

PFTAC 2022 Steering Committee (SC) Minutes
Sofitel Denarau - Nadi, Fiji

Wednesday, May 25, 2022

Agenda 1: Recap of Day 1 SC Meeting

Presented by: Todd Schneider, APD Pacific Islands Division Chief

Mr. Schneider welcomed both in-person and virtual delegates to the second day of PFTAC's 2022 hybrid SC meeting and summarized the program outcomes on day one:

The SC was honored by the presence of IMF Deputy Managing Director (DMD) Bo Li during his first visit to the region in his official capacity as well as the Minister of Economy and Attorney General of Fiji, Hon. Aiyaz Sayed-Khaiyum. The guests of honor spoke in their addresses about the challenges faced globally and in Fiji over the past two years in responding to COVID-19 and other crises and how recovery is now taking off as new challenges are faced from global developments. The SC witnessed the formalization and signing of the Memorandum of Understanding by the Minister on behalf of the Government of Fiji and DMD Li on behalf of the IMF for the ongoing hosting of PFTAC that concluded a very long standing informal arrangement in place since the creation of PFTAC as the IMF's first regional capacity development center in 1993.

The 2022 PFTAC SC meeting is the first time the PFTAC community has come together in-person since the SC meeting more than three years ago in Port Moresby, Papua New Guinea. This is a welcome change to observe the resumption of travel and rebound of the tourism industry as witnessed at the meeting venue that is vital to the economy of Fiji. Six of the sixteen PFTAC member countries were able to travel and join the meeting in-person in Nadi with officials attending from the Cook Islands, Nauru, Niue, Papua New Guinea, Solomon Islands and Fiji, plus donor representatives from Australia, Asian Development Bank (ADB), European Union (EU), and United States as well as observers from World Bank, Pacific Island Tax Administrators Association (PITAA), United Nations Development Programme (UNDP), and the British High Commission. A strong virtual turnout was noted with members and observers joining from New Zealand and Korea plus additional representatives from Australia and the ADB as well as seven other member countries comprising Kiribati, Marshall Islands, Samoa, Tokelau, Tonga, Tuvalu and Vanuatu.

The SC addressed two key issues beginning with an overview of the next five-year phase of PFTAC operations and financing that is due to commence in May 2023. A collaborative and inclusive process over more than one year led to the articulation of the future focus and resource needs for PFTAC to continue delivering the critical financial and economic services that are well appreciated by the membership as well as by the donors that have generously underwritten the operations. The SC heard views from the three key PFTAC constituencies, first from DMD Li on behalf of the IMF as the implementing agency of PFTAC, representatives of the beneficiary member countries, as well as representatives of the current PFTAC donors as well as a prospective donor. The ongoing need for PFTAC is very well appreciated and prospects for financial commitments sound promising, but emphasizing the importance of getting a sufficient mass of pledges in the coming months to ensure sufficient liquidity with an appropriate flow of incoming revenues to cover outgoing expenditures. This is an obvious necessity if operations are to be maintained in a seamless manner without the risk of disruption from any abrupt scaling back followed by a ramping up. To avoid this, donors were encouraged to be as generous as they have been in the past and that includes contribution timelines that ensure operational continuity.

In the concluding session, the SC members considered a range of measures that were proposed for consideration with an aim to improve overall governance and operational effectiveness of the SC. Several of the proposals came out of the independent mid-term review and one proposal came out on day one of SC meeting, others have been effectively adopted.

Agenda 2: Overview of Emerging IMF Gender Strategy

Presented by: Lisa Kolovich, SPR Gender Team

Ms. Kolovich shared highlights of the proposed IMF's Strategy on Gender Mainstreaming. The IMF's engagement on gender and macroeconomic analysis fills a very important gap in the global agenda given the mandates of other IFI's and development partners are typically of a microeconomic or sectoral focus. With the pandemic and war in Ukraine creating distress in many countries, it has also worsened gender disparities around the globe. Countries are facing a delicate balance between supporting economic recovery and containing inflationary pressures and are operating under fiscal constraints with higher debt levels. Against this background, the IMF has a key role in supporting member states to address gender inequality.

Vision and Positioning the Fund: The overarching vision of the proposed Gender Mainstreaming Strategy calls for applying a gender lens to all aspects of the IMF's core activities that includes surveillance, lending, and capacity development. The aim is to focus on gender inequality that is macro critical. The proposed strategy calls for a consistent and a systematic approach for country engagement using innovative and tailored analytical tools to develop customized and granular policy advice for member countries. The Strategy also recognizes the critical importance of expanding the Fund's collaboration with other IFIs, international organizations, and CSOs. The proposed Strategy will be discussed by the IMF Board in July and will then be launched subject to Board endorsement.

Many Gaps but Focus on Macro-criticality: There are different gender gaps which the Strategy draws upon recognizing that gender disparities and promoting macroeconomic financial stability is a two way street. In one direction, improving women's access to opportunities and decision making roles goes hand in hand with higher economic growth, greater economic and financial stability, resilience, and lower inequality. In the other direction, well designed fiscal, monetary and financial sector policies can support better and more inclusive economic outcomes for women.

Taking Stock – Approach and Support 2015-19: The Strategy builds upon the last few years of work done by the IMF including a pilot initiative between 2015 and 2019. During this pilot, about 43 country studies were undertaken with a gender focus analysis that was then reflected in the IMF Staff Reports. The collection of gender disaggregated data also began after the Financial Access Survey during this time and capacity development offered through workshops, tailored technical assistance missions, and outreach.

Current position of the gender work at the Fund and the vision going forward: The proposed strategy will draw on the pilot as the foundation and aims to incorporate an even handed and consistent approach going forward with gender mainstreaming. More granular and country specific policy advice using innovative analytical tools will be provided to help inform policy making decisions. Consecutive and subsequent consultations will be undertaken, with toolkits developed for use by IMF staff. Another important component of this Strategy focuses on capacity development that calls for better integration with surveillance and programs and aims to incorporate gender disaggregated analysis as well as strengthening collaboration with other institutions that have the knowledge and expertise on micro and sectoral level issues that the Fund will not focus on. These will ensure a comprehensive approach and that engagement with member countries are systematic and even handed.

Mainstreaming Gender - Main Pillars: The Gender Mainstreaming Strategy encompasses four main pillars. The first pillar looks at the analytical framework necessary to develop and deploy tailored and specific policy advice. The analytical work will focus on developing a model based tool kit and a new internal data hub to help support country team analysis and the design of new and tailored policy advise. The soon to be launched data hub will bring together macro relevant gender disaggregated data drawing from existing sources. The models will be able to examine the impact of shocks and existing macroeconomic policies on gender and economy wide outcomes e.g., labor force participation, wage disparity, government finances, economic growth, income inequality, and poverty. The results from the models will also help examine policy changes such as education or access to sanitation or change in the tax policies on macro and micro level and distributional outcomes. Over time, these will be shared with member countries to strengthen capacity to undertake such analysis. In addition to the analytical work, the Strategy also focuses on the governance structures necessary to promote the Strategy. Additional support to country teams will be offered and importantly the sharing of accountability for doing this kind of work at the IMF. Resources are also a critical component; appropriate resourcing structures will be developed for mainstreaming to help with the efficiency gains that can be obtained when developing a central unit covering gender and inclusion. The fourth pillar is external collaboration that is critical to the success of the Strategy. There has been close collaboration with organizations such as UN Women, the World Bank, and funding received from the British Foreign, Commonwealth & Development Office (FCDO) to help support modeling work on gender with the Strategy aiming to strengthen such engagements going forward.

External Collaboration Key for Inclusion of Gender Issues in IMF Program: An example of external collaboration is demonstrated in the gender equality work completed in São Tomé and Príncipe. During the development of a new country program in 2019, the authorities indicated interest in developing a national strategy on gender equality. The IMF worked closely with the authorities, identified experts in agencies and ministries in the country to inform the design and development of the strategy. The IMF and UN jointly coordinated two drafting workshops for the experts to commence the analysis, underpinnings, and drafting of the strategy. After the completion of the first draft, the IMF coordinated closely with the UN to help finalize the strategy which ultimately led to incorporating a structural benchmark on gender equality in the IMF program.

During this time, the Fund also worked with Canada to help secure funding for the workshops and the UN worked with its external partners to help secure funding for a consultant as an outside expert to help with drafting the strategy. Subsequent and continuous conversation with the authorities helped push the work forward and outlining the next steps. After finalization of the Strategy, next came commitments to publish gender disaggregated data and undertake a gender budgeting pilot that was done in close collaboration with EU. The IMF provided capacity development to help develop the gender budgeting pilot. This example reflects the importance of collaboration and continuous engagement with the authorities and how working together with different partners who have the same goals in terms of gender equality can help support IMF member countries achieve their goal. In the PFTAC region, work has begun with the Kiribati team to help support gender disaggregated analysis focusing on how gender inequality may be impacting economic growth. As the Strategy is rolled out and operationalized, there will more engagement with country teams of this nature.

Capacity Development, Tools and Data, Analytical/Policy Work: A lot of the capacity development work focuses on gender budgeting courses which are being conducted all around the world. A gender seminar series has been launched and internal training provided for IMF economists. The analytical tools and theoretical model will be launched in the data hub soon and the policy work currently being conducted focuses on fiscal policy, tax policy and gender budgeting.

Questions/ Comments

Cook Islands

Mr. Garth Henderson stated that the Gender Mainstreaming Strategy looks good but at the same time quite complex and highlighted that it may be difficult for Cook Islands to undertake this work over the next three to five years given the capacity constraints and lack of resources.

Ms. Kolovich stated that concerns are well noted and recognizes countries are facing competing challenges - climate change, debt distress and others. The idea of the Strategy is not to overwhelm member countries or country teams. The idea is to provide support, technical know-how, and expertise – member countries may want support along the lines of the Sao Tome example – a small island country with very limited capacity provides a good example to take things slowly, step by step, one block at a time, noting that gender equality is something that cannot be changed in a short period of time. We recognize this is a repeated process that will take years to achieve, and it cannot be done alone. It needs to be done with the support of other partners and with the IMF capacity development going hand in hand with policy analysis and recommendations.

Solomon Islands

Mr. Luke Forau enquired about the relevant country authority responsible for liaising with the IMF on gender issues. In Solomon Islands, there is a separate Ministry focusing on gender issues and whether the gender work will be coordinated through the Ministry responsible for gender as the IMF has traditionally focused on the Central bank and Finance Ministry. There is a financial inclusion unit with the Central Bank of Solomon Islands that looks at gender disaggregated data in terms of financial services/ products.

Ms. Kolovich highlighted that in many countries gender sits with the Ministry of Gender and is often not integrated with conversations with the Ministry of Finance and Central Bank. The idea of this Strategy and the work already done with other countries such as Ethiopia is to not to think about gender as being under the purview of just one ministry but understanding gender as an overlapping concern. In Ethiopia, the first step was to analyze the gender gap, identify key issues in the country, and use gender disaggregated analysis to explore biggest gaps. The country team working with UN Women identified education gaps that were quite large in the country and undertook analysis. The paper was presented to Ministry of Finance during an Article IV consultation. Consequently, it spurred interest from Ministry of Finance to pursue the matter further. The IMF stepped in and offered to provide a three-four day preliminary workshop – one of the main tenets of the design of the workshop was to bring all sectoral ministries together to think about the gender issues as being more cross cutting. If it is an education issue, it is not necessarily only the ministry of education that has to resolve the issues or close the gender gap. The findings in the case of Ethiopia and in many other countries too, is that access to education is sometimes limited due to the lack of access to sanitation facilities that might fall under the Ministry of Infrastructure. Other factors such as unpaid work burden that girls might face at home to collect water, having to take care of younger siblings, and having to work to help support the family might fall under the Ministry of Infrastructure or Ministry of Labor when it comes down to women having to make choices where they work. The workshop brought all the ministries together to identify issues faced in their own ministries and how they can help design programs and policies to solve the gender gap. The Fund's main counterparts are the Ministry of Finance and Central Banks, but it does not limit collaboration with other

agencies, line ministries and to have these kinds of conversations that are needed to identify the root causes of gender inequality and not leave it under one ministry.

PFTAC

Mr. Kloeden stated that gender is not entirely a new area for PFTAC. PFTAC has been engaged in a few gender-based budgeting training and workshops over the years. One activity is planned in fiscal year 2023 with staff from Fiscal Affairs Department (FAD). Several PEFA assessments has been completed, of which there is a Gender Responsive PFM module and recent assessment undertaken in Nauru. There are some spaces where PFTAC is already working that will continue into the future. Mr. Kloeden questioned the envisioned progression moving forward and setting expectations and how the work on the Gender Strategy flows through the work at headquarters particularly on the data and policy and stated that there is a lag in how this may flow through capacity development and direct bilateral technical assistance.

Ms. Kolovich stated that setting expectations is absolutely critical and to recognize that this work can take years, it requires a new mindset, new approaches, and certainly training of staff and the authorities. This will be a long term process going forward. The idea of the Strategy is to make sure that capacity development is well aligned with the work of country teams as well as with the analysis and help the country authorities might need to complete the policy recommendations with respect to gender equality. Going forward, the central unit in Strategy, Policy and Review (SPR) department would work very closely with area department country teams to support the analytical work and as well as with functional departments – CD providing departments to make sure they have the tools to help address gender equality and provide right capacity development technical assistance.

Agenda 3: Review and Report of FY2022

Summary of Outturn and Activities, Challenges, Accomplishments presented by: David Kloeden, PFTAC Director

Review and Report on FY2022: It was another challenging year, the second consecutive year of COVID disruptions. Plans for FY2022 optimistically foresaw the crisis abating, allowing for a return to normality in the second half of the year. Missions and training activities were planned to be virtually delivered until about October 2021 at which point a gradual resumption of travel was anticipated and a return to in-person missions and training. While some encouraging signs began to emerge from December such as the careful resumption of tourism in Fiji, the borders of most countries remained closed requiring all activities to be delivered virtually for the balance of the year, many activities were postponed awaiting travel to resume. Most of the PFTAC team were in Fiji during the year. However, a severe COVID outbreak required the team to work from home from May 2021 until early 2022 when the team gradually started returning to office operations. While staff may now work from the office at any time, most are continuing hybrid arrangements of working a few days a week from home following the model in place at IMF headquarters. Delivering CD became increasingly harder, with postponements mounting, and with the average mission duration growing by 4 ½ days to just over 17 days. Pre-COVID missions that would have been completed in-country in two weeks are now often protracted over several months. There are good reasons for this as many countries have had COVID outbreaks to deal with, or natural disasters such as the eruption and tsunami experienced by Tonga. One thing however is clear - everyone is keen to resume in-country missions to rebuild relationships and return to in person training. This optimism is now well founded that this will be the case in FY2023. Despite the challenges, important progress has been made. The Revenue program has continued to operate at a scaled-up level responding to demand that has not diminished. Meanwhile the Macro program expanded during the year with coverage extended to previously unsupported countries across a wider array of topics. And the Debt Management program that is part of PFTAC but financed separately by the Government of Japan has been operational for a full year. The Public Financial Management program provided wide-ranging support to the Cook Islands in the development of a PFM Roadmap following on from the Agile PEFA assessment completed the year before, and work on another Agile PEFA assessment is almost complete for Nauru that also benefited from an assessment of how Gender Responsive their PFM systems are using the PEFA gender module. A great deal of support has been provided to Palau recently that elevated them to fourth largest beneficiary in FY2022. This entailed several programs in support of major reforms including an overhaul of the tax system that is now close to fruition. And support to fragile states that had declined in FY2021 is now reversing, particularly as a result of stepped-up engagement with Timor-Leste.

FY2022 Highlights In Numbers: Protracted COVID restrictions and increasing delivery challenges were reflected in outturn metrics, with a 14 percent reduction in the number of missions and activities down from 130 in FY2021 to 111 in FY2022. Overall delivery was about 70 percent of the workplan as per the adjustments

made at midyear that was similar to the FY21 outturn. However, the number of TA days needed to deliver these 111 activities was up 15 percent to 1,929 TA days from 1,677 days in FY21, reflecting how missions have grown longer and more resource intensive, and in some cases more complex. Workplans were updated in October 2021 when it was evident that earlier optimism of a resumption of travel would not materialize before the end of the fiscal year. Accordingly, the very ambitious FY22 plans were scaled back 22 percent in mission numbers and 11 percent in TA days. A little less than one third of the CD was delivered by the resident advisors, and the other two thirds by short-term experts. With no travel and no in-person training, very large but abnormal budget savings arose, meaning that more than 70 percent of the adjusted workplans were delivered using just under half of the 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. The share of CD received by the seven PFTAC countries designated by the IMF as Fragile States rose to 31 percent from just 24 percent in FY2021, but still slightly below the 34 percent average before COVID. Support to Timor-Leste grew from normally very low levels, and Tuvalu also engaged strongly.

In addition to these 1,929 TA days, the resident advisors accounted for another 925 days of TA work at the PFTAC office or home-office, a grand total of 2,854 TA days over the entire year, that has been apportioned by country. The percentages cited relate to this higher total. Beyond regionally related efforts such as workshops and reviews that consumed 17.5 percent of total days (down from 21.9 percent in FY2021), the five countries of Cook Islands, Tonga, Fiji, Palau, and Solomon Islands benefitted from 40 percent of total days in FY2022. Four of the top five beneficiaries in the previous year remained as such with some reordering, with Fiji slipping to third place given the COVID lockdown. Tonga remained in third place despite the eruption, and Palau rose from a mid-tier CD user to fourth place, while the change of government saw Samoa falling from first place first in FY2021 to tenth place in FY2022. A further five countries, namely Papua New Guinea, Tuvalu, Marshall Islands, Vanuatu, and Samoa accounted for the next 27.2 percent of PFTAC resources. And the balance of 15.5 percent of TA delivery is shared by the remaining six PFTAC member countries, namely Niue, Timor Leste, Nauru, FSM, Tokelau, and Kiribati. An interesting observation is that there was a more equitable share of resources across more countries than in previous years with middle and lower-tier beneficiaries seeing a rise in share at the expense of the top tier. The emphasis on fiscal issues remained elevated in FY2022, with the two core PFM and Revenue programs accounting for just under two thirds of PFTAC field activity (with Revenue at 52 percent and PFM 12 percent, down from 16 percent in FY21). The Statistics programs also accounted for 12 percent of resources in FY2022, closely followed by FSS at 11 percent, both down 1 percentage point from FY21, while the Macro program bucked the trend and rose to 13 percent of the total PFTAC activity from just 7 percent in FY21.

Regional Events/ Trainings: Excluding the debt management program, 12 regional events were delivered, down from 17 in FY2021, but with similar participation rates and course metrics, but continuing to be delivered in shorter, more focused sessions, sometimes in just a single day, and others longer, on average 3 ½ days per event, down from a 4-day average in FY2021. A steady number of 497 government officials were trained, but 1,750 total training days, a reduction of about 6 percent mostly due to the slightly shorter average event duration. The proportion of female participants rose from 45 to 52 percent. And most events were delivered collaboratively with various IMF departments or jointly with other the IMF Singapore Training Institute, and in the case of the Revenue program, in conjunction with PITTA.

Tracking Milestones towards Outcome Achievement: 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 matters are the results that these inputs and outputs contribute to, that are ultimately the accomplishments of the country authorities themselves. Throughout Phase V, efforts and emerging outcomes and impacts were monitored through the IMF's Results Based Management or RBM system. At PFTAC, we work towards:

- 15 High-Level Objectives, 6 relating to PFM, 2 for Revenue issues, 4 under the Financial Sector, and 1 each for the GFS and Real Sector Statistics and the Macro Programs. The new Debt Management program that is excluded from this analysis targets 4 high-level objectives.
- These 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 913 specific milestones that is up from 804 at the end of FY21. Of these, 504 were expected to be achieved by the end of April 2022.
- Each milestone is scored on a simple 4-scale system between Not Achieved and Fully Achieved
- The chart reflects the degree of achievement of these milestones that fell due during or before April 2022.
- Others were achieved either earlier or are due in FY2023 or later.

Results Based Management Progress for FY2022: The chart provides a snapshot of the programs that PFTAC has worked with member countries towards those 15 targeted objectives and 504 milestones that had been expected to be completed by the end of FY22. A similar presentation was provided last year that differed from the data provided in previous years as the IMF's dissemination rules mean that average milestone ratings cannot be published at the country level without the explicit approval of each country. This will be something that will be individually negotiated with the member countries from the start of Phase VI to further enhance transparency. However, the rules do allow for the publication of targeted country-level outcomes without prior consent provided ratings are not divulged. To conform with this policy, and to provide something that is helpful, the colored disks reflect projects by program and country where milestones have been established. If the average milestone score for an outcome changed in the last year, it is shown with a green disk, and if was fully completed in the year, with an additional check mark. Projects with milestones that were newly defined are designated by orange disks, and red disks indicate that there was no change in the average milestone score, or if the milestones were postponed until FY2023 or later.

PFTAC Financial Report

Presented by: James Yoo, ICD Global Partnerships

Mr. Yoo expressed appreciation to all members for the continued support for PFTAC's operations over the past year and during phase five – the support has been critical in providing sufficient resourcing in a timely manner during the course of the phase – this has ensured the work program can be delivered without any major disruptions. The collaboration with partners has been excellent and the Fund is grateful for it.

Funding Status: The overall financial situation continues to be in a stable and favorable position as PFTAC operations move into the final year. The financial contribution targets have been largely reached and the majority of resource mobilization largely achieved. To date, total commitments from external partners and member countries stand at \$US 38.5 million. A Letter of Understanding with Palau was signed in the past fiscal year and in total this represents \$US 96,000 of the regional Phase V program budget. Of this \$US 38.5 million, just over \$US 37 million has been received in cash contributions which represents approximately 93 percent of phase budget. At this stage, \$US 800,000 in member country contributions are pending. Members were requested to consider their outstanding contributions where possible to further strengthen the financial position of the final year. The IMF contribution will also be increased commensurately following the 12 month extension of the phase.

FY2022 Execution: For FY2022, budgetary execution reached approximately 63 percent of the annual budget with a total of around \$US 4.7 million. This was about 14 percent increase from the previous year. As noted in the Notes for Endorsement Item one circulated before the meeting the \$US 4.7 million figure is higher than the amount reported in the annual report. To provide clarification – the annual report was prepared before the actual close of the fiscal year, so there were some additional charges and expenditures that came in later. Looking at phase five as a whole and up to the FY2022, total expenditure amounted to \$US 32 million or 81 percent of the overall phase working budget which can be considered a relatively high level of execution at this stage given the challenges. The chart highlights the level of execution across all programs which range from around 52 percent to 75 percent which is a reflection of the good performance in terms of budgetary execution.

Questions/ Comments

Tuvalu

Mr. Taufia Patolo questioned the budget carry over to the next phase in the event that there are remaining funds from the current funding envelope – will the funds be rolled over and form part of the new funding cycle for PFTAC.

Mr. Kloeden stated that this will be addressed in a later presentation for FY2023 that will look at the budget and implications on the funding envelope if there is funds available at the end of the year. Overspending is not permitted, and the objective is to try and utilize the available funds as much as possible.

Agenda 4: Overview of the Macroeconomic Analysis Program

Resident Advisor Presentation presented by: Andrew Beaumont, PFTAC

For many of the member countries, the macroeconomic environment has improved compared to a year ago. In Fiji, borders have opened, tourists are returning and there is a more positive outlook. Other countries though are still experiencing low vaccination rates or even outbreaks and remain closed. But despite this broadly

improved macroeconomic environment, emerging strong global economic headwinds are placing greater risks to the outlook.

Acceleration in vaccination rate will allow faster reopening: A number of countries have successfully achieved quite high vaccination rates allowing for some to reopen borders and return to normality as in Fiji. Other countries have reopened despite fairly low vaccination rates but with some constraints on the degree of travel and number of tourists. So, vaccination rates are still a very important objective for most countries. In terms of the outlook for countries that have been able to reopen borders there is a much more positive outlook on average compared to those still closed or have outbreaks going on. Couple of countries have opened – Papua New Guinea and Solomon Islands will do so shortly despite low vaccination rates. Certainly, there is a very different growth path going forward depending on the vaccination rates.

Economic impact of the war in Ukraine: The US Federal Reserve and the European Central Bank are starting to tighten cycles, raising interest rates potentially at a significant pace overtime, with slowing economic growth in China. From the war in Ukraine, there is significant spike in the price of oil and food which is flowing through to the Pacific. Additionally, there are on-going supply chain disruptions from COVID. Some member countries are still effectively closed off from the world. Commodity prices are rising with a real increase in the price of oil - latest at \$US 110 a barrel. This flows through to the number of production processes in member countries. It is not just the direct component in the basket, also a significant contributor to most of the components of the CPI. Food prices are also rising – a significant import for some Pacific Island countries. On terms of trade, most countries are seeing a deterioration as a result of price increases. Higher interest rates will place increased pressure on the cost of borrowings both domestically within countries as well as potentially external debt if not concessional and locked in.

Lower growth and higher inflation ahead for PICs: the recent forecasting by IMF has placed downward revisions on most Pacific countries in terms of growth outlook and increased the outlook for inflation projections. This is not a great combination, although a moderately positive outlook compared to when countries were in the middle of COVID. Economies are recovering but with additional risks.

Gradual shift to fiscal consolidation in the medium term: The debt figures are from 2020 that may have changed, some debt figures have gone up while others down. Some countries have taken on more debt during COVID. This was an appropriate response but now during the recovery phase, it is important that countries work to put debt on a downward trajectory as a share of GDP going forward which could mean through additional growth, or it could mean by slowing expenditure growth and and/or through increasing revenue. The IMF estimates from the chart show what the average Pacific Islands countries could do to improve the revenue to GDP share. A number of Pacific Islands countries have a relatively low revenue to GDP share and expenditure share that is higher that has led to a gap. So, on average, there is additional room to move on the revenue side. In terms of the risks associated with debt, traditionally it is understood that external debt has higher risk due to associated exchange rate risks but in practice a fair portion of that external debt including the case of Fiji is held by the ADB, World Bank or other donors at very concessional rates with fairly low risk associated with that type of debt despite it being external. Nevertheless, an upward pressure on interest rates is likely including for domestic debt in a number of countries.

Macroeconomic Program FY2022: Over the last 12 months there was fairly a high demand for tax modelling. A number of countries are looking to increase their revenue, looking towards the end of COVID to understand what additional tax measures to undertake. Several countries were looking to introduce VAT – for example, Palau legislated its implementation. There was fairly strong demand for tax modelling as well as the normal side of GDP and inflation forecasting and overall macro-fiscal analysis. There is a strong emphasis on macro-fiscal modeling going forward – it is great to have GDP forecasting, but it is not an end in itself, it is important because it helps to understand what the revenue outlook is but needs to be compared to the expenditure outlook, whether debt is sustainable and for countries where the analysis shows that it may not be sustainable, action needed to be taken. A strong focus on macro-fiscal modeling is built into the FY2023 macro workplan for a number of member countries but PFTAC is demand driven. If country preferences change or TA is no longer suitable, we are completely responsive – this is a planned program and not something set in concrete.

Country Intervention

Presented by: Isikeli Voceduadua, Deputy Secretary, Nauru Ministry of Finance

We appreciate the support received from the Macroeconomic Advisor, Andrew Beaumont and other PFTAC colleagues provided during remote technical assistance in August 2021 on designing Nauru's fiscal model that focused on forecasting of GDP, expenditure, and revenue and the impact on the fiscal balance. Three scenarios were run to give projections of the economic outlook for Nauru from 2022-2025. The underlying

assumptions of the model included shocks such as the impact of natural hazards and policy response by the Government on GDP and revenue; impact of the RPC facility and its operations on revenue levels and fiscal balance; and forecasting of fisheries revenues and its impact on overall revenue. The outcome of the modelling provided the basis for Nauru's 2022-2023 budget strategy. The model is used every quarter for future projections. Up to date information and credible numbers are key to good modelling that can assist the Finance Ministry on projecting the future outlook. Nauru relies on One Technology FMIS. The model also incorporated debt servicing. A debt resolution was completed last year with ADB assistance. As a result, most of the historical debts were reduced significantly from over 100 percent in 2019 to 38 percent of GDP in June 2021. Mr. Voceduadua recommended other countries willing to adopt fiscal modeling to seek assistance from PFTAC. The Nauru model was reliable and realistic – the growth was forecasted at 2.6 percent by the IMF Article IV mission team in December 2021 closely in line with the fiscal model.

Agenda 5: Overview of the Revenue Program
Resident Advisor Presentation presented by: George Eysselein and Katrina Williams, PFTAC

Revenue Program FY2022 Overview: TA delivery for FY2022 was consistent in terms of the number of missions but noted an increase of approximately 200 days in terms of TA days – some of the assistance provided was more intensive. There was a shift away from what used to be high usage countries to first time users of PFTAC TA – or at least first time in many years such as Niue and Timor-Leste. Assistance was also provided to Papua New Guinea that received little PFTAC for a few years with support from FAD under the Revenue Mobilization Trust Fund. After a long gap, assistance was provided to the Federated States of Micronesia. During the execution of workshops and missions, factors such as the current situation and pressure that tax administrations, senior executives and staff find themselves, along with the COVID-19 stimulus packages and associated additional work were accommodated. Capacity remains a challenge and in response one of the revenue workshops was spread over a year. Over the past year, increased cooperation with development partners was noted. Over the past year the Revenue program worked closely with EU in Kiribati, commenced collaboration with the ATO in Palau, and the ADB in Papua New Guinea where there is a development partner committee that meets on a regular basis and also in FSM that receives support from World Bank. Additionally, the program continued a strong partnership with PITAA that provides support and input on revenue workshops and regional events. The second revenue advisor joined in October 2021.

Revenue Program TA Highlights for FY2022: Cook Islands, Fiji, and Palau received substantial support during FY2022. In Cook Islands and Fiji, the number of missions remained unchanged, but the number of TA days grew. Palau received ongoing support starting with tax legislation, assistance throughout the legislation sign-off process as well as support in terms of preparing the tax administration and taxpayers for the implementation of the Palau Goods and Services Tax (PGST) and Business Profit Tax (BPT). The Revenue program also focused on foundational work such as developing Standard Operating Procedures in the Cook Islands that can be of benefit to other countries as the generic components can be replicated. Accuracy of the taxpayer register is another area of focus as highlighted in the 2021 PFTAC revenue review. In terms of the impact of COVID and the difficult economic circumstances, the program strongly focused on tax arrears and the management of returns as well as taxpayer service but with less focus on tax audit. Support on Information and Communication Technology increased involving reviews, assessments of tax administrations, and options for the future. There are some challenges on the horizon as many tax administrations do not have adequate IT support. Work on compliance improvement and revenue activation plans with a COVID focus was undertaken with segmentation analysis based on the impact on taxpayers. In terms of regional workshops, the series on Leadership, Governance and Integrity adds a lot of value. Assistance on ISORA was provided to countries with a positive return of ISORA surveys noted this year and the efforts of the tax administrations well appreciated. For the first time for PFTAC, assistance was provided on Customs administration with a review of the ASYCUDA system and customs processes of the Fiji Revenue and Customs Service (FRCS). Previous Customs associated work was in conjunction with tax administration and involved strategy and compliance improvement, data analysis, risk management, but this was the first pure customs work.

Revenue Program for FY2023: There is a huge demand for capacity development from revenue administrations that are looking to recover from COVID. In-country missions are resuming in June 2022 with the first mission to Palau and all in-country missions and work this year is focused on reengaging with countries face to face. Assessment of the current state of revenue administration will be undertaken providing hands-on support to embed the development work already provided remotely that now needs hands-on guidance.

Revenue Program – Key Themes for FY2023: The current workplan focuses on three areas. The first is getting back to basics by focusing on debt collection, returns management, and audit. Debt management and audit will increase in terms of TA days countries are requesting compared to previous years. The second area is organizational foundations, where requests have been received for more work on strategic planning, fit for

purpose organizational design, focus on people, and the potential for tax reforms in several countries. The final area is the focus on revenue and compliance management with an emphasis on compliance improvement, revenue action planning on the back of COVID, and taxpayer service which is very important for the foundations of voluntary compliance and legal work. Revenue administrations this year need to pace themselves to focus on planning, prioritizing, and managing performance to achieve good compliance outcomes. Data analytics and risk management are key to investing limited resources in capacity for the best return on effort. This is an area where a lot more input will be provided this year particularly through workshops. The regional events planned are double previous years with the partnership of PITAA appreciated in terms of delivering regional training and development. To support the huge work program for FY2023, the revenue program will rely on the expanded roster of experts as well as on strong leadership. PFTAC is committed to supporting the success of revenue administration leaders. The successful series of leadership seminars that commenced in FY2022 jointly with PITAA will expand and continue in FY2023. More emphasis will be placed on the Pacific way of leadership - introducing more networking between leaders and administrations, and providing training for Pacific leaders by Pacific leaders and addition of Pacific experts to the roster. The aim is also to strengthen Pacific women's leadership through a network across revenue administrations. PFTAC is demand driven and as it can be noted from country requests, there is a huge demand for assistance in the revenue administration area. It is recognized that revenue administrations have multiple priorities, so every effort will be made to work proactively with the tax administrations to provide assistance using a targeted approach.

Country Intervention

Presented by: Mark Dixon, Chief Executive Officer, Fiji Revenue and Customs Service

His first exposure to PFTAC started with a very honest conversation with the revenue advisors focused on topics and issues that were important to FRCS. PFTAC responded and as a result FRCS received targeted and very specific tangible outcomes. The first experience and exposure was remarkable, For Fiji and other partner nations, PFTAC is a very trusted partner and certainly a capability enhancer. PFTAC provided assistance on three key areas. First, it undertook an assessment or health check of the whole revenue management system, providing assistance by performing an environmental scan and SWOT analysis. This quick health check or maturity assessment was powerful by highlighting the priority areas for a new strategic plan. Based on PFTAC recommendations, the FRCS Board was briefed on the strategic planning and the priorities going forward that will feature in the strategic planning process. PFTAC also helped with a politically sensitive and complex project on the VAT Monitoring System (VMS) bringing in experts from Australia and Canada with extensive experience to assist. The expert analysis of this complex project presented tangible options to go forward but most importantly identified the resource costs of implementing the options. Additionally, PFTAC work in the area of people for FRCS was critically important. While perhaps is not core revenue management business, it recognizes that people are the most important asset of a revenue administration. Post COVID, FRCS reduced its manpower by around 30 percent, so in that context it is important to understand the capability of FRCS staff and the organization. PFTAC assisted in terms of looking at the technical and leadership skills of the organization. This will provide options on what needs to be done to drive a strong performance culture going forward and key elements to lead the transformational change for FRCS.

Questions/ Comments

Solomon Islands

Mr. Luke Forau stated that in the Solomon Islands a female leadership training named 'FemPower' has been established where female leaders are invited to share their experience and requested further assistance/support in this area from PFTAC.

Agenda 6: Overview of the PFM Program

Resident Advisor Presentation presented by: Paul Seeds and Iulai Lavea, PFTAC

PFM FY2022 - Selected Achievements: In FY2022, key achievements were noted in a number of areas. PFTAC continues to lead PEFA assessments in the region. The PEFA undertaken for Cook Islands in FY2021 received its PEFA check in FY2022. The PEFA check is a seal of approval or endorsement from the PEFA secretariat. More importantly, from these diagnostics, the findings of the PEFA highlighted areas requiring reform improvement which led to the formulation of prioritized and sequenced roadmap in FY2022. These are importantly achievable in the context of Cook Islands capacity as highlighted by Financial Secretary Garth Henderson. An Agile PEFA and Gender Module assessment was undertaken in Nauru in FY2022 which is near completion with feedback from peer-reviewers that will form the basis to develop a PFM reform roadmap

in FY2023. PFTAC is also providing ad-hoc advice on Fiji's PFM Improvement Plan to facilitate its implementation. PFM legislation is being updated and modernized in Niue, Tonga, and Kiribati and the work will continue in FY2023. This is an iterative process from reviewing often quite old financial laws and looking to modernize or update them by garnering important country feedback. The new modernized legislation is a key underpinning to reinforce effective PFM reforms and practices. On budget preparation, improved budgeting practices have led to better alignment of the budget with the resourcing envelope in Tokelau and in the Marshall Islands they are now presenting the budget book along with their appropriation bill with work ongoing to further enhance transparency of the budget. Nauru, Tonga, and Tuvalu made further progress with implementation of cash IPSAS – International Public Sector Accounting Standards that aims to strengthen financial reporting. Additionally, work on asset registration particularly in Tonga and all countries aims to extend coverage of optionally encouraged disclosures under those standards specifically in the context of balance sheet items that are not part of the mandatory standards but are encouraged disclosures in terms of assets. Good progress has been made on internal audit in Fiji during financial year 2022 and previous years. Fiji and Samoa have ongoing projects in internal audit, and this leading to progressive improvements including adoption of Institute of Internal Auditors standards and risk based audit practices aimed at strengthening control.

PFM FY2022 Implementation Activities: During FY2022, the PFM team undertook 12 missions and delivered 2 workshops. The first workshop was on managing the fiscal risks emanating from state owned enterprises and the second workshop was supporting PIFS in the delivery of their PFM Symposium that specifically focused on the Pacific Island countries achievements over the past 10 years. Additional support was given to strengthening oversight of fiscal risks emanating from state owned enterprises and contingent liabilities in Samoa. Support to Tuvalu helped strengthen budgetary control specifically leading to strengthening of systems control in their new FMIS. And finally, formulation of asset management framework in Tonga supported work on financial reporting and extending encouraged disclosures.

Forward Looking – FY2023 Work Plan: PFMA reform is important in a number of countries with outdated legislation and work will continue to support countries on modernizing their legislation. Assistance is planned for Kiribati and Niue to modernize their PFMAs. As per the request from Vanuatu, the PFM program will engage with the authorities to undertake PEFA Climate assessment. The Agile PEFA will continue with PEFA assessments planned for Tuvalu and Palau. Kiribati has seen the importance of having a PFM Roadmap to improve its PFM systems and processes despite not undertaking a recent PEFA assessment. The next step for Nauru with the PEFA assessment almost complete is to develop a PFM Roadmap and similarly for Palau and Tuvalu following the completion of their planned PEFA assessments. At the regional level, a PEFA and PFM Reform Prioritization Workshop will draw on the experiences of the PFM Roadmaps and see how they might be made more practical for countries. The second workshop on regional leadership for heads of central banks, tax administrations and finance ministries will look at managing change, managing relationships with stakeholders including ministers and many other areas in the leadership space. Under the second objective, support will be provided to Marshalls Islands to improve transparency of budget process, Timor-Leste on strengthening top-down approaches, as well as Tonga on a review of their medium-term fiscal framework to assess its relevance given the many shocks in the past two years. Assistance will be provided to Tuvalu to strengthen budget process, improve medium term orientation and integrate recurrent and development expenditures. At the regional level, two workshops on Forecasting of Cash Flow and Gender Budgeting will be hosted. Capacity development support on budget execution will be provided to Fiji to implement effective internal audit function, PNG to strengthen commitment and expenditure controls of the payroll system, and finally to Samoa on implementing quality assurance program risk based audit. Marshall Islands will receive further support on strengthening in-year budget reporting to improve coverage and quality of fiscal reporting. On improved asset and liability management, four countries will receive support – Kiribati on consolidation and effective use of cash resources; PNG on review of institutional arrangements that will look at better coordination of debt and cash management; Samoa on cash management reforms to have quarterly warranting in place, and Tuvalu on strengthening cash management practices with cash flow forecast produced and updated monthly. Support to Fiji and Timor-Leste are also planned on strengthening, identification, monitoring and management of fiscal risks.

Country Intervention

Presented by: Nausala Nausala, Tuvalu Secretary of Finance on behalf of Taufia Patolo, Tuvalu CEO Ministry of Finance

The Government of Tuvalu received tremendous support from PFTAC through technical assistance on various relevant areas that is well appreciated. Despite the difficulties caused by COVID, the authorities benefitted from several remote missions with additional support already arranged and planned for next financial year. Tuvalu benefitted from two PFM trainings that focused on financial reporting, adoption of cash IPSAS, in-year

reporting requirements, and discussion on charts of accounts and their alignment with international standards. Secondly, support on budget execution and control including commitment control and expenditure arrears was provided. It was a great learning experience on the important PFM themes in line with the government's commitment to enhance PFM policies and procedures and also in supporting responsible fiscal management and debt sustainability. Two additional missions are planned in FY2023 on a PEFA assessment and PFM roadmap. Tuvalu also benefitted from capacity development assistance under the Macro program on review of the GDP forecasting model and very recently engaged with Public Debt Management program on debt reporting that is helpful to the Government and Ministry of Finance.

Questions/ Comments PFTAC

Mr. David Kloeden provided additional information on the leadership workshop. PFTAC received a proposal from the Small Countries Financial Management Centre (SCFMC), an organization based in the Isle of Man on possible collaboration in the leadership space. This is yet to be confirmed but is included in the workplan that will draw on high level academic resources from Oxford University.

Agenda 7: Overview of the Public Debt Management Program Resident Advisor Presentation presented by: Briar Ferguson, PFTAC

FY2022 Output and Achievements: The inaugural debt management PFTAC program funded by the Government of Japan commenced in March 2021 and is integrated with the Debt and Capital Markets Division of the Monetary and Capital Markets (MCM) Department of the Fund. In FY2022, the emphasis was on developing relationships with country officials being the first debt management program in the region and determining TA requirements for debt management going forward. A country specific pragmatic approach has allowed for sequencing of TA that permitted maximum traction and absorption. In FY2022, the program delivered five country missions and one regional training event. These activities focused on building capacity around the fundamentals of debt management and establishing frameworks to support debt management best practices. Many of these activities were being tackled for the first time so it was pleasing to see the enthusiasm of country officials in undertaking these activities and processes to take this program forward.

Key Themes for Debt Management in the Pacific: With debt levels rising globally, unfortunately the Pacific is not immune to these challenges. The pandemic saw the rise in debt financing to support necessary fiscal stimulus packages. This builds on the forecast increases in response to the impacts of climate change. Along with the rise in debt levels, there is global inflation and increase in the interest rate environment which is already impacting on those with variable rate debt. As a result, the region and PFTAC as a supporting international entity will be required to ensure adequate debt and risk management frameworks are established and capacity developed to understand and manage the growing debt portfolios. Sustainable financing is an increasingly considered topic from green bonds, blue bonds, debt for nature swaps, climate swaps, sustainability linked bonds and finance. The PFTAC community need to fully understand ESG financing, its role in public debt and the Pacific. Debt transparency remains an important issue globally – establishing good debt management reporting practices and reporting on liabilities across the wider government balance sheet will ensure oversight of debt sustainability and debt trends. Building capacity and identification, data base maintenance, reporting, monitoring of debt and risks is key to tackling this issue. Along with these key issues, it is important to establish a strong and comprehensive legal framework, identifying and monitoring these risks within the government debt portfolio and the wider contingent liabilities is a first step to effective management.

Areas of Opportunity: the dashboard illustrates debt management activities being undertaken and the formalization of debt management in the region at the current time. There are many areas of opportunities to build good foundations for debt management in the region, specifically in debt transparency, strengthening institutional arrangements, developing and implementing medium term debt management strategies, and developing local currency debt markets. The PFTAC debt management program will further expand in FY2023 to focus on delivering TA in these areas concentrating activities and strengthening debt transparency and institutional arrangements – the foundations of good debt management.

Country Intervention Presented by: Garth Henderson, Financial Secretary – Cook Islands Ministry of Finance and Development

Cook Islands have come a long way with debt management even in the absence of debt management strategy. Cook Islands have a good working relationship with ADB since 1996 when the country faced economic crisis and there was strong appreciation for debt management fiscal ratios. At the beginning of the COVID pandemic, debt was 20 percent of GDP. This provided some space but more importantly work on debt management such

as public procurement processes, activity management cycle, infrastructure investment planning were completed to allow the Government agencies and Cabinet to understand the components where debt finance could be used. During the pandemic, there was a clear understanding about the impact of COVID and the fact that debt financing will be used to support economic recovery, response planning, and support. It also meant that the Government understood the terms and conditions and the importance of debt sustainability analysis across all sovereign debt. Moving forward, the next step is to develop a debt management strategy with PFTAC support. Having the stamp of credibility from PFTAC and IMF is quite important as negotiations for financing gets underway for recovery from the crisis. This is a useful piece of work that is in final consultation and as a result of this, it has highlighted two things that would not have been done otherwise - feasibility of a domestic debt market and government securities into New Zealand that is innovative and diversifies the sources of debt. The other finding is the need to strengthen the debt management unit. PFTAC work on debt management is greatly appreciated not only in terms of technical knowledge but also on supporting existing resources and taking that extra step to make the authorities more credible and able to deal with relevant partners in debt discussions.

Agenda 8: Overview of the Financial Sector Supervision Program

Resident Advisor Presentation presented by: Rajinder Kumar, PFTAC

Key PFTAC Activities during FY2022: PFTAC had active engagement with 12 Pacific Islands countries on financial sector supervision focusing on four key objectives. The first objective is aligning prudential regulation of Pacific Island countries with the international standards of the Basel Framework and Basel Core Principles. This is a major FSS project of PFTAC and aims to assist the countries in identifying the elements which are relevant as the Basel Framework is primarily meant for internationally active banks. The second objective is to upgrade risk based supervision. The banks are in the business of taking risks and the risks have to be managed well. New areas that have come up during recent years are cyber risk and climate risk. Cyber risks are increasing in the banking sector and the non-banking sector because of use of IT throughout the process. Climate risk is also important for financial soundness of banks. The FSS capacity development work will expand to incorporate these two risks that will feature more in coming years. Besides remote assistance on prudential regulations and supervision, there was greater focus on training in the prudential standards and off-site supervision frameworks developed during FY2021.

COVID 19 and other disruptions impacted delivery of FSS programs: An ambitious workplan was developed at the beginning of the year. Factors such as the COVID-19 pandemic, socio-political developments and natural disasters impacted the delivery of the baseline plan. At yearend, a total of 14 missions were delivered. As mentioned, missions are taking longer than planned to deliver and this impinges on future missions and timelines. Some countries indicated strong preference for physical missions, accordingly virtual missions were not provided but with a focus on the rest that fell in the majority. The project on cyber security-onsite that was planned for four countries was envisaged to be delivered in a cross country fashion where experts from the region would be drawn but is yet to be launched due to travel restrictions and is now targeted for FY2023.

Phase VI will build on the work done during Phase V: The projects started during Phase V will continue during Phase VI however noting that countries are at different stages. One major element of Basel III reforms post financial crisis was macroprudential regulation supervision that is yet to start in the Pacific. On Basel II, only Pillar I has been implemented and Pillars II and III are yet to be implemented. The aim is to gradually transition the small countries to advanced regulation and supervisory frameworks during Phase VI. The work over the last three to four years are foundations for moving to this transition. PFTAC will continue to assist on relevant topics and issues applicable to Pacific Island countries for improving their safety and soundness. The survey conducted during the last AFSPC meeting identified ten activities/priorities that will be considered during workplan development for Phase VI and to identify common topics - stress testing, financial stability reports, NPL resolution, bank resolution, and even non-banking supervision that most countries have expressed interest. While these will be prioritized, individual projects for countries will be based on their own priority as situations tend to be different in different countries.

Country Intervention

Presented by: Governor Luke Forau, Central Bank of the Solomon Islands

The Central Bank of Solomon Islands is one of the major recipients of assistance from PFTAC under the Financial Sector Supervision program. PFTAC support is greatly appreciated along with the resident advisors' efforts to establish relationship with the authorities that were appointed quite recently. The FSS program organized a high level webinar on Addressing Climate Risks in Prudential Supervision and Regulation that was very helpful. With new risks and vulnerabilities emerging especially with new technology, the financial institutions need to be strengthened. We look forward to Phase VI program developed by PFTAC.

Questions/ Comments IMF-MCM

Ms. Susan Mary George: expressed appreciation to PFTAC Director, Mr. David Kloeden for a collaborative work process between PFTAC and MCM to further the capacity development work. The program execution was impacted by the pandemic and member country concerns are well noted with respect to difficulties around COVID, remote engagement and preference for in-person missions. As travel opens, member countries are encouraged to take the opportunity and advantage of PFTAC resources in terms of the financial sector program as well as on debt management. The TA process can start off with remote contact and then build up the work process towards in-person missions. The COVID experience indicates that quite a bit of remote missions were done well, setting the stage for in-person missions. One of the problems faced is around continuity, follow-up or subsequent engagement drops off after in-person mission. The COVID experience has shown that follow-up work is achievable through remote processes and member country are encouraged to engage remotely post mission completion. The efforts of the development partners working hard in different areas are well appreciated.

Agenda 9: Overview of the Macroeconomic Statistics Program Resident Advisor Presentation presented by: Matthew Powell, PFTAC

Macroeconomics Statistics Program – Some Numbers: In the next year, more missions to more countries are planned while maintaining the same number of regional workshops. However, these missions will be delivered in-person and the regional event will be delivered jointly with CARTAC and IMF HQ. There will more input from Statistics program and more assistance/ benefit for the region.

Macroeconomics Statistics Program – Themes for FY23: PFTAC is not the only organization providing technical assistance and capacity development in macroeconomic statistics in the Pacific. A careful consideration of PFTAC's unique advantages and ways to tap them is needed in delivering assistance to the region. PFTAC has the ability to leverage the full range of skills and capabilities that the wider IMF organization has to offer. Other development partners in the region may not have the advantage of close integration of a wide range of programs such as tax, PFM, macroeconomics, and financial sector supervision that allows cross working in PFTAC multiplying the resources for the region. Beyond PFTAC, the links with the Fund's surveillance teams offer into the policy discussions gives an advantage in understanding the policy makers priorities for statistical technical assistance and in also making sure that TA recommendations are used in the policy processes and policy discussions. And finally, as PFTAC engages with a range of economic statisticians across the region, it gives a unique opportunity to identify areas for south-south cooperation.

On core areas for technical assistance in the coming year, the emphasis will be on month to month and quarter to quarter impact of the crisis. There is growing emphasis on medium term and longer term forecast analysis that the statistics program can contribute towards a solid starting basis for these forecasts. The annual GDP estimates and in particular the estimates for the different components of expenditure are more important this year with an emphasis on that going forward. Although climate relevant statistics and modelling are not such a direct part of the macroeconomic statistics program of PFTAC – the Statistics Department in HQ is working on these areas and the tools and procedures currently being developed require a solid base of economic statistics as well as supply and use tables. Therefore, strengthening these core areas also provides benefits for all the extensions in climate and in gender as well.

Country Intervention Presented by: David Abbott, Deputy Director SPC Statistics for Development

The importance of macroeconomic statistics perhaps has never been greater in the face of such a hard hitting shock to the region simultaneously in terms of economic and social impacts. The global financial crisis did not quite have the same huge impact in such short space of time. All the statistics assistance provided earlier on the global situation is appreciated but it is quite difficult to monitor the Pacific Islands situation due to limited macroeconomic and public finance statistics across the region. The Statistics for Development Division of SPC has been trying to monitor monthly and quarterly movements in macroeconomic indicators over recent years to understand the impact but it has been difficult. The SPC website lists the quarterly reviews of the impacts of COVID and the amount of data available is quite limited. Governments and particularly ministries of finance and trade are encouraged to publish data more regularly to help give an indication of changes and activities and its impact at the macroeconomic level. This will not only be beneficial for monitoring purposes but also useful for development partners and donors to understand the impact at a quarterly level.

It is becoming a much more important task to monitor the state of macroeconomic statistics and the work that PFTAC is doing across the spectrum of macroeconomic statistics and public finance statistics is really helpful. With the addition of three new advisors who will either focus on public finance activities or macroeconomic statistics – the added emphasis on statistics is greatly appreciated and hopefully governments will respond by making more data available to relevant stakeholders for reporting and monitoring purposes. It is not only GDP, which is recognized how difficult it is to compile on a regular basis with only a few countries producing quarterly GDP estimates – it is across the spectrum of administrative data that would be useful to help understand the impact of COVID as well as the future recovery. Fiji colleagues have stated a more positive outlook for the economy and tourism industry picking up. It would be great to see the impact on Fiji and further across the region.

The Statistics for Development Division of SPC is principally focused on official statistics based on census and survey data. Much of the data received through census and surveys contributes to better understanding and assumptions that go into the macroeconomic statistics. SPC will continue to report jointly with PFTAC to the annual FEMM meeting on Pacific statistics governance and finance, an opportunity to get the situation known to high level ministers. SPC is also working towards the replacement of the 10 year Pacific Statistics Strategy – the TYPPS that hopefully will be available to the region for consideration in very near future.

Agenda 10: Overview of the FY2023 Workplans and Budget

Presented by: David Kloeden, PFTAC Director and James Yoo, ICD Global Partnerships Division

FY23 Workplan (3,962 days) vs. FY22 Outturn (1,929 days): The proposed work program for FY2023, the final year of Phase V is very ambitious and targets CD delivery at a level higher than before the onset of COVID and greater than ever achieved by PFTAC in any year. This reflects the enormous pent-up demand for a return to in-country delivery and in-person training, as well as ensuring there is sufficient supply to deliver on these needs. There is a large backlog of postponed missions and work that urgently needs to move forward. Both the beneficiaries and the PFTAC team are ready and keen for a very busy year ahead as the situation normalizes. The ambitious workplan also strives to maximize the utilization of remaining Phase V funds before the end of April 2023. Any funds unspent at that time are subject to rollover by member countries and donors if their rules permit, but it is noted that rules for some donors require a return of their pro-rated share of the balance based on their contributions during the phase. The displayed chart illustrates the workplan as measured in TA days on a country-by-country basis. The plans call for slightly more than double the number of missions and TA days utilized in FY2023 versus the year just ended. Thirteen of the sixteen member countries would see an increase in support, in some cases, substantially more. There are three exceptions where current plans for FY2023 fall short of FY2022. They are Nauru, Niue, and Tokelau – three microstates that benefitted from significantly more support in FY2022 than in previous years. As the plans are always flexible, if additional needs are identified by any of these three countries that are not currently planned, PFTAC will endeavor to respond in a timely manner. From the start of FY2023 that is already underway, these plans will be delivered by the team of seven advisors not including debt management. This will include the first full year with two resident Revenue advisors in place. However, the plans also include two additional resident advisors coming on board around mid-year, namely for the re-establishment of the GFS advisor position and recruitment of a third PFM advisor with a focus on climate change fiscal issues. A third new advisor is also proposed at mid-year for the new Macroeconomic Frameworks program.

Overview of FY2023 Work Program: Excluding the Debt Management Program, 203 missions and 25 training events, a total of 228 activities are planned for FY2023, more than double or 105 percent over the 111 activities in FY2022. These 228 activities would require 3,962 Field days as previously mentioned, of which around 22 percent will be delivered by the resident advisors and the balance by short-term experts, and if accomplished, this would similarly be 105 percent up from the 1,929 days delivered in FY2022. 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 descending order Fiji, Papua New Guinea, Samoa, Tonga, Vanuatu, and Cook Islands. Fiji returns to top place and PNG to second. Samoa is expected to return to being a heavy user of PFTAC services and Cook Islands will fall from top spot to sixth. The next five countries will account for more than 29 percent of PFTAC resources, namely in order Timor-Leste, Palau, Kiribati, RMI, and Solomon Islands. And the final group of five countries accounts for the remaining 13.7 percent of activity, comprising in order Tuvalu, FSM, Niue, Nauru, and Tokelau. A further 8 percent of PFTAC resources are earmarked to regional activities, primarily in the preparation and delivery of 25 workshops, seminars, or other events, including a number that will be delivered remotely early in the year. There are some innovative events planned, including a joint event with CARTAC under the PFM and RSS programs to bring budget directors and government statisticians together from small island states along the lines of highly successful events convened in Washington between the two centers in 2018 and 2019. And gender experts will deliver a gender based budgeting workshop in early 2023. All programs are expected to

deliver substantially more CD in FY2023 surpassing pre-COVID peaks, ranging from a 40 percent more for the RSS program over FY2022 to 137 percent expansion of the Revenue program. Much of the ambitious program will be achieved through a 125 percent increase in short term expert utilization. Together, the two fiscal programs will hit an all-time record of 69 percent of overall PFTAC activity excluding the Debt Management program. The Revenue program remains elevated and will grow slightly from 52 to 53 percent of total activity, whereas the PFM program expands from 12 to 16 percent with the planned addition of a third advisor in the second half of the year. The proportion of resources targeted to the seven fragile Pacific states in FY2023 is expected to reach its highest level yet at 39 percent of planned activities.

FY23 Budget Proposal: The original budget proposal for FY2023 is about \$US 9.3 million for the final year which is comparable to pre-pandemic annual budgets for PFTAC. The rationale for this high budget as already highlighted is to support the launch of several initiatives in preparation for Phase VI namely the scaling up of CD delivery and return to pre-COVID delivery levels. It is important to mention that this \$US 9.3 million budget proposal was prepared on the expectation that the availability of resources would ideally be equivalent – however given the additional expenditure that we have encountered at the tail end of FY2022, the available liquidity will be lower than the proposed budget. **SC endorsement of this budget envelope is sought on the understanding that actual delivery will not exceed the availability of funds through close monitoring and reporting and an update will be provided to the Committee at the mid-year meeting.**

Liquidity Status: PFTAC is currently in a fairly good position in terms of liquidity which has been supported by securing the majority of the financial contributions in the first half of the phase coupled with the expected levels of execution being lower than expected over the previous two years. The projections for FY2023 is that PFTAC will have the highest annual execution for Phase V but well within the \$US 9.3 million envelope. An 85 percent execution would result in an outturn of about \$US 8.0 million that equates to sufficient resourcing level minimizing the risk of any overspend.

Capacity Development Information - Dissemination Policy: The IMF has published an updated dissemination policy for information related to its capacity development work as of May 1, 2022. This is part of the overall objective to increase transparency and accountability for capacity development work and programs and also to address some of the constraints that were being experienced in the process for publication of reports and information. In terms of the implications for member countries and partners, the first point to mention that the Fund will continue to require the explicit consent of member countries for publication of TA reports. The main change in policy for publication is that the total lapse of time period for obtaining CD recipients consent for dissemination has now reduced from 60 days to 30 before reports can be shared with IMF Executive Board, financing partners of the IMF for CD and other interested parties such as our development partners. And finally, another new addition is that the IMF will now publish high level summaries of its CD work in addition to the TA report for strategic related CD in its programs.

Agenda 11: Items for Steering Committee Endorsement

Item 1: Consideration of early launch of Phase VI Initiatives in FY2023

Presented by: David Kloeden, PFTAC Director

The first item PFTAC is seeking the endorsement of the Steering Committee is to launch the recruitment of the three new resident advisors for Phase VI. The typical lead time to complete the international recruitment of staff and have them arrive in Fiji is 4 – 6 months, so if the process began soon, the earliest the new advisors would arrive would be around the mid-point of the fiscal year, namely October or November. The budget implications are salaries for six or fewer months per advisor, and a very modest volume of CD and regional travel as they settle-in and build relationships. The objective of this exercise is to ensure that these programs have reached a near steady-state when Phase VI begins on May 1, 2023 rather than just beginning to launch and only reach this state well into FY2024. The early launch is also motivated by the sizeable funding envelope on hand for FY2023 that is greater than the budget envelope available in any prior year of PFTAC operations before COVID. These costs are embedded in the budget that is the next item for consideration.

Endorsement to consider early launch of Phase VI Initiatives in FY2023 was proposed by Chairperson Esala Masitabua from Fiji, seconded by Mr. Garth Henderson from Cook Islands, and endorsed by consensus by the SC members.

Item 2: FY2023 Workplan and Budget

Presented by: David Kloeden, PFTAC Director

The second item that PFTAC seeks endorsement of Steering Committee members, is the FY2023 workplan

and budget. It is a very ambitious program that seeks to deliver CD at a ramped up level greater than ever previously achieved that responds to the pent-up demand and delivery of activities that had been postponed due to COVID travel restrictions. Turning to the price-tag attached to these ambitious workplans – it is derived from costing models and formulas from the new CD-MAP system that early experience suggests erring on the side of over-estimation. So, it is quite likely that even if almost all of these activities are delivered, the costs are likely to come in less than indicated. The second point is that baseline workplans are always ambitious – while being credible and reflecting member country needs and PFTAC’s ability to deliver them. Inevitably however, change occurs, literally from the first day after the plans are approved. Activities sometimes need to be postponed for operational or other reasons, perhaps scaled-back or even expanded. Sometimes priorities change, and activities may be deferred to a later year, or canceled. And new needs arise that we always endeavor to accommodate. However, prior experience indicates that postponed, reconfigured, or canceled activities usually in aggregate exceeds the newly accommodated activities. Collectively this usually leads to an overrun of 80 – 85 percent of the baseline workplan even in a high-performing year. Rarely does it approach 90 percent of baseline plans. Given all of this, endorsement is sought on something a little unorthodox, namely agreeing to a workplan that tentatively has a price-tag greater than the available funds for the year. This may be up to about 12 percent of the plan unfunded but subject to caveats already mentioned. The need for seeking endorsement on this basis is because the current Phase ends in April 2023 and cannot be further extended with the aim to utilize as much of the available funds as possible rather than risk having to return a portion of the balance. To mitigate concerns about this approach, a mid-year review of the plans will be undertaken and adjusted accordingly to reflect the realities on the ground after six months. This has inevitably led to a scaling-down of plans and associated costs and is highly likely in FY2023 where uncertainties persist with respect to post-COVID travel and the ability to deliver and absorb such an ambitious plan. The workplan, and hence financial commitments and actual expenditures will be very closely monitored as the year unfolds, and very much so in the final 4 – 6 months to ensure activities only move forward where there are clearly available uncommitted funds to finance them.

Endorsement of FY2023 Workplan and Budget was proposed by Luke Forau from Solomon Islands, seconded by Mr. Garth Henderson from Cook Islands, and endorsed by consensus by the SC members.

Agenda 11: Meeting Conclusion

Esala Masitabua, Deputy Governor of RBF and SC Chair

On behalf of the Ministry of Economy, FRCS, and RBF, thank you to all member countries, donors, IMF, partners, observers for joining the SC meeting over two days. A special thanks to Deputy Managing Director, Bo Li and Pacific Islands Division Chief, Todd Schneider for their presence and support during this SC meeting. The effort and hard work of the PFTAC team is appreciated over the last year. The continuing support of the donor partners is acknowledged at this juncture when Phase V is about to end and planning for Phase VI underway. The member countries note the message to continue to improve the operating model and engage positively while continuing work on metrics to measure the outcomes. The member country contributions towards enhancing the governance and operational guidelines of the SC is noted and will be considered during the drafting stage. The clear reporting on the PFTAC budget and work plan execution is acknowledged. Growing focus on climate and gender – the two issues close to Pacific and increased collaboration of various partners and agencies is welcomed. The region is faced with inherent challenges – small and open economies and isolation and continue to be disproportionately affected by global developments and weather events that appear more frequently now. Capacity building and technical support are perennial challenges for various sectors of the economy and especially critical to policy makers where actions and inactions have severe consequences on people. The country presentations highlighted how these challenges are being embraced by member countries and grateful for the effort of partners in addressing these challenges. Lastly, the leadership of PFTAC Director, is greatly acknowledged and the SC community appreciates his commitment, strong leadership and guidance to the region for the past five years. The next SC meeting is confirmed to be hosted by Niue in June 2023.

Annex 1: List of SC Meeting Participants
Day 2: May 25, 2022

Country/ Organization	Member Observer	Name	Title/Organization	Mode
Cook Islands	M	Garth Henderson Xavier Mitchell	Ministry of Finance Revenue Management Division	In-person Virtual
Fiji	Chair M	Esala Masitabua Ariff Ali Petaia Tuimanu Mark Dixon Shiri Gounder Asenaca Lewaravu	Deputy Governor, Reserve Bank of Fiji Governor, Reserve Bank of Fiji Chief Manager Economics, RBF Permanent Secretary, Ministry of Economy Fiji Revenue and Customs Service Ministry of Economy	In-person In-person In-person In-person In-person
Kiribati	M	Mareta Kaiteie	National Economic Planning Office (NEPO)/ Ministry of Finance and Economic Development (MFED)	Virtual
Marshall Islands	M	Lincoln Mea Ywao Elanzo	Chief of Revenue and Taxation, Ministry of Finance Acting Secretary of Finance, Ministry of Finance	Virtual Virtual
Nauru	M	Abraham Itsimaera Justin Togoran Isikeli Voceduardua John Peterson	Director of PEMU Department of Finance Secretary of Finance Advisor to Finance Minister, Ministry of Finance	In-person In-person Virtual Virtual
Niue	M	Morgan Mougavalu	Ministry of Finance and Economic Management	In-person
Papua New Guinea	M	Andrew Oaek Charisma Kurangkewe	Assistant Secretary - Department of Treasury Economist - Department of Treasury	In-person In-person
Samoa	M	Benjamin Pereira Feagaimaleata Tafunai Margaret Tafunai Tapuosina Asalele	Assistant Governor - Policy Group, CBS Ministry of Finance Central Bank of Samoa Central Bank of Samoa	Virtual Virtual Virtual Virtual
Solomon Islands	M	Luke Forau Joseph Dokekana	Governor, Central Bank of Solomon Islands Commissioner - Inland Revenue Division	In-person Virtual
Tonga	M	Mefilina Tohi Ungatea Latu	Chief Manager Economics - NRBT National Reserve Bank of Tonga	Virtual Virtual
Tuvalu	M	Taufia Patolo Nuasala Nuasala	Chief Executive, Ministry of Finance Secretary of Finance, Ministry of Finance	Virtual Virtual
Asian Development Bank (ADB)	M	James Webb	Public Management Economist, Suva	In-person
Australia	M	Keshwa Reddy Melissa Tipping Nikki Wright	Program Manager, DFAT Suva First Secretary, Australian High Commission Suva Gender Specialist, DFAT	In-person In-person Virtual
European Union (EU)	M	Michal Krejza Barbara Risken	Head of Development Cooperation, Suva Delegation of the European Union for Pacific, Suva	In-person In-person
Korea	M	Younsuh Chi	Ministry of Economy and Finance	Virtual
New Zealand	M	Chris Van Hooft	Ministry of Foreign Affairs and Trade (MFAT), Wellington	Virtual
United States	M	David Stack Repeka Ufiamorat	US Department of the Treasury, Washington DC Economic Assistant, US Embassy, Suva	In-person In-person
IMF	M	Todd Schneider Susan Mary George Ann-Margret Westin Paul Austin Achille Pegoue Barend De La Beer James Yoo Olga Kroytor Lisa Kolovich Felicia Ge Neil Saker Seruwaia Cagilaba Umesh Deo Pule Sukanaivalu Peter Amputch	Pacific Division Chief, Asia Pacific Department Monetary Capital Markets Dept, TA Division Deputy Division Chief, ICD Deputy Division Chief, Statistics Department Statistics Department, TA Division Statistics Department, TA Division Institute for Capacity Development (ICD) Legal Department Strategy, Policy and Review Department Institute for Capacity Development (ICD) IMF Resident Representative, Suva Economist, Resident Rep, Suva Economist, Resident Rep, Suva Senior Adm.Asst., Resident Rep, Suva Logistics Assistant, Resident Rep, Suva	In-person In-person Virtual Virtual Virtual Virtual Virtual Virtual Virtual Virtual In-person In-person In-person In-person
PFTAC	M	David Kloeden Paul Seeds Iulai Lavea Georg Eysselein Katrina Williams Andrew Beaumont	Director Public Financial Management Advisor Public Financial Management Advisor Revenue Advisor Revenue Advisor Macro Programming Advisor	In-person In-person In-person In-person In-person

Country/ Organization	Member Observer	Name	Title/Organization	Mode
		Rajinder Kumar Briar Ferguson Matthew Powell Nina Samuela Elenoa Bogiwalu Shane Prasad Pretti Lata Kalara Raidruta	Financial Sector Supervision Advisor Debt Management Advisor Real Sector Statistics Advisor Office Manager Senior Administrative Assistant Economic Analyst Administrative Assistant Administrative Assistant	In-person In-person In-person In-person In-person In-person In-person In-person
Australian Taxation Office (ATO)	O	Gabrielle Jackson	International Relations, Capacity Building and Transparency	Virtual
Pacific Association of Supreme Audit Institutions (PASAI)	O	Esther Lameko-Poutoa	Chief Executive	Virtual
Pacific Disability Forum	O	Laisa Vereti	Director Operations	Virtual
Pacific Islands Forum Secretariat (PIFS)	O	Denton Rarawa Salaseini Raiwalui Finau Soqo	Senior Economic Adviser PFM Programme Officer Pacific Islands Forum Secretariat (PIFS)	Virtual Virtual In-person
Pacific Islands Tax Administrators Association (PITAA)	O	Koni Ravono	Head of Secretariat	In-person
Secretariat of the Pacific Community (SPC)	O	David Abbott	Acting Director & Manager, Data Analysis and Dissemination	Virtual
United Nations Development Programme (UNDP)	O	Marine Destrez Joella Marron	PFM Project Manager, Suva United Nations Development Programme (UNDP)	In-person Virtual
United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP)	O	Sanjesh Naidu	Economist	Virtual
World Bank	O	Evron Masih	Financial Management Analyst, Suva	In-person