



# PFTAC Steering Committee Update

FEBRUARY 23, 2021

David Kloeden  
PFTAC Coordinator

# Our Phase V Contributors (so far)



# Agenda

Time (Suva time)	Duration (minutes)	Description	Speaker	Organization		
11.00 a.m. - 11.05 a.m.	5	Start of Briefing	David Kloeden	PFTAC Coordinator		
		- Introductory remarks & agenda - Update on Operations				
11.05 a.m. – 11.15 a.m.	10	Overview of the PFTAC Response to the COVID Crisis	David Kloeden	PFTAC Coordinator		
		- impact during current FY2021 on TA demand priorities and our response - expectations and assumptions for FY2022 planning				
11:15 a.m. - 12:00 noon	45	Update of the PFTAC Response to the COVID Crisis at the Program Level - overview and Q&A discussion with the PFTAC advisors	Georg Eysellein	PFTAC Revenue Advisor		
		- Revenue Policy and Administration				
		- Public Financial Management			Iulai Lavea & Paul Seeds	PFTAC PFM Advisors
		- Macroeconomic Analysis and Programming			Andrew Beaumont	PFTAC Macro Advisor
		- Financial Sector Supervision			Rajinder Kumar	PFTAC Fin Sector Advisor
- Macroeconomic Statistics	Marcus Scheiblecker & Luis Temes	PFTAC Real Sector Statistics & GFS Advisors				
12:00 noon - 12:10 p.m	10	PEFA Climate Assessment - first pilot assessment of new PEFA module - intro	Iulai Lavea	PFTAC PFM Advisor		
		- experience and observations of Development Partner	Habiba Gitay	WB Climate Expert		
		- experience and observations of assessed country authorities	Oscar Malielegaoi	Samoa MoF CEO		
		- lessons learned and take away messages	Richard Neves	Former PFTAC PFM Advisor		
12:10 p.m. - 12:15 p.m.	5	Initiative to update 2017 IMF Review of Pacific Revenue Reforms	Thomas Story	Head of Review		
		- briefing on review terms of reference and timelines				
12:15 p.m. - 12:25 p.m.	10	SC Agenda Items for Endorsement	David Kloeden	PFTAC Coordinator		
		- 4 month extension of GFS Program Resident Advisor Assignment				
		- continuation of expanded Revenue Program & recruit second resident advisor - extension of the support to the regional CBR initiative under Macro program				
12:25 p.m. - 12:35 p.m.	10	Phase VI Issues	Constantin von Albersleben	IMF ICD/GP		
		Steps, timelines, milestones				
12:35 p.m. - 12:55 p.m.	20	2021 PFTAC Steering Committee Meeting	David Kloeden	PFTAC Coordinator		
		- planning, venue, logistics for June 2021 Meeting				
		- Establishment of Virtual Phase VI Working Groups by theme, proposed approach to maximize effectiveness of June SC Meeting				
12:55 p.m. - 1:00 p.m.	5	Wrap-up and Concluding Observations	David Kloeden	PFTAC Coordinator		

# FY2021: Operating in a COVID World

- **Workplan Evolution:** three iterations:
  - ▶ **April 2020:** baseline developed pre-COVID, delivery expected at previous record levels
  - ▶ **August 2020:** updated to reflect initial COVID impact/lessons, but remained very ambitious, optimistically including in-year resumption of travel
  - ▶ **January 2021:** scaled-back by 26 percent to reflect only remote delivery for remainder of year
- **Operational and Delivery Issues:**
  - ▶ **Remote Delivery:** with a few Fiji exceptions, all training and TA remotely delivered. Challenges have been experienced as well as successes and important lessons learned
  - ▶ **Receiving the TA:** has worked (surprisingly) well for a third of the countries, after some adjustment for another third, and a challenge to engage or address constraints for the balance.
- **Budget Implications:**
  - ▶ **Virtually no travel or training costs**, and significant savings with expert salaries.
  - ▶ **Very large underspend projected.** Maximum of 60 percent outturn of USD 8 million budget
  - ▶ **Large carry forward** beyond the ability to utilize in FY2022 with implications for end of Phase V

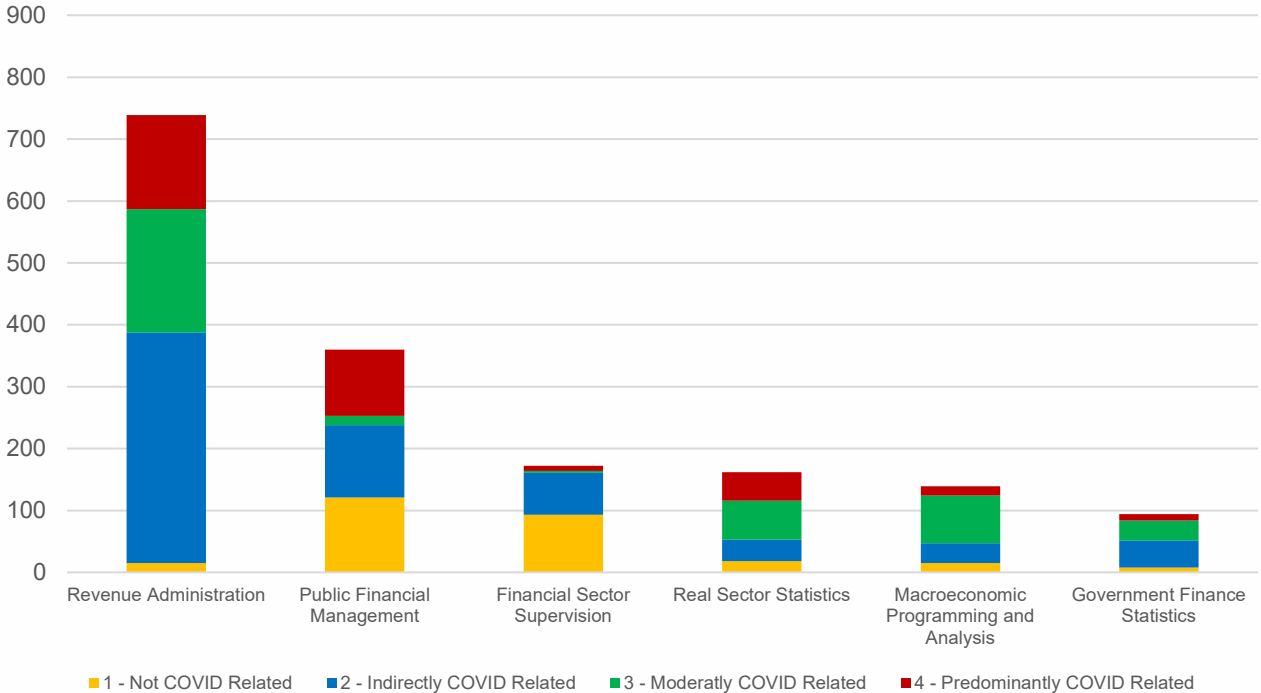
# A recap on our assessment of our activities to respond to COVID-19?

Using a simple scoring system, we have classified all FY2021 activities as follows:

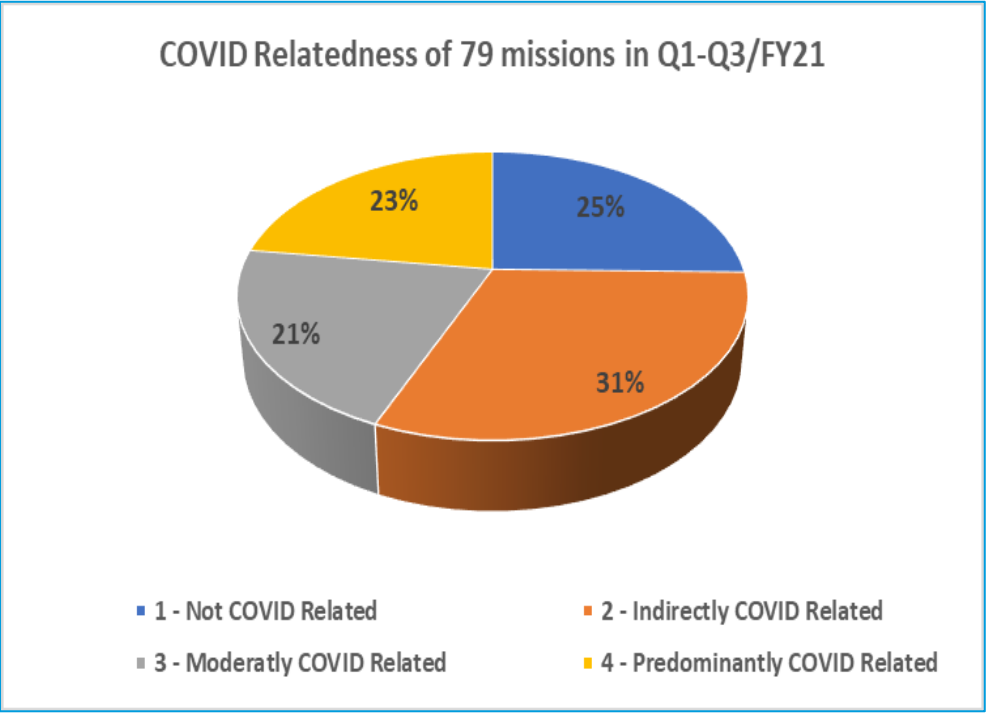
- 1. Not COVID-19 related**
- 2. Indirectly COVID-19 related** – while the objective of the TA is unrelated to responding to the COVID-19 crisis, indirect benefits to the response may result, e.g. inflation forecasting, PEFA climate assessment, macro modelling
- 3. Moderately COVID-19 related** – while the original objective of the TA is unrelated, the impact and benefits are more directly related to responding to the crisis. Examples include cyber risks for financial sector supervision, training on fiscal frameworks and forecasting.
- 4. Predominantly COVID-19 related** – possibly in direct response to a request from the authorities, or existing work that is already strongly correlated to the crisis response or is after some recalibration. Examples include Quarterly National Accounts, post-COVID taxpayer compliance, cash management, tax policy reviews, financial sector COVID webinars, business continuity planning.

# COVID-19 relatedness of TA delivered so far in FY2021

Distribution of Updated FY21 TA days by COVID Category



COVID Relatedness of 79 missions in Q1-Q3/FY21



# FY2022: Planning for a post-COVID World

## ■ Assumptions:

- **Ample budget envelope:** at least USD 7.5 million equal to highest recent annual outturn
- **Resumption of travel:** anticipated before end-CY2021, perhaps initially with restrictions
- **COVID issues will predominate** prioritization of activities and efforts as the crisis evolves and the impact and response becomes clearer

## ■ Development of Workplans:

- **Wide stakeholder consultation** with policy makers and agency counterparts in member countries. Also with donors, development partners, and regional groups like PITAA
- **Closely integrated with IMF Surveillance and Lending.** Very strong collaboration and regular exchange between PFTAC experts and mission chiefs and teams from IMF's Asia Pacific Department – remote engagement is significantly strengthened since the COVID crisis.
- **Steering Committee input is predominantly strategic and medium-term** (i.e. next FY and beyond). Plans however remain flexible to accommodate new needs as nimbly as possible without jeopardizing longer term objectives.

## ■ Changes in processes and timelines:

- **Major internal reform to CD management** underway within the IMF taking full effect from FY2022.
- **New CD-MAP platform** and completely overhauled processes and management arrangements.
- **Shift in Steering Committee scheduling:** moving from annual meetings late in the FY (e.g. March for PFTAC) till early in the new FY (proposal for 2021 late June). Endorsement of workplans will now occur after the year has started.



# Views from the Statistics Advisors

## COVID-19 has highlighted the importance and need for more frequent data and increased demand for quarterly GDP estimation for policy response formulation

- PFTAC successfully introduced a QNA program in Fiji
- Implementation of experimental QNA programs in Vanuatu and Tonga is work in progress.
- In the long-run, more countries are expected to join the program if country capacity is sufficient.

## Persistent capacity constraints in micro-states hinders progress

- Statistical office capacity in micro-states is too low for regular GDP and other statistical (GFS, BoP) updates and publication.
- Documentation of business processes helps reduce dependence on one or two key officials but is insufficient alone.
- Remote capacity substitution is more challenging than periodic in-person missions. High risk of delay of publication. Can something different be contemplated?



# Views from the Revenue Advisor

## Keeping up collections and compliance in a COVID world:

- Maintaining and recovering revenue in difficult economic circumstances – impact on tourism industry
- Business continuity planning
- Segmented taxpayer approach to COVID-19 impact, e.g. compliance of Large Taxpayer segment
- Compliance Improvement Strategies – tailored to the current and post-COVID-19 situation
- Taxpayer Service Strategies – focused on increasing voluntary compliance
- Importance of IT support

## Revenue collection challenges faced by Tax Administrations:

- Limited resources while gaining more administrative tasks like deploying stimulus packages
- Getting the right balance of skills to deliver core functions to address different taxpayer segments
- Previous challenges to manage on-time payment and tax return filing have heightened, exacerbated by lack of data and poor integrity of taxpayer registers
- Limited or no capacity to deal with evasion/fraud, international issues like transfer pricing, and increasing challenges from the digital economy

# Views from the Revenue Advisor

## Upscaling of Revenue Program

- Since November 2018 to meet unmet demand – high demand continues unabated
- Workplan has changed significantly to respond to new emerging TA needs – reflective of wide-ranging need for assistance, and trust in PFTAC for help

## Remote CD Delivery

- Proven to be successful, dependent on commitment and level of cooperation
- Flexible, responsive – quicker follow-up assistance possible. Takes longer, interaction has limitations
- Savings – travel, accommodation
- Communications and internet connectivity has generally been good.

## Tax Reform to Mobilize Revenue is a Key Priority

- Tax Policy – increase in demand
- Tax Legislation – significant increase in demand
- Tax Administration – organizational reforms recognizing need for increased investment/funding
- A Medium Term Revenue Strategy (MTRS) may be a consideration

# Views from the Revenue Advisor

## Optimization of IT Support (short-, medium- and long-term priorities)

- User training
- Management reports
- E-tax – payment and filing, taxpayer queries.
- Business process re-engineering and SOP's
- Upgrading of systems, equipment
- Internet connectivity

## Understanding the Tax Base (medium- to long-term priorities)

- Informal sector & taxpayers out of tax net, levels of compliance of registered taxpayers
- Tax gap analysis
- Business intelligence – Customs, Gov Departments, Financial Intelligence Centers, Banks etc.
- Revenue activation projects – tax base broadening, countering evasion/avoidance

# Financial Sector Supervision Advisor Views

- **Key PFTAC FSS projects:**
  - Aligning banking prudential regulation with international standards
  - Regulatory reforms in the insurance sector
  - Cyber security regulation and prudential standards
  - Implementing risk-based supervision for banks
- **Impact of COVID 19 on FSS programs:**
  - 14 remote missions delivered
  - Countries have shown varying degrees of preference and adjustments to remote TA delivery – ranging between full adjustment to minimal adjustment
  - TA delivery across all FSS programs continues remotely with a few exceptions where counterparts prefer to wait for travel to resume for on-site engagement
  - COVID-related concerns continue to dominate the attention of the supervisory authorities- resultant shift in the priorities of the authorities leading to deferment of projects included in FY 2021 Work Plan – aggravate the existing capacity constraints impacting TA absorption

# Financial Sector Supervision Advisor Views

## ■ PFTAC Response to COVID 19

- Important not to halt reforms - continued emphasis on strengthening the prudential standards and financial risk analysis to increase the resilience of the financial system to likely COVID shock
- Remote training stepped up. Video recorded PPTs followed by live Q&A sessions introduced and appreciated by authorities.
- Encouraged authorities to step-up monitoring of credit portfolio of banks to detect stress signals at early stage and conserve capital.
- Upcoming AFSPC on March 30, 2021: Focus on exploring Phase VI Program ideas – will *inter alia* identify TA programs to assist authorities in responding to asset quality, financial stability and business continuity concerns arising from COVID shock – a working group to develop and refine the identified project program ideas before the next Steering Committee Meeting

# Views from the PFM Advisors

## Impact of COVID:

- Shift to all remote delivery, but with some successful hybrid experiences like the joint workshop with UNDP using USP campus network and Samoa PEFA Climate assessment
- Most member countries adjusted their priorities for PFM support from PFTAC in response to COVID.
- Some planned activities postponed, other brought forward, and new requests accommodated
- Advisors able to contribute to certain IMF country team efforts and projects

## Recent PFM priority topics:

- More credible and policy-based budgets, drawing on evidence from PEFA assessments.
- Modernizing public financial management legislation to support PFM reforms.
- Improved preparation and presentation of financial accounts in compliance with IPSAS Cash.
- Greater risk-based approach to internal audit.
- Enhanced cash management through improved forecasting and management
- Improved oversight and management of fiscal risks associated with SOEs.
- PEFA assessments completed in Samoa and PNG; agile assessment completed in Tonga and underway in Cook Islands. Climate Change assessment in Samoa. These assessments highlight the areas for more work as reflected in the PFM Roadmaps that follows the assessment

# Views from the PFM Advisors

## Moving Forward FY2022 and Beyond

- Planned second PEFA Climate in FY 22 (possibly Fiji) plus Gender Responsive and Agile PEFA for Nauru
- Heightened focus on Public Investment Management – workshop in April; Cook Island PIMA request
- Continue progress on ongoing projects: budget transparency; financial reporting; cash management; risk oversight and management (especially SOEs)
- Further capacity development on fisheries revenue forecasting (Kiribati and Tuvalu)
- New RBM Topic Objective: Public Investment Management now a separate dedicated objective – capacity development on project appraisal and selection, and disclosure of PPPs and their fiscal impact
- Lesson learning from the IMF study on PIC reform roadmaps – more attention to sequencing and prioritization cognizant of countries' absorptive capacity
- Expanding TA support on risk oversight, incorporating identification and disclosure of contingent liabilities
- Reemerging requests for capacity development on setting fees for non-tax revenue



# Views from the Macro Advisor

## COVID Impact:

- Prompt response to unplanned TA requests: Marshall Islands, Solomon Islands, Samoa
- COVID Pacific impact seminar delivered in August 2020 with Singapore Training Institute
- Correspondent banking – remittances are an important stabilizer, and ongoing efforts of heightened importance
- Fiji – macro-fiscal model – scenario analysis
- Tuvalu and Nauru – contributed to the IMF Country Teams analysis

## Capacity Variation:

- Capacity varies enormously in the region
- Basic budget execution
- More sophisticated analysis
- Technical Assistance must be flexible against these needs
- High need for macro-fiscal analysis with scenario analysis
- Some limited need for more sophisticated approaches
- Data availability an issue

# Climate Responsive PFM: PEFA Climate Assessment in Samoa

- 1. Introduction** – Mr. Iulai Lavea, PFTAC PFM advisor
- 2. Reflections of a Development Partner in the Assessment Team:** Ms. Habiba Gitay, World Bank Climate Specialist
- 3. Reflections from the Country Authorities:** Mr. Oscar Malielegaio, CEO Samoa Ministry of Finance
- 3. Lessons Learned and Take Away Messages:** Mr. Richard Neves, assessment team leader and former PFTAC PFM advisor

# **PEFA Climate Change Assessment - SAMOA**

# Climate Change – a key Development Challenge

Highlight Samoa's vulnerability to climate change;

Cyclones impose significant costs both economic and social;

e.g. Cyclone Evans – cost equivalent to 30% of GDP

Climate Change need to be central in Samoa's development Agenda

# Samoa PEFA Climate Change Assessment

Acknowledge the decision to have Samoa as the pilot for the PEFA CC:

Acknowledge the joint efforts between the Assessment Team and the Samoan authorities;

## Timeline of the PEFA Climate Change Assessment

- Concept Note circulated 23<sup>rd</sup> September 2020
- Concept Note approved by Government of Samoa by 5<sup>th</sup> October 2020
- Field Work undertaken remotely from the 13<sup>th</sup> October to the 23<sup>rd</sup> October 2020.
- Draft Assessment Report shared with Government on the 11<sup>th</sup> December 2020
- Draft approved by Government and circulated to Peer Reviewers on the 16<sup>th</sup> December 2020
- Expecting to Publish the Final Report before the end of March.

Despite the remote nature of the assessment, the two sides worked very well and produced a report that I believe will be valuable for refining the PEFA CC going forward:

## Value of the PEFA Climate Change to Samoa

- i. Contributes towards addressing Climate Change issues with views to mitigate adverse impact of climate change;
- ii. Provides opportunities for scaled-up resource allocation as well as designing appropriate policies to streamline tax measures in favour of climate change;
- iii. Provide a sound platform for improved policy coherence in the climate change space.
- iv. Facilitate Samoa efforts to directly access GCF funding and become a National Implementing Entity.
- v. Experiences from the PEFA CC Assessments helps us better complements Government efforts.

**FA'AFETAI**



OFFICIAL USE ONLY

FISCAL AFFAIRS DEPARTMENT

**PFTAC**

**Pacific Island Countries: Review of Tax Reforms in Selected Countries—  
Lessons for Future Revenue Mobilization**

Margaret Cotton, Diego Mesa Puyo, Peter Mullins,  
John Ryan, and Stan Shrosbree

Technical Assistance Report | May 2017



INTERNATIONAL MONETARY FUND



# Updated Review of Tax Reform in Pacific Island Countries

FEBRUARY 2021

Thomas Story External Advisor  
Fiscal Affairs Department

# Purpose

IMF Fiscal Affairs Department tracking tax policy and administration reforms over the long term and follows reviews in 2008 and 2017.

- Need to reflect the changes from COVID crisis and scaling up of the PFTAC revenue program.
- Inform the priorities for Phase VI PFTAC support under the revenue program.
- Consider how capacity development activities can be enhanced for successful revenue mobilization

# Approach to the Review

- Five case study countries – Fiji, Kiribati, Samoa, Solomon Islands and Tonga: gathering data and “virtual” meetings with key officials and ministers.
- Identifying reasons for success or otherwise of reform measures in terms of revenue mobilization, growth and equity considerations (including gender equality).
- Requesting show case examples in tax policy and administration and lessons learnt from other PFTAC members.
- Consultations with support providers for regional tax reform.

# Items for Steering Committee Endorsement

1. Government Finance Statistics (GFS) program – final extension of resident advisor for 4 months ahead of reduction and end of program.
2. Budget-neutral recruitment of second resident Revenue advisor for balance of Phase V.
3. Continuation of limited role of Macro advisor for remainder of Phase V in support of regional Remittance (Correspondent Banking Relationship [CBR]) project.

# Phase VI Issues: Next Steps, Timelines, Milestones\*

Action	Responsibility	Objective	Timeline
<b>Phase VI strategy note (5-10 pages)</b>	IMF  (Asia Pacific Dep., CD Depts: FAD, MCM, STA, LEG, ICD)	Secure departmental and management approval to broad priorities, resource requirements and fund-raising targets	June-August 2021 (following June SC meeting)
<b>Program Document (comprehensive)</b>	IMF and external partners:  PFTAC members, donor partners, development partners	Ensure full stakeholder inclusion and support: synergies, cooperation, avoid duplication; detailed planning	September-December 2021
<b>Fundraising and seeking pledges</b>	IMF and PFTAC members	Alert donors and members of upcoming financial contributions	From February 2021 through end of Phase
<b>Signing Letters of Understanding (LOUs)</b>	IMF (ICD)	Securing sufficient funding to finance years 1+2 of Phase VI operations	By June 2022

\* Assumes Phase VI starts on November 1, 2022 which is based on a 6-month extension of Phase V subject to Steering Committee endorsement in June 2021

# 2021 Steering Committee Plans

## ■ When?

- **June** given shift in timetable for all IMF regional centers
- Last week of June, starting Tuesday June 29 over at least two days concluding by Friday July 2

## ■ Where?

- **Suva** – given uncertainty of travel resuming, but presence of SC members and observers to allow a hybrid event, with remote sessions for others not exceeding two-hour blocks.
- **Venue** – to be determined but requires reliable connectivity. Possibly a hotel for opening and closing sessions as number of participants may exceed PFTAC office facilities.
- **Chair** – Fiji Government to chair

## ■ Logistics

- **Assuming virtual participation unavoidable** – propose an opening day session dealing with all regular business, and a concluding day session (Friday July 2) devoted to Phase VI issues.
- **Virtual Working Group (VWG) remote sessions** – of two-hours duration between opening and closing day sessions open to all members/observers to report back to final session for decisions and endorsements.

# 2021 Steering Committee Plans

## ■ Agenda Issues

- **External Evaluation Report** – presentation of final report by evaluators and IMF response for action plan
- **Updated Revenue Review** – presentation of findings
- **FY2021 Outturn** – will be documented in final version of 2021 Annual Report published ahead of meeting to reflect actual delivery against workplans and actual expenditure against budgets
- **Financial Situation** – anticipated funds availability to exceed requirements for final year of Phase V, so expectation of a proposal to extend Phase V (and delay start of Phase VI) to utilize remaining funds.
- **FY2022 Workplan and Budget** – for endorsement
- **Phase VI** - stakeholder views and inputs are reflected and articulated in strategic priorities for Phase VI

## ■ Outputs/Outcomes

- **Programs/Topics** – clear Phase VI preferences and priorities of the SC are articulated and captured in terms of existing PFTAC programs (whether to expand, contract, or end) and possibly new programs that are within the mandate of IMF.
- **Resource Requirements** – broad determination of the resource needs – number and composition of resident advisors and budget implications.
- **Fund-raising Ambitions** – a consensus on member contribution expectations, and balance to be raised from donors reflecting the prospects from the existing donor pool.



# Reflecting the Phase VI Views of the SC

## Proposal:

- **Preparation before June SC Meeting is crucial** – a virtual format of the June meetings necessitates extensive preparation and consultation beforehand to reflect the views and ideas of all stakeholders who utilize the opportunity to contribute.
- **Establish five thematic Virtual Working Groups (VWG)** to exchange views from now until June when each group provides their documented positions beforehand and engages in a wider 2-hour thematic virtual session in June to reach a consensus position to present in the concluding June SC session.
- **VWG participation is voluntary and representative of key constituencies.** The resident PFTAC advisors can provide a secretariat role to facilitate and encourage an exchange of views plus document findings for June. Each VWG desirably includes at least two different country representatives, one or two donor representatives, and if relevant, a representative of a regional group or partner organization.
- **VWGs could be broadly thematic** and aligned with current PFTAC programs:
  - Revenue Policy, Legislation, and Administration
  - Public Financial Management (PFM)
  - Macroeconomic Statistics
  - Financial Sector
  - Macro/Debt Management and Other Topics

**Thanks, and any questions?**