2021 PFTAC Annual Steering Committee meeting. He stated that we meet again remotely, the fourth time since the onset of the COVID crisis. He further added that we had hoped for a hybrid event in Suva like our meeting in February, but unfortunately current circumstances did not permit that. Mr. Kloeden outlined the program for the next two hours but reminded that the second day of proceedings will be on Friday July 2 at the same time when the Steering Committee will focus on PFTAC's future, namely the sixth Phase of operations and financing. He acknowledged the hosts of PFTAC, the Government of Fiji and particularly the Reserve Bank of Fiji and welcomed the chairperson for the two days of meetings, Deputy Governor Esala Masitabua.

Mr. Kloeden mentioned that it is always important that we recognize and thank those who underwrite PFTAC operations. He stated that early this year with the addition of the US Government, we now thank seven donors whose flags are displayed, along with 14 of the 16 PFTAC member countries who have voluntarily committed and made contributions so far. Lastly, he acknowledged that the IMF also contributes to PFTAC operations and finances.

The introductory speakers were welcomed by the PFTAC Director as follows:

First to speak will be Deputy Director Mr. Roger Nord from the IMF's Institute for Capacity Development in Washington. Mr. Nord has oversight of the IMF's CD function which constitutes a third of IMF resources and outputs, including coverage of 17 regional centers like PFTAC and a range of other vehicles for CD delivery which is one of three core mandates of the IMF.

Following Mr. Nord, the chairperson of the SC meetings, Deputy Governor Mr. Esala Masitabua from the Reserve Bank of Fiji will give some opening comments.

And then Ms. Leni Hunter, Resident Representative of the IMF in the Pacific will make a presentation on macroeconomic developments.

Mr. Kloeden thanked and welcomed everyone to the Steering Committee meeting.

Introductory Speakers

1. **Mr. Roger Nord** - Deputy Director of the IMF's Institute for Capacity Development (ICD) welcomed everyone and commended the US Government for being the new donor partner for PFTAC. He stated that for a little over a year these have been unprecedented times, however, it is getting back to normal slowly. We have seen an increase in active learners from 60,000 to over 100,000 and over 30,000 government officials have successfully completed an IMF online course since 2014. Given the current uncertainties, we expect the capacity development programs are likely to be delivered in the coming year through a hybrid model consisting of a combination of virtual online, in-person and in-country delivery, and regional modalities. The pandemic has underlined even

more the critical role of the IMF regional capacity development centers. The demand for our services continue to rise from our members and indeed we just opened our 17th RTAC in Central Asia. These centers allowed us to work closely with member country authorities to deliver technical assistance and training on key economic issues to support the recovery. PFTAC has been one of our most longstanding centers and has continued to play an important role in coordinating with other development partners in the region. For example, its activities cover revenue mobilization, statistics, and cross cutting issues like climate change, equality, and gender. We have an important function to leverage our comparative advantage, to reduce duplication, and ensure support to member countries most effectively. As said at the outset, partnerships are critical to the success of our regional centers. We are operating in an environment where public resources are more constrained, while concurrently demand is increasing with members requesting urgent assistance to be provided as agilely as possible. He thanked everyone for the continued support to PFTAC including their valuable financial support and partnerships that have fostered key learnings and information exchange regarding activities and priorities, ultimately leading to better coordination for the good of all recipient countries.

We welcome your continued engagement and your feedback which helps us to improve our work even further. As PFTAC approaches the end of its current phase this provides an opportunity for the Steering Committee to review progress made and look ahead at the next phase.

Mr. Nord thanked all the Steering Committee members for the work carried out so far by the virtual working groups that has been established in preparation of the new phase which we will discuss later this week. He welcomed everyone's active participation to help define the medium-term priorities for the region. The mid-term evaluation has set out some proposals on how PFTAC can further strengthen its delivery including with respect to the governance of the center. We very much look forward to having an exchange with you on these proposals. To conclude Mr. Nord hoped that the meeting and sessions will be productive, informative, and he looked forward to hearing everyone's views and perspectives on all these issues, thank you.

Mr. Esala Masitabua - Deputy Governor of the Reserve Bank of Fiji (RBF) and Chairperson of the 2021 PFTAC Annual Steering Committee Meetings welcomed Steering Committee members, partners, and stakeholders, on behalf of the Fijian government and the institutions that are part of PFTAC in Fiji. In particular he extended a warm welcome to all the donor representatives especially the United States for joining us as a member for the first time. He echoed the sentiments of the Deputy Director that we meet to review activities of a reporting period that has been arguably the most disruptive and challenging on record.

We are in the midst of the greatest economic and social challenge ever faced as a region. Now all regions and people of the world have their story and their proud history. For us in the Pacific we pride ourselves on being extremely resilient, we have to be to inhabit some of the smallest and remotest places and arguably the most beautiful part of the world. Being small and remote we have a history of dealing with setbacks most notably natural disasters that appear with increasing frequency and ferocity given the impact of climate change. Because of our size and our way of living and our stage of development, the pandemic has hit us worse than other natural disasters.

Fortunately, pandemics are not as common as natural disasters and fortunately our remoteness helps, so some members have not been so hit badly by the direct health impact while others have.

However, as the Deputy Director mentioned, we have all been hit hard in an increasingly connected world by the economic impact. Economic stability and a return to inclusive growth depends on containment of the pandemic within our respective countries, the region, and globally. As the WHO has said, nowhere is safe until everyone is safe. Solutions and responses to the recovery largely lie in our own hands, but the support and contributions of others will be critical including PFTAC helping us to ensure our policy responses, our systems, and our administrative capacity are up to the task. As we review the activities of the current year, I am sure you will agree that we have all had to adapt. We acknowledge and commend the Fund's increasing responsiveness over the years but most evidently responding to member countries in the current crisis as we chart our way forward.

He acknowledged PFTAC's Director Mr. David Kloeden, PFTAC advisors, and the entire PFTAC team on successfully pivoting to respond to the changing needs and priorities of members and adjust to remote delivery modalities. We can all be proud of the program that has been delivered in trying circumstances and commended the members for adapting over the past years. It would be extremely remiss not to acknowledge the immense contribution that PFTAC has made to the region for almost three decades, as the host we are very proud of playing an important role in this. PFTAC has helped strengthen our institutions, our systems and our capacity, including numerous Statistics officials, Tax officials, and Financial Economic managers, and Central bank staff that have benefitted from PFTAC capacity development over the years, not only in Fiji but across the region including through regional groups like the Association of Financial Supervisors (AFSPC) and the Tax Association (PITAA). PFTAC has helped forge strong collaboration with regional bodies and is also leading the charge on some of the most topical issues like climate change and the threat to remittance flows.

The close integration of the capacity development role of PFTAC has dove tailed well with the IMF surveillance mandate to further enhance its effectiveness. We are now at a pivotal stage as the Deputy Director mentioned as we draw to the close of Phase V and look forward to our governance obligations through the Steering Committee that are vital and help ensure we continue to be relevant and focused. It is two years since we last met in person in Port Moresby, but Steering Committee engagement has increased as David has noted. We have met more frequently, and we certainly hope that this can continue even as travel resumes. In conclusion I wish us all well in our deliberations over the next few hours and vinaka vakalevu and thank you.

Economic Outlook for the Pacific

Ms. Leni Hunter Regional IMF Resident Representative based in Fiji presented a brief summary of the economic outlook, commencing with the global, regional, and then Pacific contexts. Globally, economic recovery is underway. Most recent IMF projections were released in the April World Economic outlook. Global growth has progressed broadly in line with projections for growth of 6 percent in 2021 and 4.4 percent in 2022. For the Asia Pacific region, the Fund projected growth to rebound to 7.6 percent this year and 5.4 percent next year. At the country level, Australia, Korea, and New Zealand are benefitting from strong policy responses as well as the economic recovery in the US. China's growth has been driven by investment and exports. Some of the emerging markets

including India, Indonesia, Malaysia, and the Philippines are facing increasing coronavirus cases and renewed lockdowns and therefore weaker recoveries. Exporting and manufacturing sectors have benefitted from global demand for pandemic related supplies, but recovery has been more difficult for economies dependent on services. In broad terms economic activities are picking up in advanced economies where vaccinations have progressed and policy support is in place, however, growth remain sluggish in developing economies where the COVID case numbers remain high and vaccinations are lagging. The wide diversions in growth seen across countries is a key feature of this recovery, moreover income and job losses inflicted by the pandemic are mostly being borne by less advantaged groups, particularly low wage and informal workers, youth and women, with these disparities exacerbating inequality.

Pacific Island economies and populations have been hit hard by the pandemic. COVID has exerted a severe social toll, with rising unemployment and poverty. How quickly economies can recover will depend on vaccinations, the external environment, and the effectiveness of policy support. For the commodity producers such as PNG and Solomon Islands, a return to positive growth is possible this year as the external environment improves. For tourism based economies like Fiji, Palau, Samoa, and Vanuatu, the recovery will take longer. For these countries the return to tourism levels seen in 2019 may be some several years away. The pandemic has led to higher debt ratios in several Pacific Island countries. These reflect larger budget deficits and lower GDP growth during the pandemic. Ms. Hunter than referenced charts to show the public debt to GDP ratios, debt to commodity exports, and the levels of debt distress for some countries. Even where debt ratios may not appear particularly high, low debt carrying capacity is a concern given growth prospects and the need for fiscal space to respond to natural disasters, climate change, and for development.

In addition, Government balance sheets are exposed to contingency liabilities from government guaranteed loans and state enterprises including national airlines. Two other critical challenges to note are derisking and climate change. The potential loss of correspondent bank relationships in some countries, remittance flows, and fiscal revenues reflect an assessment by commercial banks that revenue from this business does not pay for the cost of monitoring and complying with anti-money laundering and countering financing of terrorism regulations. Climate change risk remains a real threat for Pacific island countries. This is a macro critical risk and the IMF work on climate change has increased substantially including for example through climate change policies assessments that have been completed for the Federated State of Micronesia and Tonga.

With respect to the Fund's view on economic policy priorities, the priority now is to end the pandemic and the key to this is the roll out of vaccines. Targeted policy support to vulnerable populations must continue, in addition external financial connections need to be maintained. And with regards to correspondent banking relationships, the IMF is helping to find solutions by providing AML-CFT training and facilitating dialogue between the stakeholders. To anchor fiscal sustainability through this period, creditable medium term frameworks are needed alongside efforts to bolster debt management capacity. Further down the road, tasks include continuing to ensure sustainable public finances, enhancing resilience to shocks, improving SOE performance, adapting to climate risk, and building up infrastructure and human capital to support growth.

For its part, the IMF has been urging global cooperation to help economic recovery in all countries. IMF staff have recently proposed a \$50 billion plan to end the pandemic by vaccinating at least 40 percent of people in every country by the end of this year and 60 percent of people in every country

by mid 2022. The most urgent part of the plan is to redirect excess vaccine from advanced economies to the developing world. About one third of the planned \$35 billion grant financing has been secured but work must continue to raise the balance. The second priority beyond vaccines is to ensure sufficient financial support for weaker economies, including grants from bilateral donors and international financial institutions, and debt relief and rescheduling. The debt service suspension initiative and its extension provide relief to multiple countries and the common framework for debt treatment beyond the DSSI needs to be made fully operational. Third, the proposed general allocation of special drawing rights of US\$650 billion can help meet the needs to supplement reserves and support recovery of vulnerable countries.

Review and Report of FY2021

Mr. Kloeden stated that it had been an unprecedented period when looking back over FY2021 that began May 1, 2020 and ended April 30, 2021. As an institution, the IMF has pivoted rapidly. Many Pacific nations have benefited from a refocus of PFTAC assistance on a range of issues to respond to the COVID crisis, as well as to keep other important reforms on track. Under challenging COVID restrictions, we have learned how to work remotely from very different environments to our familiar offices and in some instances in distant time zones. The PFTAC office was fortunate to be one of just a few IMF offices that was able to return to near normal office operations for about six months until recently.

Mr. Kloeden mentioned that interestingly, remote work arrangements have helped break down barriers and silos with communications improving overall. An example of such is the Steering Committee whereby everyone has met every 4-5 months virtually and this practice is expected to continue. He added we heard in the previous meetings about various accomplishments, such as the groundbreaking PEFA Climate assessment in Samoa and the strong regional collaboration PFTAC has enjoyed with PIFS and other partners on PFM and Climate financing.

It was highlighted that training and workshop programs have continued through a range of modalities, including innovative hybrid arrangements, such as with the University of the South Pacific leveraging their extensive campus network across the Pacific. We had an in-person event in February 2021 to celebrate the US Government joining as the newest PFTAC donor. Furthermore, Mr. Kloeden stated that stakeholders were informed of the review and Working Paper on PFM reforms in the Pacific over the past decade and they will hear the outcome of the updated Revenue Review. Also, there will be a presentation of the mid-term external evaluation findings and recommendations followed by an introduction to the recently launched Debt Management program.

FY2021 began with uncertainty, however the actual outturn was remarkably robust. Against the FY2021 pre-COVID workplans, 71 percent of planned activities or missions were delivered (namely 130 of 183), utilizing 72 percent of planned TA days, a quite similar result as FY2020 but delivered entirely remotely over the full year versus remote delivery in just the final three months of the year before. The workplans were updated in August 2020 after extensive discussion with stakeholders, but the net change at that time was minimal given the optimism of an early suppression of COVID and the resumption of travel. As the end of 2020 approached with no likelihood of travel resuming, a more realistic and final update of the workplan was based on all CD being delivered remotely for the balance of the fiscal year that took a fuller account of the

remote delivery experience since March. About one third of the CD was delivered by the resident advisors, wherever they were located, and the balance by short-term experts. With no travel and no in-person training, very large but abnormal budget savings arose, meaning that 72 percent of expected pre-COVID activity was delivered using just 51 percent of the pre-COVID budget.

The fiscal programs grew to more than two thirds of total PFTAC delivery, primarily from the scaled-up Revenue program continuing to deliver strongly in response to demand. One metric that fell short of expectations unfortunately was the share of CD received by the seven PFTAC countries designated by the IMF as Fragile States. Their share fell from a usual level of around 35 percent to just 24 percent of overall delivery. Reasons for this included the additional challenges for some of these countries to engage remotely, connectivity issues, as well as several countries had to deal with challenges in addition to COVID outbreaks such as natural disasters.

Mr. Kloeden explained the approach that PFTAC introduced to broadly classify the degree at which CD responded to COVID priorities during FY2021. The simple methodology classified the issues addressed by the 130 missions or training events with 43 percent falling into the top two categories of being predominantly related or moderately related to responding to COVID-19. A further 36 percent was classified as being indirectly related in terms of targeting other objectives that were nevertheless beneficial to address and respond to COVID issues.

The Annual Report elaborated on the types of topics that fell within these classifications. The two pie charts showed the number of days by country and program of direct TA delivery on missions and training events. In addition to these 1,677 TA days, the resident advisors accounted for another 1,125 days of TA work, a grand total of 2,802 TA days over the entire year, that have been appropriately apportioned by country. The percentages that Mr. Kloeden cited related to the higher total.

Regionally related efforts such as workshops and reviews that consumed 22 percent of total days (up from 18.6 percent in FY2020), the five countries of **Samoa, Tonga, Fiji, Cook Islands, and Solomon Islands** benefitted from 48 percent of total days in FY2021. Four of the top five beneficiaries in the previous year remained as such with some reordering, with Papua New Guinea falling from third to seventh place, and Samoa advancing from sixth place in FY2020 to first place in FY2021.

A further five countries, namely **Marshall Islands, Papua New Guinea, Nauru, Tuvalu, and Palau** accounted for the next 21.6 percent of PFTAC resources. The balance of 8.5 percent of TA delivery is shared by the remaining six PFTAC member countries, namely **Kiribati, Vanuatu, FSM, Niue, Timor Leste, and Tokelau**.

The emphasis on fiscal issues grew further in FY2021 given the importance in the region of ensuring sustainable public finances, particularly in the wake of COVID, with the two core PFM and Revenue programs accounting for two thirds of PFTAC field activity (with Revenue at 52 percent and PFM 16 percent), up from around half over earlier years. The growth is primarily from the scaling-up of the Revenue program through extra funding provided by Australia since FY2019, with delivery remaining elevated during FY2021, even though delivered remotely. Statistics programs accounted for 13 percent of resources in FY2021, closely followed by FSS at 12 percent and the Macro program at 7 percent.

Overall, 17 regional events were delivered, up from 16 in FY2020, with similar participation rates and course metrics, but delivered in shorter, more focused sessions, some in just one day, others longer, on average 4 days per event, slightly down from a 4.2-day average in FY2020.

A steady number of 493 government officials were trained, but with a reduction of about 8 percent to 1,850 total training days, mostly due to the slightly shorter average event duration. The proportion of female participants was marginally up from 44 to 45 percent. Most events were delivered collaboratively with various IMF departments or jointly with other IMF centers in India, Singapore and Thailand, or partners including PITTA, UNDP, and USP. The previous metrics related to input measures like dollars or time, or output measures like missions, TA field days, workshops, and trainee numbers. However, what really mattered is the results that the inputs and outputs contributed to, that is ultimately the accomplishments of the country authorities themselves.

Throughout Phase V PFTAC has been managing and monitoring its efforts and the emerging outcomes and impacts through the IMF's Results Based Management or RBM system. At PFTAC, we work towards 15 High-Level Objectives: 6 for the PFM program; 2 under the Revenue program; 4 Financial Sector program; and 1 each for the GFS, Macro, and Real Sector Statistics programs.

The objectives then drill down to dozens of targeted outcomes across the 16 countries, each having at least one milestone defined each year towards the outcome accomplishment that typically takes several years to achieve. Over Phase V PFTAC has identified 804 Milestones, of which 518 were expected to be achieved by the end of April 2021. Each milestone is scored on a simple 4-scale system between Not Achieved and Fully Achieved. The chart provides a snapshot of the programs that PFTAC has worked with member countries towards these 15 targeted objectives and 518 milestones due in the last year. It differs from the data provided previously as the dissemination rules mean that average milestone ratings cannot be published at the country level without the explicit approval of each country. However, the rules do allow for the publication of targeted country-level outcomes without prior consent provided ratings are not divulged. If the average milestone score for an outcome changed in the last year, it is shown with a green disk, and if fully completed in the year, with an additional check mark. Projects with milestones newly defined are designated by orange disks, and red disks indicate that no change in the average milestone score, or if the milestones achievement were postponed until FY2022 or later.

David thanked the contribution of staff who have left PFTAC and staff who joined during the year.

Updated Review of Tax Reform in Pacific Island Countries:

Presented by Thomas Story – External Advisor - Fiscal Affairs Department

The purpose of the review undertaken by the IMF's Fiscal Affairs Department was to track tax policy and tax administration reforms in Pacific Island countries over a long-term period. The review updated reviews completed in 2008 and 2017 and reflected changes from the COVID crisis and the scaling up of the PFTAC revenue program. It will also help inform the future priorities for Phase VI.

Mr. Story explained the approach used by the review was through a series of remote meetings with the five "case study countries" – Fiji, Kiribati, Samoa, Solomon Islands and Tonga in February and March 2021, together with consultations with support providers for regional tax reforms. From the data provided and good practice examples, lessons learned were identified, and the

impacts of reform were measured in terms of revenue mobilization, growth, and equity considerations (including gender equality).

The main Tax Policy findings noted by Mr. Story were:

- Other than responses to COVID-19, few tax policy reforms have occurred since 2017.
- Compared to global trends, revenues for many PICS were less impacted by COVID-19 as they may rely more on indirect taxes and imports.
- A key concern is the continued use of tax exemptions and incentives especially for VAT and corporate income tax (CIT).
- A common reform has been increases to the tax-free threshold for personal income tax (PIT) which has helped improve equity for individuals.
- Little progress has been made in simplifying tax systems.
- Tonga was a good example of revenue improvements.
- There is a need to recover lost revenues once COVID-19 passes and to address the impact of PACER Plus (over the medium to longer term).

The main Tax Administration findings were as follows:

- Administrative reforms since 2017 included advances in strategic planning, and organization and business strategies; however, progress has been uneven.
- Good progress was noted since 2017 with new Compliance Improvement Strategies for high-risk areas.
- Computer systems are often de-graded and business processes need updating.
- There is a need for accurate registers of the taxpayer population given rising tax arrears and lapses in filing and payment from business.

With post-COVID revenue pressures expected, more administrative reforms will help. To recover from revenue losses, key measures may include introducing small business tax, reassess CIT rates, and review the PIT tax free threshold and consider small increase in the top PIT rate. Mr. Story highlighted that it is important to maintain VAT rates, and rationalize exemptions and tax incentives especially for VAT and CIT. Furthermore, by preparing financing strategies for future reforms, the investment will lead to revenue benefits to government. Also needed is a focus on taxpayer registers for accurate electronic filing, and developing regional approaches to build capability in newly established largetaxpayer units. On-tap approaches should be considered perhaps through PITAA, to secure resources for more complex work (e.g., international taxation and transfer pricing issues). A regional view of information technology system upgrade plans could be developed including identifying time to secure funding and assistance.

Financial Presentation by James Yoo, Senior Technical Assistance Officer Global Partnerships Division, ICD

Mr. Yoo presented a brief overview of FY2021 financial report, expressing thanks to partners for their continued support to PFTAC during the current phase to enable PFTAC to implement much of the activities and he welcomed the United States as PFTAC's newest partner.

PFTAC's financial position has continued to improve over the last year further closing the funding gap in Phase V which now stands at under \$US1 million with the signing of new contribution from United States. As a result, the Phase is almost fully funded. Total commitment from PFTAC

members stands at \$US37.2m with \$US34.6m committed from external partners and \$US2.5m from member countries. From this amount a total of \$US36.4m was received in contributions accounting for around 94 percent of expected contributions, a very strong position at this point of the phase. Discussions continue regarding two member countries that have not contributed.

Overall budget execution in FY2021 reached 50 percent with expenses totaling just over \$US4 million. As expected, this was a significant reduction from the previous year. A large proportion of this reduction was due to significant cost savings from the absence of mission travel and expenses from workshops and training that was estimated to be approximately \$US 3.9 million. However, this budget performance did not have a bearing on the overall execution as delivery of the program and the number of missions was higher than the previous year.

The budget proposal for FY2022 is \$US 7.3 million, marginally lower than the previous year budget of \$US 8 million. The budget is closer to pre-COVID levels, but activity through the workplan will produce a substantial increase over FY2021. A total of 200 missions is planned, but travel is only expected to resume in the second part of the year and will not fully reach pre-COVID levels. Budgets for the different work streams have not substantially changed from last year, with most remaining at similar levels except the Macro program budget that is reduced mostly with the end of funding for CBR support that occurred but without incurring charges. The Revenue program budget is mostly unchanged other than a reduction in short-term expert costs to finance recruitment of a second resident advisor from October.

The liquidity position has improved progressively over the phase particularly in the last 3 years and is reflective of the strong support received from partners and substantial cost savings in FY2021. Due to budget under-utilization in FY2021, and projections for FY2022 we have the ability to extend the phase beyond the original date of April 2022. Outflow projections are based on a high level of execution in FY2022 and hence the probable end of phase balance is higher than level indicated on the chart.

We will have an opportunity to report back at the next mid-year meeting of the Steering Committee meeting with a further update of the liquidity position and precise extension period as we will have a better sense of the level of in-person delivery and advise members of an adjusted update at that time.

Phase V Mid-Term External Evaluation presentation by Mr. Peter Bracegirdle, Universalia

A recorded presentation of the evaluation Findings and Recommendations was played.

The purpose of the presentation was to share the conclusions and recommendation of the evaluation to Steering Committee members, provide responses to questions and feedback; and to inform discussion for PFTAC Phase VI.

The evaluation assessed 74 of the 91 PFTAC projects across all six programs in all 16 member countries, and interviewed 108 stakeholders, although there were challenges in securing participation by some national authorities. Other limitations included low survey response rates and small sample sizes in the GFS and Macroeconomic programs. Furthermore, the evaluators noted there were gaps in PFTAC's own data collection for the timely assessment of effectiveness.

Some of the findings on the program performance:

Relevance – overall the PFTAC programs are highly relevant to member countries, programs are aligned with and supportive of national priorities of member countries as stated in their national and organizational strategies and plans. In assessing relevance, the evaluation considered actions taken in support of stated priorities such as governance, government budgetary allocations, and related laws and regulations. In some cases, these actions were not fully taken which impacted the relevance of the PFTAC program. They noted that PFTAC and the IMF provide member countries with the opportunity for dialogue that helps ensure the overall relevance of the program objectives. PFTAC is generally agile in responding to countries' priorities and requests for assistance, including requests based on country needs and as appropriate, linked to external factors such as climate change. All programs focused on relevant issues and areas within the IMF results framework. PFTAC CD is consistent with and supportive of the IMF objectives within the region.

Effectiveness, Impact and Sustainability – gaps in data collections were noted and the achievements results varied. Some authorities and counterparts indicated that the short duration of some missions was a limitation to effectiveness. They noted that the PFTAC Revenue program had positive impacts in several countries.

The evaluation found four factors for the likely success and sustainability of CD: (1) political consensus for major policy decisions; (2) senior leadership commitment to implement reforms; (3) advocacy of human and IT resources; (4) and stability in staffing.

They noted good overall value for money is provided by PFTAC that offers high quality TA and training in specialized areas. PFTAC management needs to improve its alignment with the IMF's RBM system. Gender, climate change, financial inclusion themes need to be better aligned within the programs. Greater use of local and regional experts is encouraged. The evaluators proposed that some missions could be of longer duration than a standard two week period which was also a preference expressed by some countries.

Mr. David Kloeden: thanked Universalia for the mid-term evaluation, country members and noted the following preliminary views of the IMF to the recommendations:

- On governance, we welcome the proposals for member countries to play a more active role.
- On suggestions for a continuation of hybrid models of CD delivery even after COVID, this proposal is in line with the Fund's considerations.
- On RBM, we agree in principle on the use of RBM data to inform CD objectives, prioritization, and allocation of resources.
- On the integration of themes into PFTAC programs, PFTAC has been responsive to key cross cutting issues of climate change and gender, and we have sought to identify opportunities

to address these issues and support policies by integrating them in our work programs where there is an interest to support sustainable and inclusive growth.

- On the recommendations related to HR, staff training, and developing regional expertise, we support the observations made about resident advisors, local staff development and expanding a pool of regional experts.
- We would like to have more opportunities for PFTAC to work with experts from the region and for more peer-to-peer exchanges between member countries in the region. We are conscious that these initiatives take time to mobilize and any efforts towards these need to be carefully balanced with other priorities for the region and ensuring sufficient talent can be retained.

Debt Management: Mr. James Knight from MCM introduced new resident advisor Ms. Briar Fergusson.

He stated that the Debt Management program will be located with PFTAC operation however, it is funded by the government of Japan. The focus will be on four key areas of debt management. First, on capacity building of institutional arrangements, secondly on developing and implementing debt management strategies, thirdly on debt transparency and building capacity in debt recording and analysis, and finally on developing domestic debt markets.

Ms. Ferguson introduced herself and stated that she has worked in the New Zealand debt management office and is excited to be working for the Pacific community. She is committed to establishing a TA program for debt management that fits the unique challenges of the Pacific and to develop individual programs to build true resilience. She had had contact with many of the debt management officials in the region to understand their progress and challenges. However, she encourages country officials to take this opportunity to think how the debt management program can be of assistance during these challenging times and she looks forward to working with all.

Macroeconomic Frameworks TA Developments: ICD Assistant Director Mr. Paul Cashin

Mr. Cashin stated that demand for TA in macro forecasting and macro frameworks has increased in recent years. The new Institute for Capacity Development (ICD) CD work program he outlined is designed to help policy makers better incorporate the relationships between fiscal policy, monetary policy, and exchange rate regimes into their macro policymaking and forecasting. Mr. Cashin noted there is very strong demand for macroeconomic frameworks TA that has led ICD to develop and strengthen its TA delivery capacity in the Pacific.

The ICD TA will strengthen macroeconomic frameworks and comes in two forms. The first is for a forecasting and policy analysis system (FPAS), with the FPAS TA aiming to modernize monetary policy and forecasting practices. The second is financial programming TA which aims to improve macroeconomic frameworks to assist in making projections and doing policy analysis. Both types of TA will help improve macroeconomic forecasting practices in the Pacific, with this work anchored within central banks and finance ministries, involving a core group of local officials. In summary ICD is proceeding with the macro frameworks TA program with three Pacific Islands

Countries comprising forecasting and policy analysis TA in Solomon Islands, Samoa, and Tonga that started in June 2021, as well as financial programming TA to PNG which started in April 2021. The expectation is this assistance will be a multi-year initiative through mid-2024.

Overview of FY2022 Workplan and Budget by PFTAC Director- Mr. David Kloeden

Mr. Kloeden stated that the proposed FY2022 work program ambitiously targeted a return to pre-COVID levels of activity and expanded significantly on the FY2021 outturn that was nevertheless impressive given it was remotely delivered. For the first half of the year (namely through the end of October 2021), all planned CD is expected to be delivered remotely. From November, the workplans have optimistically been developed around a gradual resumption of travel to enable a return to face-to-face engagement and training. If travel remains curtailed, the program will be delivered virtually for the balance of the year, continuing this mode of delivery that has been in place since March 2020.

He highlighted that only two changes in the team of PFTAC resident experts are anticipated in FY2022. After an additional but final extension, the assignment of Luis Temes, the resident GFS advisor will end on August 31, 2021 and the GFS program will gradually scale-down with a small number of missions and a final training event around February 2022, hopefully in-person. The size of the team of experts including the new Debt Management advisor will remain at eight throughout FY2022 with the departure of the GFS advisor offset by the arrival of a second Revenue resident advisor by October.

Looking at year-on-year anticipated changes in the country programs, only Samoa and Tonga will receive slightly less CD than the very robust volume of support they each received in FY2021 given how well both countries adapted to remote CD delivery. Otherwise, all 14 other PFTAC member countries will be seeing an increase in CD in FY2022, in somecases a substantial increase, particularly the fragile states and smaller countries.

Plans provide for 181 missions and 19 training events, a total of 200 activities in FY2022 which is up by 54 percent over the 130 activities in FY2021. He highlighted that none of these plans include the Debt Management program that is still being finalized. For these 200 activities nearly 2,700 Field days would be required, of which around 27 percent will be delivered by the resident advisors and the balance by short-term experts, and if accomplished, this would be around 60 percent up from the 1,677 days delivered in FY2021. The detailed workplans at both the country and program level are available on the PFTAC website.

Country level planning will see slightly more than half of the field delivery provided to six countries, namely in order **Fiji, Cook Islands, Samoa, Timor-Leste, Papua New Guinea, and Tonga**. **Fiji** returns to top place, with **Samoa** and **Tonga** slipping from first and second place in FY2021 to third and sixth place respectively. Interestingly, **Cook Islands** moves up from third to second place, and **Papua New Guinea** moves from the middle of the group to the top six, and **Timor-Leste** advances the most from second lowest beneficiary in FY2021 to fourth place. The next five countries would account for nearly 27 percent of PFTAC resources, namely in order **Palau, Vanuatu, Solomon Islands, RMI and Nauru**. And the final group of five countries accounts for the remaining 13.7 percent of activity, comprising in order **Kiribati, FSM, Tuvalu, Niue and Tokelau**. A further 8.8 percent of PFTAC resources are earmarked to regional activities, primarily in the preparation and delivery of 19 workshops, seminars, or other events, including remote training. Other than GFS, all programs will deliver more, hopefully back to pre-COVID levels.

Budgets were then discussed, but except for the GFS and Macro programs, they are on par or slightly less than past years, with an expectation of a much higher outturn than FY2021 that was abnormal. Together, the two fiscal programs will hit an all-time record of 71 percent of overall PFTAC activity excluding the new Debt Management program. The Revenue program remained elevated but will move from 52 percent in FY2021 down slightly to 49 percent. At 13 percent and 7 percent respectively, the FSS and Macro programs would maintain their same share as in FY2021, but the winding back of the GFS program would produce a reduction of the two Statistics programs from 13 to 9 percent, offset by growth of the PFM program from 16 to 22 percent. The proportion of resources targeted to the seven fragile Pacific states in FY2022 would return to pre-COVID levels of 35 percent of total TA days, a significant reversal of the decline to just 24 percent in FY2021 arising from COVID challenges.

Items for Steering Committee Endorsement #1

The first item for Steering Committee endorsement sought and provided:

- The workplan and budget for FY2022 that is already underway that Mr. Kloeden explained is a very ambitious program that seeks to deliver CD on par with pre-COVID levels, but with a smaller budget envelope than recent years, at \$US 7.3 million including the trust fund fee.
- Chris van Hooft (NZ MFAT) queried downside risks to CD delivery for example if travel does not resume.
- David Kloeden (PFTAC) responded that a balance of unspent funds is a real risk given the uncertainty of whether travel would resume in the second half of the fiscal year as presumed. Even under normal circumstances, an expenditure outturn of 85 percent is considered a relatively solid result. As always, workplans will be adjusted as necessary to respond to changing circumstance and new demand. Under-utilization of the FY2022 budget would further expand the already large balance projected at the end of FY2022 at the intended end of Phase V, and would factor into the next endorsement item namely the duration of a proposed extension to Phase V.
- Marga Peeters (EU) asked does PFTAC have a significantly higher balance available at the start of FY2022, noting carry-forward unspent funds from previous years.
- David Kloeden (PFTAC) noted that the FY2022 budget of \$US 7.3 million is actually lower than each of the two previous years (FY2019 and FY2020) that both exceeded \$US 8 million. It is however true that the funds available at the start of FY2022 far exceeds the budget for FY2022 which gives rise to the next endorsement item of how these excess funds are to be utilized, namely through an extension to the Phase V period.
- **Endorsement # 1 moved by Fiji and supported by Australia and Canada; and seconded by Governor Luke Forau (Solomon Islands)**

Items for Steering Committee Endorsement #2

Proposed Extension to Phase V

As foreshadowed at the February Steering Committee update, a sizeable unspent balance is projected at the end of FY2022 which was supposed to be the end of Phase V after a period of 5½ years. If the FY2022 budget just endorsed is fully expended, we expect to end the year with at least \$US 5.3 million on hand, more than enough for six very active months of operations in FY2023, but not quite enough for a full year without some scaling back. However, there will be a strong likelihood of a higher starting balance given the FY2022 delivery uncertainties. Historically, an outturn between 85 and 90 percent has been considered strong, and if that was to occur in FY2022 we would have between \$US 6 and 6.4 million for the period of a Phase V extension. Mr. Kloeden stated that an extension of Phase V is needed, but there are consequences for some donors about the duration of the extension and whether more than one extension can be accommodated. Regardless of when Phase V ends, an unspent balance is inevitable. The objective is to minimize this amount as some donor rules require their share of the balance to be refunded, while others may allow for a roll over.

An endorsement is requested to extend Phase V into FY2023 for a duration of at least 6 months and possibly up to 12 months, with a firm decision to be made on the duration around November 2021, when it should be clearer how FY2022 is unfolding and the emerging expenditure picture to provide a better estimate of the additional funds expected to be available for the extension. The odds favor a 12-month extension which would have the advantage of the phase transition coinciding with a new fiscal year. Whatever the outcome, the preparations and timeline for Phase VI will remain the same, as this is a specific objective I wish to have wrapped up before the end of my term at PFTAC next May.

Are there any questions on this proposal to endorse an extension of Phase V for a period of 6 to 12 months to be precisely confirmed later in 2021?

- Chris van Hooft (NZ MFAT) asked what other options were considered other than an extension? David Kloeden (PFTAC), noted that Phase V is due to end in April 2022, so the issue is what to do with unspent funds at that point in time. We expect somewhere between \$US 5.3 million and \$US 6.5 million – one donor has no choice but to receive a refund of their share of the balance which at 25 percent would be close to \$US 1.5 million. Having to return such a large portion of previously contributed financing would be most unfortunate and hence why an extension would be the best option.
- Ann-Margret Westin (ICD), agreed with David that the best option would be an extension of Phase V due to COVID-19. Some other RTACs are facing extensions of their phases. A chat comment inquired whether there is a third option to scale-up delivery which Ann-Margret noted it is not practical to rapidly expand Capacity Development delivery which must be demand-driven and not simply to respond to expanded supply. CD takes time and must be

planned and brought on-line carefully and commensurate with both absorptive and delivery capacity including backstopping from Washington.

- Chris van Hoof (NZ MFAT), mentioned she was thinking along the lines of climate change and gender issues and whether there is a possibility of doing more in the short term in these areas that could utilize some of the large balance at the end of FY2022.
- David Kloeden (PFTAC), agreed PFTAC cannot scale up its activities further given the plans for FY2022 are already very ambitious. On doing more in cross-cutting areas like gender and climate change, the IMF and PFTAC has been doing increasingly more in these areas and more is expected in Phase VI as the IMF's views and policy positions crystalize.
- **Endorsement # 2 moved by Governor Luke Forau (Solomon Islands); seconded by Doreen Siagata (Niue).** An extension to Phase V was endorsed for a minimum of six months potentially and most likely for 12 months to be confirmed by late November 2021 when the emerging FY2022 budget utilization becomes more apparent.

2022 Steering Committee venue will be Niue confirmed by Doreen Siagata subject to a resumption of travel and a lifting of COVID restrictions. She mentioned that 97 percent of the Niuean population have been vaccinated and they look forward to hosting the 2022 Steering Committee meeting.

MINUTES OF THE 2021 PFTAC STEERING COMMITTEE MEETING

Annex: Participants List for June 29, 2021 PFTAC Steering Committee Meeting

Country/Organization	Member/ Observer	Name	Title/Organization
Cook Islands	M	Garth Henderson Xavier Mitchell Kai Berlick Mane Mate Pim Borren	Finance Secretary Treasurer, Revenue Management Division Ministry of Finance Ministry of Finance Ministry of Finance
Fiji	Chair	Esala Masitabua Kelerayani Dawai	Deputy Governor, Reserve Bank of Fiji Fiji Revenue and Customs Service
Kiribati	M	Aritita Tekaieti Mareta Kaiteie	Ministry of Finance Ministry of Finance
Marshall Islands	M	Ann Marie Muller	Ministry of Finance
Nauru	M	John Peterson Isikeli Voceduadua	Ministry of Finance Ministry of Finance
Niue	M	Doreen Siataga	Ministry of Finance
Papua New Guinea	M	Loi Bakani Ellison Pidik	Governor, Bank PNG Asst Governor, Bank PNG
Samoa	M	Feagaimaleata Tafunai Central Bank Staff I.Sheppard	Ministry of Finance Central Bank of Samoa Ministry of Revenue
Solomon Islands	M	Luke Forau	Governor, Central Bank of Solomon Islands
Tonga	M	Balwyn Fa'otusia Masivailo Masila	CEO, Ministry of Finance National Statistics Office
Asian Development Bank (ADB)	M	Ananya Basu Masayuki Tachiire Erik Aelbers Francesca Rosales Pamela Wyatt	ADB, Manila ADB, Suva ADB, Suva ADB, Manila ADB, Manila
European Union (EU)	M	Michal Krejza Barbara Risken Marga Peeters	EU Suva, Head of Cooperation EU Suva Delegation EU Suva Delegation
Canada	M	Dominic Bourcier	GAC, Ottawa
Korea	M	Lee Dong Hoon	Ministry of Finance
Australia	M	Matthew Harding Alex Khan Gregory Furness Peter Simojoki Melissa Tipping Keshwa Reddy Karen Whitham	DFAT, Canberra DFAT, Canberra DFAT, Canberra DFAT, Canberra DFAT, Suva DFAT, Suva DFAT, Kiribati
New Zealand	M	Chris Van Hooft	MFAT, Wellington
United States	M	Tyler Makepeace	US Treasury, Washington DC
IMF	M	Todd Schneider Roger Nord Ann-Margret Westin Paul Austin Barend de la Beer Achille Pegoue Paul Cashin James Yoo Margaret Cotton Vincent Koukpaizan Majdeline El Rayess	Asia Pacific Department, Pacific Division Deputy Director, ICD Institute for Capacity Development (ICD) Statistics Department Statistics Department Statistics Department Statistics Department Institute for Capacity Development (ICD) ICD Global Partnerships Division Fiscal Affairs Department, Revenue Admin Fiscal Affairs Department, Revenue Admin Fiscal Affairs Department, PFM Division M2

MINUTES OF THE 2021 PFTAC STEERING COMMITTEE MEETING

Country/Organization	Member/ Observer	Name	Title/Organization
		Scott Roger Tahsin Saadi Sedik James Knight Vernonia Bacalu Susan George Olya Kroytor Christophe Waerzeggers Leni Hunter Thomas Story	Asia Pacific Department, Pacific Division Asia Pacific Department, Pacific Division Monetary Capital Markets Dept, Debt Mgmt Monetary Capital Markets Dept, TA Division Monetary Capital Markets Dept, TA Division Legal Department Legal Department IMF Resident Representative, Suva FAD Tax Expert
PFTAC	M	David Kloeden Paul Seeds Iulai Lavea Georg Eysselein Marcus Scheiblecker Luis Temes Castrillon Andrew Beaumont Rajinder Kumar Briar Ferguson Nina Samuela Elenoa Bogiwalu Shane Prasad Pretti Lata Kalara Raidruta	Director PFM Advisor PFM Advisor Revenue Advisor Real Sector Statistics Advisor GFS Advisor Macro Programming Advisor Financial Sector Supervision Advisor Debt Management Advisor Office Manager Senior Administrative Assistant Economic Analyst Administrative Assistant Administrative Assistant
Australian Bureau of Statistics (ABS)	O	Annette Bastaja	ABS
Australian Tax Office (ATO)	O	Gabrielle Jackson Belinda Darling	ATO ATO
World Bank	O	David Gould	Sydney Office
Pacific Islands Forum Secretariat (PIFS)	O	Denton Rarawa Salaseini Raiwalui	Senior Economics Advisor PFM Advisor
Secretariat of the Pacific Community (SPC)	O	Epeli Waqvonovono	Director, Statistics for Development
Pacific Association of Supreme Audit Institutions (PASAI)	O	Esther Lamekopoutoa	Chief Executive
Universalia	O	Gerry Cooney Kara Rideout Mike Andrews	External Evaluators
UNDP	O	Marine Destrez	
Griffith University	O	Parmendra Sharma	
Pacific Islands Tax Administrators Association (PITAA)	O	Koni Ravono	Head of Secretariat
UN ESCAP	O	Sanjesh Naidu	Suva Office