

**INTERNATIONAL MONETARY FUND**  
**PROJECT DOCUMENT**

**PROJECT TITLE:** *Pacific Financial Technical Assistance Center (PFTAC)*

**PROJECT NUMBER:** OTM\_PFT\_PFT001

**DURATION:** *36 Months*

**START DATE:** *May 1, 2005*

**ESTIMATED COST OF PROJECT:** *US\$7 million*

**PROJECT SUMMARY:**

*The Pacific Financial Technical Assistance Center (PFTAC) was established in Fiji in 1993 to provide technical advice and capacity building to 15 Pacific island countries (PICs) in four key areas of economic and financial management. The Center is operated by the IMF in consultation with the governments of the PICs and the donors supporting it. At the August 2004 Tripartite Review Committee (TPRC) meeting it was agreed that a project document for a new three-year funding cycle covering May 1, 2005 to April 30, 2008 should be prepared. This project document thus sets out the strategy and objectives of PFTAC for the next three years, incorporating the results of the Independent Evaluation of the Center which was successfully completed at the last TPRC meeting.*

*Within its area of expertise, PFTAC will in the new funding cycle continue to be a source of high quality assistance that is provided in a flexible and responsive manner that meets the most important needs of its members. Assistance will be provided at both the national and regional levels and PFTAC will work closely with national agencies and regional bodies and institutions. It will do so in its four Program Areas: (i) tax and customs policy and administration; (ii) public financial management; (iii) financial sector supervision and regulation; and, (iv) economic and financial statistics.*

*The strategic direction and approach of the Center will be guided by the TPRC and the Project Coordinator will be responsible for the day-to-day management of the Center, its operation and reporting. The IMF will continue to manage the Center's financial operations and the cost-sharing contributions committed by the donors supporting it.*

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## Acronyms

ADB	Asian Development Bank
APD	Asian and Pacific Department at the IMF
AML	Anti-Money Laundering
AFSPC	Association of Financial Supervisors of Pacific Countries
AusAid	Australian Agency for International Development
CFT	Combating of Financing of Terrorism
EU	European Union
FAD	Fiscal Affairs Department at the IMF
FEMM	Forum Economic Ministers Meeting
FORSEC	Pacific Islands Forum Secretariat
FY	Fiscal Year
FSI	Financial Stability Institute of the Bank for International Settlements and the Basel Committee on Banking Supervision
GDDS	General Data Dissemination System
HQ	Headquarters
IMF	International Monetary Fund
LEG	Legal Department at the IMF
MTFF	Medium-Term Financial Framework
MFD	Monetary and Financial Systems Department at the IMF
NZAID	New Zealand International Aid and Development Agency
OCO	Oceania Customs Organisation
OFC	Offshore Financial Center
OTM	Office of Technical Assistance Management at the IMF
PICs	Pacific island countries
PITAA	Pacific Islands Tax Administrators Association
PRISM	Pacific Regional Information System
SPC	Secretariat of the Pacific Community
STA	Statistics Department at the IMF
TA	Technical assistance
TOR	Terms of Reference
TPRC	Tripartite Review Committee
USD	United States Dollar
USP	University of the South Pacific

## I. BACKGROUND

1. **The Pacific Financial Technical Assistance Center (PFTAC) was established in Fiji in 1993 to provide technical advice and capacity building in four key areas of economic and financial management to 15 Pacific island countries (PICs).**<sup>1</sup> The Center is operated by the IMF in consultation with the governments of the PICs and the donors supporting it. The current three-year financing cycle ended in April 2005. At the August 2004 Tripartite Review Committee (TPRC) meeting, PFTAC and the IMF were asked to prepare a project document for the three-year period FY 2006 – FY 2008.<sup>2</sup> This project document thus sets out the strategy and objectives of PFTAC for the next three years, incorporating the results of the Independent Evaluation of the Center which was successfully completed at the last TPRC meeting.<sup>3</sup>

2. **The governments in the region continue to face significant challenges.** Economic growth and development continues to be hampered by the lack of technical skills and institutional capacity to formulate and implement appropriate economic and financial policies to remove structural distortions, increase efficiency, and reduce macroeconomic imbalances. The assistance provided by PFTAC, which aims at building skills and institutional capacity in member countries for effective economic and financial management that can be sustained at the national level, is therefore as relevant and important as it has been in the past.

3. **Confirming the findings of previous reviews and evaluations, the Independent Evaluation highlighted the effectiveness of PFTAC and the positive role it plays in the region.** The Evaluation, which had been foreseen in the previous project document and was undertaken at the behest of the TPRC, concluded, among other things, that PFTAC is appreciated by the member countries, regional bodies, donor agencies and other stakeholders. It found PFTAC to be well integrated within the region and filling a niche that cannot be filled by other projects. It also concluded that activities are of high professional quality and are timely, appropriate and well executed. The appreciation was found to be in large part attributable to its flexibility and its quick response to requests for assistance.

4. **The Independent Evaluation also recommended a number of further improvements in strategic planning, governance and reporting, some of which, as discussed at the TPRC meeting, are being implemented in the context of this project document.** In particular, the TPRC endorsed the Evaluation's recommendation that greater effort should be made to measure the impact of PFTAC's interventions and that its activities should be defined more clearly in terms of an overall strategy which would acknowledge the three distinct types of assistance; ad-hoc advice, longer-term reform assistance, and capacity building assistance.

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<sup>1</sup> The PFTAC membership is the Cook Islands, the Federated States of Micronesia (FSM), Fiji, Kiribati, Marshall Islands, Nauru, Niue, Palau, Papua New Guinea (PNG), Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu and Vanuatu.

<sup>2</sup> The IMF's fiscal year is from May 1 to April 30. The new funding cycle is May 1, 2005 - April 30, 2008.

<sup>3</sup> The final report can be viewed at <http://www.pftac.com>.

5. **Against this background, and within its area of expertise, PFTAC will in the new funding cycle continue to be a source of high quality assistance that is provided in a flexible and responsive manner that meet the most important needs of its members.** It will continue to provide ad hoc advice, an area where PFTAC is unique, while also assisting members in a comprehensive and collaborative manner with the articulation and implementation of medium-term reform programs. A greater focus in the next funding cycle on measuring and documenting results, and articulation of work plans in a more strategic and comprehensive way, reflect a commitment to the implementation of the independent evaluations recommendations and the views of its members and donors more generally.
6. **There continues to be a strong need and an equally strong demand for the activities and support provided by PFTAC.** The strategy moving forward should therefore be to maintain the current level of cost-effectiveness while increasing the capacity building effort, in collaboration with other technical assistance (TA) providers, in order to improve the skills and institutional capacities of members and strengthening the implementation of reform programs.
7. **Finally, during the forthcoming cycle, PFTAC will seek to advance discussion with governments in the region and donors of how to determine a possible exit strategy for the Center at the appropriate time.** This question was discussed at the last TPRC meeting, although no conclusions were reached. It was agreed that, notwithstanding the progress over the past decade, lack of capacity in the region for economic policy formulation and management, and the supporting statistics continue to hamper economic growth, and this would inevitably remain the case for a lengthy period, and certainly well beyond the next three years. Nevertheless, attention will be maintained on criteria that might help to develop a framework to review changes in the scope and range of PFTAC functions over the medium term.
8. The outline of the project document is as follows. Section II provides a description of the objectives and strategy to be followed by PFTAC in the next funding cycle. Section III describes the project components, while section IV outlines governance and other administrative arrangements.

## II. OBJECTIVES AND STRATEGY

### A. Situation Analysis

9. **Overall economic growth in the PICs has been disappointing despite relatively high levels of per capita aid.** Although experience varies among countries, overall growth performance must be raised to provide better living standards as well as to provide employment for the relatively young populations and to combat rising poverty levels.
10. **This performance partly reflects the inherent disadvantages faced by the PICs.** Their economies are small, have highly dispersed land areas and populations, are located a long way from major world markets, and have narrowly focused production bases. Their open economies are also vulnerable to external economic developments and natural disasters. These disadvantages are exacerbated by the difficulties they encounter in retaining their best educated, most skilled citizens in the face of emigration opportunities.

**11. However, inappropriate public sector policies and insufficient commitment to development of their private sectors have also slowed down economic growth.**

Against this background, there is a broad consensus on the policies and institution building that must be implemented to remedy this situation. These include:

- The maintenance of economic stability through sound monetary and fiscal policies that acts to keep inflation low, fosters an environment for national savings to grow and enables investment whilst keeping external debt at sustainable levels;
- Simple, well designed tax systems and administrations that encourage high levels of compliance and buoyancy;
- Well targeted and controlled public expenditure policies that focus on essential social and capital needs without recourse to unsustainable public debt burdens;
- Clear and well designed treasury and budget systems, especially in a medium term framework, to provide greater transparency to public financial management;
- Enhancing the institutions needed to support good governance;
- Adherence to financial regulation regimes that ensure the soundness of the bank and non-bank financial sectors and deter money laundering and the financing of terrorist activity;
- Implementing measures to encourage growth in private sector activity including improvements in the quality of infrastructure, labor market reforms, public enterprise efficiency and implementation of cost effective regulatory and legal frameworks; and,
- Sound economic statistics to aid valid and timely decisions by public and private leaders.

**12. Over the past three years, PFTAC has actively pursued, with some success, the attainment of these principles** (Box 1). The Center has done much work on diagnosing the challenges faced by PICs, documenting needs and developing reform strategies. It has also significantly increased its efforts to build capacity and skills both at the regional and country level, and encouraging progress has been made in this regard in a number of areas. First, the Center has conducted its own training courses in the context of periodic workshops (e.g., in developing balance of payments statistics), and in the form of seminars conducted on specific topics (e.g., on the problems of conducting monetary policy in shallow markets) and conferences held in connection with meetings of regional organizations. The latter include two regional associations, formed with PFTAC's support, in the areas of tax policy and administration, and financial supervision. Second, it has arranged for numerous PIC officials to attend training at the IMF's Singapore Regional Training Institute. Third, it has helped to arrange short-term attachments to major institutions in Australia, Fiji and New Zealand for officials. Fourth, it has organized a case study on public expenditure management issues that is now available to all PICs through distance learning from the University of South Pacific.

**13. However, capacity building remains an extremely difficult task, especially given the high demand for well-trained officials and retention problems more**

**generally.** Whilst there is scope to provide more focused and functional training, there may be no alternative in the circumstances but to persist with capacity building efforts over an extended period.

14. **Over the last three years, PFTAC has also sought to work more closely with other donors in the region to achieve improved outcomes.** As the Center has no capacity to fund long term in-country experts, computer and similar equipment used in a number of reforms, or to provide major long-term capacity building programs, it has sought to assist countries better plan and execute their reforms and to work in support of the major TA providers and institutions in the region. Given the changing aid environment and increased level of donor support to the PICs, including the placement of a growing number of in-line advisors, it is increasingly important for PFTAC to work closely and cooperatively with the donors and major TA providers in the region (including their advisors, and possibly through joint missions, where practicable).

15. **Progress on policy reforms and capacity building has, however, fallen short of desired goals.** There is a need for member countries and TA providers to work more closely together to achieve improved outcomes. Both groups can improve their performance. PICs often require greater ownership of, and commitment, to projects and TA providers need to work harder to ensure their responses are tailored to the needs and implementation capacities of the countries. Although successive TPRC meetings and the recent Evaluation have consistently underscored the significance and quality of PFTAC's work, the Center will, as one of many sources available to the PICs, do its part to improve the outcomes of TA. In doing so, it will continue to work closely with other providers and it will remain flexible and refine its activities, as necessary.

**Box 1. Summary of PFTAC's contribution to developments in the PICs during FY 2003 – FY 2005**

**1. Revenue Policy and Administration.** In most countries, the level of *tax system compliance* remains relatively low reflecting both complex policies and underdeveloped administrations. Resources need to be concentrated on medium-to-large tax payers to encourage self assessment and compliance. Less complex and easier to administer tax arrangements should be implemented for lower income tax payers. *Customs modernization* is required to facilitate trade through encouragement of greater self assessment and automation of processes. These reforms must be supported by other measures that make the process easier to administer and deter non-compliance by use of audits and adherence to penalties. PFTAC has been active in developing tax and customs reform proposals in 11 of its member countries. Tax reform proposals have been presented for Fiji, the FSM, Kiribati, Niue, PNG, Solomon Islands, Tonga and Tuvalu. Customs modernization proposals have been presented for the Cook Islands, the FSM, Kiribati, Marshall Islands, Palau, the Solomon Islands, Tonga and Tuvalu. The Center has worked actively with other agencies to attain the long term expert and computer resources needed to implement the reforms. The establishment of the Pacific Islands Tax Administrators Association (PITAA) has encouraged capacity building and professional networking and collaboration at the regional level.

**2. Public Financial Management.** Over the last funding cycle, an increasing number of long-term programs were being implemented by other multilateral and bilateral development partners. In many PICs this included the provision of advisors with line functions. Within this context, PFTAC's strategy has been to complement these programs in the areas where it has the capacity to respond flexibly. The support has initially been through diagnostic 'stocktake' assessments of practices followed by short-term 'hands-on' TA. It also included support to eight PICs on the Fund's *Questionnaire on Fiscal Transparency* that were used by the authorities as a tool for prioritizing and sequencing their longer-term strategies and TA requirements. The more hands-on assistance included providing assistance in the formulation and presentation of their annual budgets and within year reporting, development of charts of accounts and policy advice on development/implementation of medium term fiscal frameworks. Course material on "Public Expenditure Management in Small Developing Economies" was developed for use by the University of the South Pacific (commencing first semester 2005) and in its own training efforts.

**3. Financial Sector Supervision.** The banking sectors in the PICs are relatively sound. This reflects both the substantial presence of large international banks in the region and the efforts of PFTAC, working in conjunction with the IMF's Monetary and Financial Systems Department (MFD) to strengthen the regulation and supervision of the sector. During recent years, PFTAC and MFD have extended supervision activities to cover the non-bank sector, particularly in regard to insurance and pension fund operations. Much remains to be done in this sector and efforts will thus continue. PFTAC, MFD, and the IMF's Legal Department (LEG) have also given increased attention to Anti Money Laundering (AML) and Combating of the Financing of Terrorism (CFT) activities across the whole financial sector. TA has been concentrated on the drafting of AML/CFT legislation, establishing Financial Intelligence Units, and enhancing supervisory oversight for financial institution's compliance with relevant AML/CFT requirements, and this will continue in the next funding cycle. The establishment of the Association of Financial Supervisors of Pacific Countries (AFSPC) has contributed to capacity building in the region.

**4. Economic Statistics.** More attention is needed to the quality, timeliness and dissemination of economic statistics in the Pacific. PFTAC is the regional coordinator for the Pacific General Data Dissemination System (GDSS) project. The Center has provided advice and assistance to 14 countries, in national accounts, balance of payments, and government finance statistics. A main feature of PFTAC's work has been the conduct of strategic reviews designed to enhance the sustainability of the management, infrastructure, and priority setting of PIC statistical agencies. In the last funding cycle, strategic reviews and action plans were completed for all countries, except Nauru and Tokelau. PFTAC employs the GDSS as the framework for developing projects in the statistics area. Nine out of the fifteen PFTAC countries are now participating in the Pacific GDSS Project. The Statistics Adviser works with other providers in the region (including the ADB, SPC and the statistical agencies in Australia and New Zealand) to coordinate TA within the framework of consistent action plans.



## B. Objectives

16. **Against this background, and within its area of expertise, PFTAC will continue to provide TA directed at attaining movement toward the long term goals of the PICs in its four Program Areas by assisting countries to design reforms and build capacity that lead to:**

- Simple and efficient revenue instruments and effective tax administrations capable of increasing tax compliance, and modernized customs procedures to secure revenue and facilitate trade;
- Efficient, effective, transparent and sustainable budget formulation and presentation, budget execution and control, reporting and audit;
- Compliance with international standards and best practices in prudential supervision and regulation, including measures to deter and detect money laundering and terrorism financing; and,
- Regular and timely compilation, analysis and dissemination of economic and financial statistics according to accepted international standards.

## C. Strategy

17. **In contributing toward these objectives, PFTAC will pursue a strategy of assistance at both the national and regional levels and will work closely with national agencies and regional bodies and institutions.** The Center will deliver outputs and activities that support the national plans and priorities of the requesting countries, thereby contributing to the attainment of their own goals. At the regional level, PFTAC will work with relevant partners in pursuing region-wide TA issues, with a view to harmonizing approaches, as appropriate.

18. **PFTAC will seek to build on its relative strengths.** These include a continuing physical presence in the region; proximity to country counterparts; an ability to respond quickly to requests for assistance and the provision of integrated advice across its areas of expertise and the knowledge of cross-regional issues; generation of synergies between technical areas covered by the Center; capacity to closely follow-up on implementation of recommendations, and provide additional assistance when required; and the quality assurance provided by the IMF in the recruitment and backstopping of experts employed by the Center.

19. **As noted above, PFTAC will address the weaknesses in its management identified in the recent evaluation and comments by donors.** These include:

- The need for better articulation of long term reform strategies, including specification of the linkages between programs and progress towards agreed 'good practice' standards;
- Increased attention to highly focused capacity building activities that support the reform strategies of countries and other donors; and,
- Concentrate more resources on longer term reform issues whilst containing ad hoc assistance to areas of high national priority in member countries.

20. **To articulate its strategy with respect to individual member countries, the Center will prepare a Strategy Note for each member country.** The Note will set out the main reform issues in each area of specialization, as identified by PFTAC, take note of proposed TA or already underway by other providers in these priority areas, and provide an assessment of the role PFTAC can usefully play to support the member country. These notes will be gradually prepared over the next 12-18 months.

21. **To assist this process, the Center will seek to undertake a more systematic stocktaking of activities to provide a base for regional efforts to find common solutions to identified problems.** To that end, it will:

- Join with other TA providers and regional institutions in conducting and maintaining a number of regional assessment and evaluation activities designed to obtain an overview of standards of adherence to ‘good practice’;
- Drawing on these stocktaking exercises, prepare, in its area of competence, selected analytical papers on reforms which will be designed to enhance the knowledge of reform issues in the Pacific<sup>4</sup>; and,
- Use the stocktakes to identify priority areas for the region. The studies will be designed to allow each member country to benchmark its programs against practices followed in the region more generally.

22. **This work will feed into the Strategy Notes.** It will also serve as a good background for reform strategy plans developed by PFTAC, at the request of the countries, that take account of the different capacities of various PICs to meet the standards of good practice.

23. **In the period ahead, PFTAC will place greater emphasis on assisting PICs to develop their own capacity to formulate and roll out their own long-term reform strategies.** It will carry out this function by placing greater emphasis in working with country management groups (such as steering committees or task forces) to articulate the detailed design of new systems. Upon request, PFTAC would also work with such management groups to specify and document their TA needs and help identify and mobilize other sources of assistance. This will particularly apply in cases requiring resident experts for longer-term reform projects.

24. **PFTAC will also explore other ways to strengthen its capacity building activities.** In addition to a continuation of its annual seminar program on selected topics of interest, it will explore the implementation of two interrelated strategies. First, it will seek to prepare a number of specialized training courses that can be delivered through traditional workshops or—depending on the experience with the distance learning course on public expenditure management issues that is delivered by the USP—through distance learning. These specialized courses would be tailored to complement the efforts of other

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<sup>4</sup> For recent examples of such work, see “The VAT: A practical and efficient revenue generating and administration modernization tool for PICs,” by Christophe Grandcolas, PFTAC, presented to the ADB 13<sup>th</sup> Tax Conference in Tokyo October 2003, and “The occasional failure in VAT implementation: Lessons for the Pacific” by Christophe Grandcolas, PFTAC, presented to ADB 14<sup>th</sup> Tax Conference in Tokyo October 2004.

providers. Second, PFTAC will help build and work closely with regional organizations and institutions—including a new network for public financial management officials—to build up professional networks, and seek to use regional expertise whenever possible. Where relevant and possible, it will encourage sharing of laws, regulations, systems, and training facilities. These arrangements will continue to be complemented by the arrangement and financing of practical training through attachments of country officials to sister institutions in the region or other qualified administrations.

**25. PFTAC’s focus on longer term reform strategies will be enhanced by stronger linkages, where feasible, to the overall macroeconomic surveillance and TA efforts of the IMF and the strategies of other providers.** In the next funding cycle, PFTAC will, where appropriate, work closely with key Article IV and TA missions to the region to improve the implementation and follow-up to recommendations provided by the IMF. Where possible, PFTAC advisors will also work with other donors and providers in joint assessments and formulation of reform programs.

**26. In its own support, PFTAC will encourage more longer-term and sustainable change and less ad hoc responses.** To achieve this objective, the Center will seek greater country ownership in its activities by, among other things:

- Preparing project proposals that employ ‘gap’ analysis to devise jointly agreed strategies and action plans upon which future PFTAC and donor TA can be based;
- Requiring an indication of strong governmental backing for a project that emphasizes that policy direction and project implementation will lie in the hands of country officials;
- Seeking to establish an appropriate legal and administrative framework supporting changes to be made; and
- Developing human and institutional capacity to implement and maintain change.

**27. As in the past, PFTAC will give priority to requests from those countries which have a solid reform program.** In addition, it will respond with priority to countries with specific and immediate needs. Regional initiatives that stand to benefit all, or most, PICs will be pursued on an ongoing proactive basis as resources permit.

**28. The main inputs into the production of these outputs and activities will be provided by the four resident advisors together with the contribution of the project coordinator.** Their work will be subjected to quality control through the IMF’s vetting of the analysis and recommendations of the advisors. Periodically the work of the Center’s resident advisors will be supplemented by visits by specialized experts fielded by the IMF. As in the past, the budget also includes a limited amount of resources for experts hired by the Center for short-term or peripatetic (repeat) assignments. These experts will work on follow up of specific projects, and will be supervised by the resident advisors in Suva.

**29. In addition, the budget for the next three years foresees a modest use of locally recruited short-term consultants.** As recommended in the evaluation, and resources permitting, PFTAC will seek to introduce a new tier of locally recruited consultants to support the resident advisors. A modest number of consultancies will be

provided to mature professionals who have research and policy advisory experience as employees of relevant national agencies. Depending on the needs they could be seconded for a period of three to six months during which they will be expected to be granted leave from their respective agencies. After the completion of their assignment they will return to their normal work.

### **III. PROJECT COMPONENTS**

#### **A. Overview**

30. **The ultimate objective of PFTAC during the new funding cycle is to assist the PICs in their efforts to achieve their long-term development goals.** In contributing to these goals, PFTAC will assist with the development of skills and institutional capacity of PICs in the diagnosis, prioritization and implementation of appropriate policy, procedures and systems underpinning good practice in economic and financial management. It will do so in its four Program Areas: (i) tax and customs policy and administration; (ii) public financial management; (iii) financial sector supervision and regulation; and, (iv) economic and financial statistics.

31. **The four Program Areas will include outputs directed to individual countries and to the region as a whole.** The outputs directed to individual countries will respond to specific written requests for assistance, while the regional outputs will be directed at fostering regional institutions and pursuing issues identified by PFTAC that affect all, or most, PICs.

32. **Under each of the Program Areas, PFTAC will undertake five types of activities which will be directed towards the provision of:**

- High quality and timely technical missions to assess the adequacy of existing systems and practices both within each PIC and, where applicable, the region as a whole;
- As part of these missions, PFTAC will work with local counterparts to build institutional capacity to understand issues and own the reform initiatives and the associated recommended actions;
- Formal capacity development efforts undertaken or arranged by PFTAC either at the national or regional level, including the organization of regional fora, the conduct of targeted workshops and the development of selected training courses for specific public officials;
- Organization of short-term attachments between PICs and relevant organizations and agencies; and,
- Quick response (ad hoc) advice to PICs on specific issues.

33. **In supporting the objectives of the PICs, PFTAC will be guided by its Mission, Vision, and Values Statement which was prepared at the recommendation of the Independent Evaluation (Box 2).**

### **Box 2. PFTAC's Mission, Vision and Values Statement**

**PFTAC's Mission:** To enhance the institutional and human capacities of member countries and regional bodies in the Pacific region to achieve their financial and economic policy objectives.

**PFTAC's Vision:** To be a center of quality advice and capacity building on the technical aspects of financial and economic policy formulation and management to member countries, regional bodies and other TA providers in the Pacific region.

**PFTAC's Values:** PFTAC will seek to adhere to five values in pursuit of its mission:

*Integrity* in its policy advice and dealings with member countries, regional bodies and other TA providers;

*Responsive* to the needs of member countries and regional bodies;

*Focus* on efforts to tailor policy advice and capacity building efforts to the needs and capacities in the Pacific region;

*Quality* of advice will be maintained by careful selection of experts by the IMF and by backstopping services provided by functional departments in Washington; and,

*Cooperation* with other TA providers and regional institutions to ensure coordinated responses to member countries.

34. **The attached TA framework sets out the specific objectives, outputs, activities and inputs of PFTAC in the new funding cycle (Annex I).** The framework also lists outcomes at the national and regional levels, and the associated performance indicators, monitoring mechanisms, and the assumptions and risks underlying the work of the Center. In qualitative terms, desired outcomes may be stated as demonstrated progress by PICs towards the achievement of the objectives listed in section II.B above through the implementation of policies and procedures recommended by PFTAC and use of skills and knowledge acquired from capacity building activities.

#### **B. Principal Areas of Technical Assistance**

35. **At the national level, PFTAC's four Program Areas will remain broadly unchanged.** The Center will thus continue to respond to formal request from member countries in the areas specified below. As indicated in Section II, national requests will normally receive priority in the Center's work plan.

36. **In addition, a number of regional activities will also be pursued.** As indicated earlier, these will be linked mainly to stocktaking and capacity building and will be pursued on a proactive basis. The choice of regional activities will reflect the Center's assessment of priorities—based on guidance provided by the TPRC and, where appropriate, on discussions at the *Forum Economic Ministers Meeting* (FEMM)—and will cover areas where there is a high degree of commonality across countries in terms of the issues and challenges faced by them and the potential benefits from a regional approach is evident.

#### **Program Area 1. Revenue policy and administration**

37. **At the national level, PFTAC will:**

- Assist members in diagnosis of their revenue administrations and development of strategic reform and modernization plans. In doing so PFTAC will work closely with donors and other agencies assisting the PICs, to ensure that advice is coordinated and implementation can be well targeted;
- Advise on the administrative and economic efficiency of existing indirect taxes, corporate and personal taxes, payroll and social security contributions, property taxes and tariff policies;
- Provide assistance on improving the effectiveness of tax and customs administration including via increased tax compliance, strengthened collection, audit, and taxpayer services and establishing special collection arrangements for larger business taxpayers; and,
- Advise on implementing new taxes, and introducing measures to bring medium and small taxpayers into the tax net.

**38. Activities at the national level will continue to be the main focus, while a number of regional activities will also be pursued in cooperation with donors and member countries:**

- Working in conjunction with the IMF's Fiscal Affairs Department (FAD), PFTAC will undertake a regional review of possible areas where fiscal revenue may be enhanced. This will include a survey of existing revenue instruments and administrative practices to determine possible strategies and policies that may need to be adjusted, particularly to accommodate possible future trade liberalization and regional integration measures. Upon request, PFTAC will assist with follow up through the design of action plans to implement the necessary reforms in conjunction with other donors;
- Support to the Pacific Islands Tax Administrators Association (PITAA) will be continued. PFTAC will provide funding and act as secretariat for the second annual conference taking place in August 2005 and focusing on performance measurement and monitoring of tax administration. Beyond this, support from other donors and TA providers will also be sought;
- With support from FAD, PFTAC will explore with the principal donors, and with organizations such as the Oceania Customs Organisation (OCO) and the Secretariat of the Pacific Community (SPC), the desirability of a customs reform framework that would assist in coordination of current regional programs, facilitate and focus planning, and enable progress towards regional customs objectives to be monitored and reported; and,
- Development of selected training seminars for customs and taxation administrators, including on such issues as valuation and auditing procedures.
- Other capacity building activities, including preparation of standard operational manuals and guidelines for tax offices, notably guidelines for performing different forms of audit and collection enforcement activities, and customs offices (including newly revised procedures, new techniques such as audit, post-clearance

compliance checks and risk management), and preparation of standard publicity and education material for revenue agencies.

## **Program Area 2. Public financial management**

### **39. At the national level, PFTAC will:**

- Assist in the formulation, and/or review implementation, of individual PICs' strategies and action plans for public financial management reform and the sequencing of the reform activities;
- Provide specific TA and training relating to strengthening budget planning, preparation, execution and reporting, government accounting and debt management systems, and internal control and audit capacity; and,
- Maintain open communications with other in-country TA providers to improve coordination of policy advice and TA.

### **40. PFTAC proposes to work with PICs and donors to pursue three interrelated public financial management activities at the regional level:**

- Identification of the fiscal reform associated with regional integration and the establishment of free trade. This study will mainly focus on preparing an issues paper on the development of Medium Term Fiscal Frameworks (MTFFs) and assisting countries with developing capacities for undertaking macroeconomic projections and policy analysis in this context;
- Promotion of good governance and accountability, consistent with the Forum's *Eight Principles of Accountability*<sup>5</sup> and, as appropriate, the IMF's Code of Good Practice on Fiscal Transparency. Activities in this area will be designed to support the FEMM's commitment to the adoption of the principles and the biennial stock takes on progress with implementation; and,
- Sound debt management as a key component of a holistic approach to improved fiscal management. PFTAC will work with the IMF's Asia Pacific Department (APD), the Commonwealth Secretariat and other donor agencies to assist authorities develop reliable and up-to-date public debt profiles and ensure that both the level and rate of growth of public debt is sustainable and is serviceable under a wide range of circumstances. This will include the promotion of regional harmonization based on the IMF/World Bank *Public Debt Guidelines* and *Guide on External Debt Statistics*.<sup>6</sup>

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<sup>5</sup> The Principles, which cover much of the same ground as the IMF's Code of Good Practices on Fiscal Transparency, are (i) the full disclosure of budget details, (ii) the prompt and full auditing of all government departments and state owned agencies and corporation accounts and ready public access to the reports; (iii) open advertising and competitive tendering for government contracts; (v) up to date fiscal and financial management laws; (vi) empowerment of Public Accounts Committees to require disclosure; (vii) adequate resourcing of the Auditor General; and (viii) independence of the Central Bank.

<sup>6</sup> PFTAC will not, however, undertake debt sustainability analysis.

**41. In support of these national and regional activities, PFTAC will actively promote formal capacity development activities through the:**

- The development of regional practitioner interaction, including through the establishment of a practitioner's forum, where the most relevant public financial management issues in the PICs, including those related to FEMM, can be discussed, experiences can be shared, and international standards of good practice promoted. Consideration will also be given to other strategies to promote communication and interaction among practitioners aimed at sharing experiences; and,
- The development of training materials, and the conduct of training programs, which are relevant to the region as a whole. For example, development of a module based public financial management training course for budget practitioners. The course—which will build on, and complement, PFTAC's earlier work on a public expenditure management course which is used by the USP—will be designed specifically for officials working in budget and treasury functions and focus on building their skills and capacities to understand and meet good practice. It will be developed and tested in consultation with PIC practitioners, and be available on PFTAC's web site.

**Program Area 3. Financial sector supervision and regulation**

42. PFTAC will extend its prudential supervision activities to non-bank financial institutions and intensify its work on AML and CFT activities affecting the financial sector. The non-bank activities covered will include pension funds, credit unions, insurance companies and development banks, which, though still relatively small in the Pacific, may pose longer term risks to financial stability. In responding to the TA needs of the member countries in this area, PFTAC will work closely with MFD and LEG at the IMF to ensure that national supervisory agencies have the appropriate framework and expertise for effective supervision and regulation.

**43. Accordingly, in collaboration with the national authorities, PFTAC will:**

- Advise on reform of bank and non-bank laws and regulations, and the organization of the financial supervision function;
- Strengthen supervisory policies and processes, in the areas of licensing, on-site examination and off-site surveillance;
- Promote the adoption of adequate capital standards and effective risk management practices;
- Promote closer cooperation and coordinate information sharing on financial regulation and supervision;
- Assist with the implementation of measures against money laundering and combating the financing of terrorism and other financial crimes in the financial system; and,



- Help with the streamlining of reporting systems to facilitate the collection and analysis of financial and prudential data from financial institutions.
44. **PFTAC will also undertake a number of regional activities, including:**
- Prepare, in conjunction with MFD, a summary of financial supervision arrangements within the region which will include a description of the measures being implemented to control money laundering and to combat the financing of terrorism and other financial crimes in the financial systems. PFTAC will be available to support appropriate follow up action at the national level in conjunction with MFD and other donors; and,
  - Assist PICs with the compilation of Financial Soundness Indicators using the standard methodology developed by the IMF. PFTAC will advise on how to manage the compilation issues as well as data dissemination and the sharing of information among the PICs.
45. **In support of these national and regional activities, PFTAC will actively promote a number of capacity development activities:**
- PFTAC will continue to act as secretariat for the Association of Financial Supervisors of Pacific Countries (AFSPC) and arrange an annual meeting for members to network and exchange experiences. PFTAC will continue to assist the PICs in engaging the Basel Committee on Banking Supervision in a dialogue on its development of new international standards. In addition, PFTAC will coordinate with the Financial Stability Institute (FSI) to conduct an annual workshop for PICs on selected supervisory topics; and,
  - Development of a module based financial supervision training course for specialists. The course will be designed specifically for officials working in financial supervision and focus on building capacity for meeting international best practice on supervision. As with similar training material and courses prepared by PFTAC, it will be developed and tested in consultation with PIC practitioners and subsequently placed on PFTAC's web site.

#### **Program Area 4. Economic and financial statistics**

46. **At the national level, PFTAC will:**
- Assist with the development of national statistical policies and strategies including the delineation of the legal framework and institutional responsibilities for the collection and compilation of economic and financial statistics and assessment of the necessary resource allocations for an appropriate statistical system;
  - Advise on the regular and timely collection, compilation, analysis and dissemination of economic and financial statistics on the basis of international standards for consistency, definitions, coverage and accuracy drawing on the GDDS framework; and,
  - Assist in the development of a sufficient supply of qualified officials who understand, and are capable of implementing the institutional and procedural

reforms, and the methodological and systems improvements described above, both at the management and operational levels.

47. **PFTAC will continue to pay special attention to the statistical needs of smaller PICs.** In recognition of the difficulty of undertaking large surveys and compiling the more complex statistical series, such as national accounts and balance of payments statistics, PFTAC will continue to provide expert assistance on a peripatetic basis to develop and maintain the basic macroeconomic series for these countries.

48. **A number of activities will also be pursued in conjunction with other organizations and member countries:**

- Working in conjunction with the IMF's Statistics Department (STA), PFTAC will prepare an updated account of the status of national statistical policies in the Pacific<sup>7</sup> and a strategy to be followed for improving the statistical systems;
- Paying special attention to improving dissemination and usage of statistics in the region. This will include assistance in maintaining and enhancing existing regional databases, such as Pacific Regional Information System (PRISM), which is managed by the SPC; and,
- Undertaking annual seminars with the view to explain international standards and practices in the major statistical series covered by the Center. It will commence with a balance of payments training course in 2005. Moreover, the statistics advisor will also participate as a resource person in regional workshops and seminars organized by other institutions.

#### IV. GOVERNANCE AND OTHER ADMINISTRATIVE ARRANGEMENTS

##### A. Governance Arrangements

49. **PFTAC will continue to be operated by the IMF in consultation with the governments of the PICs and the donors supporting it.** In that capacity, the IMF will be broadly responsible for relevance and quality and, in particular, will:

- Assign a Project Coordinator to the Center;
- Select the Center's resident advisors and assist with the hiring of short-term and peripatetic experts for the Center;
- Provide supervision and backstopping services to the resident advisors;
- Provide administrative support in Suva as well as at IMF HQ; and,
- Manage the cost-sharing contributions of donors and the financial operations of the Center.

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<sup>7</sup> For an earlier version of this study, see "The Challenge of Statistical Capacity Building in the Pacific", Roger Purdue and Philip Turnbull, PFTAC November 2002.

50. **The strategic direction and approach of the Center will be guided—within the framework of the present project document—by the TPRC, which consists of representatives of the IMF, the funding agencies, and the participating countries.** Meetings of the TPRC will take place every 12-18 months. If necessary, informal meetings could be arranged in connection with such regional events as the FEMM. The chairman of the TPRC will be the Governor of the Reserve Bank of Fiji, while the Project Coordinator will serve as secretary with the Center providing secretariat support.

51. **The Project Coordinator will work within the strategic direction and periodic advice provided by the TPRC.** The Project Coordinator will be responsible for the day-to-day management of the Center and its operations. In particular, in cooperation with the Center's resident advisors—and guided by the decisions of the TPRC—the Project Coordinator will be responsible for preparing and executing the work program of the Center. In this regard, the Coordinator will liaise closely with bilateral and multilateral funding agencies to ensure effective coordination and complementarities among TA programs. The Coordinator will also be responsible for fostering cooperation with other development partners in the region.

52. **The IMF will select from its panels of experts the Center's resident advisors.** Advisors will prepare regular reports to HQ to ensure adequate oversight of their activities. The IMF is responsible for all substantive technical support and backstopping of the Center's long-term advisors. PFTAC will develop and maintain a database of available experts for short-term and peripatetic tasks. Where the relevant skills are available within the PICs, it will endeavor to use experts from within the region. National authorities may be asked to nominate possible officials that could be seconded for short-term assignments with PFTAC.

## **B. Service Delivery Arrangements**

53. **The Center will respond to written requests from member countries to carry out missions and capacity building services in a timely and responsive manner.** In particular, it will:

- Respond to written requests within a period of no longer than 10 working days after the date of receipt;
- Where a request is agreed, the Project Coordinator will seek to organize a mission at the dates specified by member countries. A TOR shall be prepared for the assignment and sent to the authorities for approval. If the Center is unable to organize a mission at the time requested, the Project Coordinator will notify the member in writing of the reasons for failure to meet the specified timetable and offer an alternative time period; and
- Where a request is not agreed, the Project Coordinator will explain the reasons for not agreeing to the request.

54. **To ensure quality and coherence in advice, PFTAC will consult with backstopping departments at IMF HQ on matters of substance.** These include, in particular, TA requests with significant policy or strategic implications for PICs.

55. **At the end of each mission, a written report will be provided to the authorities.** All reports will show clearly the recommended actions required of the authorities and indicate a work plan for the implementation of those recommendations, including the needed administrative oversight machinery. The advisor will explain that the report is subject to review by the respective functional department at IMF HQ and indicate an approximate date for delivery of the final report. The reports are confidential to the authorities. The PFTAC Project Coordinator will normally request that they make available the reports to other TA providers, although the choice to do so rests with the authorities. If authorized, PFTAC will share the report with relevant TA providers.

56. **As part of PFTAC's quality control procedures, the authorities will be asked to complete a user satisfaction survey following the completion of the TA.** The authorities will be informed about this requirement at the time a mission is agreed. In addition, the advisors will prepare a back-to-office report after each mission. The purpose of these back-to-office reports, which will be confidential to the IMF, is to provide the information required for IMF HQ to backstop and supervise the work of the Center.

57. **Training organized in the form of regional seminars and workshops will be designed to ensure that theoretical knowledge is applied to real life situations.** In order to be most effective, training will be executed under a three-tier approach whenever possible: (a) a general theoretical overview of the topic, and analysis of the issues will be presented; (b) the theory will be demonstrated through case studies, and hands-on application and manipulation of data by participants, and (c) transfer and application of theory and generic case study to country-specific situations will be made. Whenever appropriate, manuals and other materials will be prepared for participants to share with colleagues. Participants will be asked to complete an evaluation form on the course and nominating authorities will be asked to require seminar participants to brief colleagues upon their return.

58. **Professional attachments of one to two weeks duration of national staff to other organizations will be structured to ensure participants are exposed to valuable learning experiences.** This will be monitored by requiring reports from each participant (after the attachment is completed) outlining what skills and knowledge has been learnt.

### C. Reporting Obligations

59. **PFTAC will retain its strong commitment to transparency and accountability as a basis for an ongoing evaluation of the appropriateness and effectiveness of its activities.** Consistent with the recommendations of the Independent Evaluation, the Project Coordinator will in the next funding cycle prepare a series of reports and documents on the operation of the Center which will aim to make PFTAC's reporting more performance oriented. The reports and documents, which will commence from the beginning of the next funding cycle, are:

- The present monthly release of the Center's *Three-Month Rolling Work Plan*. The Work Plan will be supplemented by a table showing the objectives, strategies, functions and action timetables for each ongoing activity within each Program Area for each member country;
- A six-monthly report on the performance status of all ongoing activities under each Program Area for each country served;

- The present six-monthly *Project Progress Report* will continue to provide an account of the Center's activities over the preceding six months;<sup>8</sup> and,
- User satisfaction surveys will be conducted following the completion of projects, and aggregate results will be provided periodically to the TPRC.

60. **PFTAC's reporting will further be strengthened by undertaking quarterly activity costing of each of its functions to identify a breakdown of total expenditure according to:**

- the four Program Areas;
- the overall costs of outputs delivered to individual PICs under national programs and those delivered for region-wide programs; and,
- the three forms of TA delivered under each Program Area consisting of (a) short-term ad hoc advice often consisting of one-off assistance involving less than one month; (b) longer-term reform assistance often consisting of peripatetic visits and lasting many months or years, and (c) capacity building consisting of short-term and longer-term personnel training and development within each of the four Program Areas.

61. **In addition, work is underway to identify possible measures for assessing the effectiveness of the outputs delivered by the Center.** This work will draw on an IMF-wide effort to strengthen the reporting and measurement of outcomes in other regional TA centers. A proposal will be submitted for consideration at the next TPRC meeting.

62. **As in the past, the TPRC will at its regular meetings review PFTAC's activities and the performance against its objectives.** It may also decide to complement such reviews by an independent evaluation of the Center's work as was carried out in 2004.

#### **D. Management of Cost-Sharing Contributions**

63. **The financial operations of PFTAC and the cost-sharing contributions from donors will be operated and managed by IMF HQ through a PFTAC multi-donor Subaccount.** The Subaccount consists of most of the resources contributed to PFTAC (exceptions include resources from the IMF, which are charged directly to its administrative budget, and resources provided by the governments of Japan and Korea, which are funding PFTAC activities through other channels) and will be used only for PFTAC activities. The IMF is responsible for administering the cost-sharing contributions according to established procedures, including for accounting, reporting and auditing.

64. **The IMF will continue to manage all financial arrangements.** This includes the contracting of advisors and experts, payment of travel expenses, seminar costs, lease of

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<sup>8</sup> For each activity the following information will be furnished: (a) the client, activity, and timetable; (b) PFTAC's contribution in terms of resources allocated; (c) the Project Coordinator's assessment of outcomes relative to original expectations. The information shown under (c) would draw on the information collected from user satisfaction surveys.

the office facilities, operating expenses of the office, etc. The IMF will provide regular reports on the use of the resources provided.

#### **E. Legal Context of the Project**

65. This document in support of the continued operations of the PFTAC shall be the instrument referred to as the *Project Document* in the context of the cost-sharing agreements.

#### **F. Budget**

66. **The three-year budget is presented in Annex 2.** The budget increase against the previous three year budget reflects increased costs due to cost of living adjustments and the addition of a modest budget for locally recruited consultants and an equally modest increase in the budget for short-term and peripatetic experts as outlined in Section III.

## Annex I. Technical Assistance Framework

Design Summary	Performance Indicators	Monitoring Mechanisms	Assumptions/Risks
<b>Goal</b>			
<p>To build skills and institutional capacity in Pacific Island Countries (PICs) in the diagnosis, prioritization and implementation of appropriate policy, procedures and systems which underpin good practice public sector economic and fiscal management and regulation- -within the scope of PFTAC's four Program Areas:</p> <ul style="list-style-type: none"> <li>- tax and customs revenue policy and administration;</li> <li>- public financial management;</li> <li>- financial sector supervision and regulation; and</li> <li>- economic and financial statistics.</li> </ul>	<p>Demonstrated improvements in PICs policies and procedures consistent with international good practice, standards and codes, taking into account regional/national circumstances.</p> <p>Demonstrated improvements in the institutional capacity of PICs to implement agreed reform programs.</p>	<p>Reports of:</p> <ul style="list-style-type: none"> <li>- PIC governments;</li> <li>- PFTAC</li> <li>- IMF, WB, ADB</li> <li>- Donors</li> </ul>	<p>Political commitment to, and community support for, good governance and financial management reforms.</p> <p>Development of agreed strategies to ensure that donor TA in the Pacific is provided in the context of strategic, coordinated and appropriately resourced assistance plans.</p>
<b>Outcomes</b>			
<p>At a <b>national level</b>, strengthened institutional capacity of PIC authorities to define and implement improved policy, systems and practices, within PFTAC's four Program Areas, in cooperation with development partners.</p>	<p>Demonstrated progress by PIC authorities in implementing improved policy and procedures in line with the recommendations of related PFTAC reports and formal capacity development activities.</p>	<ul style="list-style-type: none"> <li>- PFTAC mission reports.</li> <li>- Comments on mission reports from IMF HQ backstoppers and related departments.</li> <li>- User satisfaction surveys from PIC authorities on the mission.</li> <li>- PFTAC 6 monthly reports to funding agencies and subsequent feedback.</li> <li>- PFTAC reports to Tripartite Review Committee Meetings and subsequent discussions.</li> <li>- Reports of, and feedback from, development partners with related in-country TA activities.</li> </ul>	<p>That PIC authorities are committed to developing and implementing reform agendas, including the associated capacity building and skills enhancement requirements.</p> <p>That regional development partners are committed to cooperation and information sharing on related in-country TA activities.</p>
<p>At a <b>regional level</b>, closer cooperation and increased</p>	<p>The number, nature and effectiveness of PFTAC</p>	<p>PFTAC papers, reports and contributions to regional</p>	<p>That the commitment and momentum of PICs</p>

Design Summary	Performance Indicators	Monitoring Mechanisms	Assumptions/Risks
<p>understanding by PICs and development partners of regional policy and technical issues associated with PFTAC's four Program Areas, including those arising from regional integration and harmonization commitments.</p>	<p>contributions to regional forums, including the extent to which PFTAC-promoted initiatives are pursued at a national level by PIC authorities and the level of cooperation with related development partners.</p>	<p>fora. Feedback from PIC and donor participants.</p>	<p>and development partners toward regional integration is maintained.</p>
<b>Outputs</b>			
<p>High quality and timely technical advice encompassing an assessment of existing practice and procedures in PIC authorities and recommendations/ action plans for strengthening in line with international good practice and these on-the-job and informal capacity development of national staff--focused on promoting:</p> <p>(i) efficient, effective, transparent and sustainable budget formulation and presentation, budget execution and control, reporting, and audit;</p> <p>(ii) simple and efficient revenue instruments and effective tax administrations capable of increasing tax compliance; and modernized customs procedures to secure revenue and facilitate trade;</p> <p>(iii) prudential supervision regulation techniques, including measures to defer and detect money laundering and to combat terrorism financing.</p> <p>(iv) regular and timely compilation, analysis and dissemination of</p>	<p>The number of PICs requests for missions, and the timeliness, quality and effectiveness of PFTAC advice and capacity development activities, including the extent to which it can be seen to contribute to enhancements in the four specified areas.</p>	<ul style="list-style-type: none"> <li>- PFTAC mission reports.</li> <li>- Comments on mission reports from IMF Headquarter.</li> <li>- Feedback from PIC authorities, including selective use of formal satisfaction surveys.</li> <li>- PFTAC 6-monthly reports to funding agencies and subsequent feedback.</li> <li>- PFTAC reports to Tripartite Review Committee Meetings and subsequent discussions.</li> <li>- Reports of, and feedback from, development partners with related in-country programs.</li> </ul>	<p>Assumes a willingness by PICs to work with PFTAC and other agencies to design and implement new policies and procedures, and to develop their own institutional capacity to carry forward such reforms.</p> <p>Assumes a willingness by PIC authorities to implement capacity building programs, including appropriate pay and benefits policies in order to limit staff turnover, and to retain essential and committed professional staff.</p>



<b>Design Summary</b>	<b>Performance Indicators</b>	<b>Monitoring Mechanisms</b>	<b>Assumptions/Risks</b>
economic and financial statistics.			
<b>Activities</b>			
a. Undertake a program of technical assistance missions, as requested by individual PICs and in liaison with relevant development partners.	<ul style="list-style-type: none"> <li>- Draft reports discussed with authorities prior to end of mission.</li> <li>- Secure general endorsement by the authorities of the report findings/recommendations.</li> <li>- Subsequent demonstrated appropriate progress on implementation of recommendations.</li> </ul>	<ul style="list-style-type: none"> <li>- IMF HQ assessment of PFTAC expert's report.</li> <li>- Correspondence from PICs authorities on report.</li> <li>- Selective use of user satisfaction surveys</li> <li>- Follow-up PFTAC missions/ reports.</li> </ul>	That there is mutual understanding of the issues and an appropriate level of commitment to progressively implementing necessary improvements in systems and practices.
b. As part of the mission, work with local counterparts to build capacity to understand issues and create ownership of recommendations.	<ul style="list-style-type: none"> <li>- Participation of appropriate local counterparts in the assessment process and assignment of local responsibility for oversight/ implementation of the recommendations.</li> </ul>	<ul style="list-style-type: none"> <li>- Subsequent managerial action by the local authorities to establish required follow-up action.</li> <li>- Implementation of PFTAC mission recommendations .</li> </ul>	
c. Formal capacity development of PICs personnel involved in PFTACs four Program Areas. Organize regional forums and conduct targeted formal workshops	<ul style="list-style-type: none"> <li>- Number, type and effectiveness of formal capacity development sessions organized by PFTAC experts.</li> </ul>	<ul style="list-style-type: none"> <li>- Reports by sponsoring agencies/ experts providing courses on training provided and participant performance.</li> <li>- Feedback from participants, including qualitative comments and suggestions.</li> </ul>	Small number and high turnover of PIC professional staff, necessitating on-going capacity development projects.
d. Organize short-term attachments between PICs and to relevant organizations, of PIC officials.	<ul style="list-style-type: none"> <li>- Number, type and effectiveness of attachments organized.</li> </ul>	<ul style="list-style-type: none"> <li>- Reports by sponsoring agencies/receiving agencies on training provided and participant performance.</li> <li>- Feedback from participants, including qualitative comments and suggestions.</li> </ul>	Small number and high turnover of PIC professional staff, necessitating on-going capacity development projects.
e. Quick response (ad hoc) technical advice to PICs on specific issues	<ul style="list-style-type: none"> <li>- Volume and nature of direct enquiries and/or requests for short notice TA missions received from PICs.</li> <li>- Number of enquires/requests PFTAC was able to respond to and timeliness.</li> </ul>	PFTAC records of ad hoc enquiries, including origin and nature of inquiry and advice provided.	Assumes that PICs continue to demand a quick response on specific issues to complement other more long-term advice provided by other donors.
<b>Inputs</b>			

<b>Design Summary</b>	<b>Performance Indicators</b>	<b>Monitoring Mechanisms</b>	<b>Assumptions/Risks</b>
1 Project Coordinator, 4 full time resident advisors, 2 administrative support staff, and associated infrastructure. Short-term and peripatetic experts and regional consultants to complement activities.	<ul style="list-style-type: none"> <li>- Resident advisors and experts technically competent with high interpersonal skills and motivation.</li> </ul>	<ul style="list-style-type: none"> <li>- IMF HQ oversight of recruitment of staff.</li> <li>- IMF HQ oversight of PFTAC outputs.</li> <li>- Feedback from PICs and donors.</li> </ul>	Continuation of current level of financial support from key donors.

**Pacific Financial Technical Assistance Center (PFTAC)**  
**Budget FY 2006 - FY 2008 1/**  
**(In U.S. dollars)**

			<b>Total</b>		<b>Budget</b>	
		<b>Funding Source</b>	<b>FY2006-08</b>	<b>FY2006</b>	<b>FY2007</b>	<b>FY2008</b>
11.01	Project coordinator	IMF	936,000	304,000	312,000	320,000
11.02	Public financial management advisor	Subaccount	711,000	237,000	237,000	237,000
11.03	Revenue policy and administration advisor	Japan	711,000	237,000	237,000	237,000
11.05	Financial sector supervision and regulation advisor	Subaccount	711,000	237,000	237,000	237,000
11.06	Economic and financial statistics advisor	Japan	711,000	237,000	237,000	237,000
	Subtotal		3,780,000	1,252,000	1,260,000	
11.51	Short-term and peripatetic experts		775,500	258,500	258,500	258,500
	of which funded by:					
		Korea	265,487	88,496	88,496	88,496
		Subaccount	510,013	170,004	170,004	170,004
11.52	Locally-recruited short-term consultants	Subaccount	160,000	40,000	60,000	60,000
	Subtotal		935,500	298,500	318,500	318,500
13.01	Adm. support personnel and contractual services	IMF	144,000	46,000	48,000	50,000
15.01	Regional travel		432,000	144,000	144,000	144,000
	Tax and Statistics advisors	Japan	216,000	72,000	72,000	72,000
	PFM and Financial sector advisors	Subaccount	216,000	72,000	72,000	72,000
16.01	Steering committee meeting	Subaccount	93,000	30,000	31,000	32,000
16.02	Evaluation	Subaccount	103,400	-	-	103,400
	Subtotal		196,400	30,000	31,000	135,400
21.01	Office Rent	IMF	72,000	23,000	24,000	25,000
31.01	Professional attachments	Subaccount	180,000	60,000	60,000	60,000
32.01	Seminar participants		420,000	140,000	140,000	140,000
	of which funded by:					
		Korea	132,743	44,248	44,248	44,248
		Subaccount	287,257	95,752	95,752	95,752
	Subtotal		600,000	200,000	200,000	200,000
41.01	Communications	IMF	117,000	38,000	39,000	40,000
45.01	Equipment and website	Subaccount	15,000	4,000	5,000	6,000
53.01	Miscellaneous	Subaccount	48,000	15,000	16,000	17,000

<b>TOTAL (net of administrative fee)</b>	6,339,900	2,050,500	2,085,500	2,203,900
Administrative fee (13 percent of externally financed budget)	659,217	213,135	216,125	229,957
<b>GRAND TOTAL (including administrative fee)</b>	6,999,117	2,263,635	2,301,625	2,433,857
<b>FINANCING</b>	3,659,000	1,409,000	1,119,000	1,131,000
Subaccount	151,000	151,000	-	-
Unused balance from previous funding cycle	151,000	151,000		
Asian Development Bank	-			
Australia	-			
New Zealand	-			
Japan	1,638,000	546,000	546,000	546,000
Korea	450,000	150,000	150,000	150,000
IMF	1,269,000	411,000	423,000	435,000
<b>FINANCING GAP (Subaccount)</b>	3,340,117	854,635	1,182,625	1,302,857

1/ IMF Fiscal Year: May 1 - April 30 (FY2006 = May 1, 2005 - April 30, 2006).