

PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTRE

Supporting Macro-Financial Stability and
Sustainable and Inclusive Growth in the Pacific



ANNUAL REPORT 2021



PFTAC is an IMF initiative supported by the following member countries and development partners:



Cook Islands



Fiji



Kiribati



Marshall Islands



FSM



Nauru



Niue



Palau



PNG



Samoa



Solomon Islands



Timor-Leste



Tokelau



Tonga



Tuvalu



Vanuatu



EUROPEAN UNION



Ministry of Economy and Finance



Australian Government

Department of Foreign Affairs and Trade



NEW ZEALAND FOREIGN AFFAIRS & TRADE

A MESSAGE FROM THE PFTAC STEERING COMMITTEE CHAIRMAN



Ariff Ali

Governor, Reserve Bank of Fiji since 2017
PFTAC Chairman 2021

The reporting period coincides with the most disruptive economic and social challenges possibly ever faced by the region. Pacific nations and citizens are extremely resilient, with a history of dealing with natural disasters that appear increasing in frequency and ferocity given the impact of climate change. Economic stability and a return to inclusive growth depends on containment of the COVID-19 pandemic within our respective countries, across the region, and globally. Solutions and responses to the recovery lie in our own hands, but the support and contributions of others will be crucial, including from PFTAC to help ensure our economic policy responses, our systems, and administrative capacity are up to the task.

A key narrative of this report is the adaptability that the 16 PFTAC member countries have demonstrated over the past year, and similarly how PFTAC has successfully pivoted to respond to the changing needs and priorities of the membership and adjust to remote delivery modalities. A significant program of training and technical assistance was

delivered.

As the host of PFTAC for almost three decades, Fiji has consistently been a major beneficiary through assistance that has helped strengthen our institutions and systems and the capacity of our statisticians, tax officials, financial and economic managers, and central bank staff. Not only is this observed at the national level, but also across the region through groups that PFTAC works closely with like the Association of Financial Supervisors of Pacific Countries (AFPSC) and the Pacific Islands Tax Administrators Association (PITAA). The PFTAC team has also forged strong collaboration with regional bodies to understand and help respond to Pacific priorities such as climate change financing and threats to remittance flows. The close integration of the Capacity Development role of PFTAC with the IMF's other mandates such as surveillance, further enhances its effectiveness.

The current phase of PFTAC operations and financing is drawing to a close, and attention is turning to the future. Our governance arrangements through the Steering Committee (SC) are vitally important to ensure the ongoing relevance and focus of PFTAC support. It is two years since we met in person in Port Moresby, but SC engagement has increased through more virtual briefings that should continue even after travel resumes. To conclude, it is my pleasure to chair the 2021 virtual SC meetings as we tackle the many challenges ahead of us over the coming year and medium-term.

FOREWORD FROM THE PFTAC DIRECTOR



David Kloeden

It is my pleasure to present the PFTAC annual report for 2021, a year of extraordinary challenges but strong accomplishments. It has been a year like no other, of hardship, adaptability, resilience, and new learned ways of working remotely. Pacific nations have faced many challenges, with several battling COVID-19 outbreaks, closed borders, halted tourism, and great disruption to key economic sectors, together with additional health and social support costs in the midst of shrinking revenues and in some instances growing levels of debt. PFTAC stepped up by delivering timely and flexible training and technical assistance in response to new and ongoing needs.

By the start of FY2021, COVID-19 restrictions had existed for several months. The greatest impact was a shift to remote delivery of Capacity Delivery (CD) programs as well as the need to work from home (WFH) or place of relocation, other than for a period of resumed PFTAC office operations from November 2020 until early April 2021. An impressive volume of CD was delivered at around 72 percent of pre-COVID-19 plans, but with substantial budget savings. A significant proportion of CD missions and training events pivoted to urgent topics and issues to help member countries react and respond to new COVID-19 realities. Most countries adapted well to the changed circumstances, including a few that received more CD than originally planned, while some members faced connectivity challenges and preferred deferring activities until a resumption of travel. Innovative approaches were trialed, including hybrid events for in-person participation in Suva and other locations using campus and network facilities of the

University of the South Pacific (USP). Gender and other cross-cutting themes, particularly relating to climate change received heightened attention. Samoa benefitted from the first Climate Responsive Public Financial Management (PFM) assessment under the PEFA framework delivered remotely by PFTAC in collaboration with partners, and PFTAC co-chaired a Technical Working Group with the Pacific Islands Forum Secretariat (PIFS) on PFM and Climate Change finance at the request of the Forum Economic Ministers. A new Government of Japan financed Debt Management program was launched and a resident advisor recruited in March 2021 who is co-located and integrated with PFTAC operations, but subject to separate reporting and governance requirements.

FY2021 was to be the penultimate year of the fifth phase of PFTAC operations, but large COVID-19 induced savings and the welcome addition of the US government as the seventh PFTAC donor with a \$US 2 million contribution in early 2021 facilitates a phase extension that is proposed through October 31, 2022. Efforts have been launched to identify the priorities and needs for Phase VI. Several stakeholder working groups have convened since April to help inform the 2021 Steering Committee (SC) meetings and feed into development of a Phase VI Program Document later in 2021 (in time for fundraising to be launched in early 2022).

Governance arrangements also adapted after cancellation of the 2020 SC meeting in Niue. Instead, three short virtual update sessions were convened in April and August 2020 and February 2021, an appreciated step-up in engagement that will continue. The mid-term external evaluation was completed with the findings being shared and the report finalized. The IMF's Fiscal Affairs Department (FAD) completed reviews of the PFTAC fiscal programs, with a Working Paper published on PFM reforms and progress from 2012 – 2020, and the third update of Pacific Revenue reforms for the period 2017 – 2020. These reviews and the external evaluation are valuable inputs to Phase VI planning.

LIST OF ACRONYMS AND ABBREVIATIONS

ABS	Australian Bureau of Statistics	FAD	IMF Fiscal Affairs Department
ABP	Annual Borrowing Plan	FEMM	Forum Economic Ministers Meeting
ADB	Asian Development Bank	FMIS	Financial Management Information System
AF	Adaptation Fund	FRCS	Fiji Revenue and Customs Service
AFSPC	Association of Financial Supervisors of Pacific Islands Countries	FSM	Federated States of Micronesia
AML	Anti-money laundering	FSS	Financial Sector Supervision
APD	IMF Asia and Pacific Department	FTC	IMF Fiscal Transparency Code
ATO	Australian Taxation Office	FTE	Full Time Equivalent
BCG	Budgeting Central Government	FY	Financial year
BOP	Balance of Payment	GCF	Green Climate Fund
BPNG	Bank of Papua New Guinea	GDDS	General Data Dissemination Standard
CATA	Commonwealth Association of Tax Administrators	GDP	Gross Domestic Product
CBR	Correspondent Banking Relationships	GDP (E)	GDP by Expenditure
CBSI	Central Bank of the Solomon Islands	GDP (P)	GDP by Production
CCPA	Climate Change Policy Assessment	GFS	Government Financial Statistics
CD	Capacity Development	GFSM	Government Finance Statistics Manual
CDMAP	Capacity Development Management and Administration System	GG	General Government
CDOT	IMF Capacity Development Office in Thailand	GNI	Gross National Income
CFT	Combating the Financing of Terrorism	HIES	Household Income and Expenditure Survey
CIS	Compliance Improvement Strategy	HLD	High Level Dialogue
COA	Chart of Accounts	HQ	(IMF) Headquarters
COFOG	Classification of the Functions of Government	ICD	IMF Institute of Capacity Development
COVID-19	Coronavirus Disease of 2019	IFRS	International Financial Reporting Standards
DFAT	Australian Department of Foreign Affairs and Trade	IIA	Institute of Internal Auditors
DFID	UK Department for International Department	IMF	International Monetary Fund
DM	Debt Management	IPSAS	International Public Sector Accounting Standards
DSA	Debt Sustainability Analysis	ISORA	International Survey on Revenue Administrations
EU	European Union	JICA	Japan International Cooperation Agency
		KYC	Know Your Customer

LOU	Letter of Understanding	RBNZ	Reserve Bank of New Zealand
LTO	Large Taxpayer Office	RBS	Risk Based Supervision
LTX	Long-term expert or resident advisor	RBV	Reserve Bank of Vanuatu
MCM	IMF Monetary and Capital Markets Department	RCDC	Regional Capacity Development Centre
MFAT	New Zealand Ministry of Foreign Affairs and Trade	RMD	Cook Islands Revenue Management Division
MTDS	Medium Term Debt Management Strategy	RMI	Republic of the Marshall Islands
MTO	Money Transfer Operators	RMTF	Revenue Mobilization Trust Fund
MTRS	Medium Term Revenue Strategy	RSN	Regional Strategy Note
MTSES	Medium Term Supervision Enhancement Strategy	RSS	Real Sector Statistics
OCO	Oceania Customs Organization	RTAC	Regional Technical Assistance Centre
OECD	Organization for Economic Co-operation and Development	SARTTAC	South Asia Regional Training and Technical Assistance Centre
PACER	Pacific Agreement on Closer Economic Relations	SC	PFTAC Steering Committee
PASAI	Pacific Association of Supreme Audit Institutions	SFEP	Supervision Framework Enhancement Program
PD	Program Document	SIIRD	Solomon Islands Inland Revenue Division
PEFA	Public Expenditure and Financial Accountability	SPC	Secretariat of the Pacific Community
PFM	Public Financial Management	STA	IMF Statistics Department
PFMA	Public Financial Management Act	STI	Singapore Regional Training Institute
PFTAC	Pacific Financial Technical Assistance Centre	STX	Short-term Experts
PIC	Pacific Island Country	TA	Technical Assistance
PIF	Pacific Islands Forum	TADAT	Tax Administration Diagnostic Assessment Tool
PIFS	Pacific Islands Forum Secretariat	TSA	Treasury Single Account
PIM	Public Investment Management	TWG	Technical Working Group
PIMA	Public Investment Management Assessment	UN	United Nations
PITAA	Pacific Islands Tax Administrators Association	UNDP	United Nations Development Program
PNG	Papua New Guinea	UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
PRIF	Pacific Regional Infrastructure Facility	UNICEF	The United Nations Children's Fund
PSDS	Public Sector Debt Statistics	US	United States
QNA	Quarterly National Accounts	USP	University of the South Pacific
RAP	Resource Allocation Plan	VAT	Value Added Tax
RBA	Reserve Bank of Australia	VWG	Virtual Working Group
RBM	Results-Based Management	WFH	Work From Home

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OVERVIEW



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OVERVIEW OF THE PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTRE

INSTITUTIONAL FRAMEWORK

The Pacific Financial Technical Assistance Center (PFTAC) was established in 1993 as the IMF's first Regional Technical Assistance (TA) Center. It is now part of a network of 17 IMF Regional Capacity Development Centers (RCDC) globally. The aim of PFTAC is to strengthen the institutional capacity of Pacific countries to design and implement sound macroeconomic and financial policies to support macroeconomic and financial stability—essential underpinnings for sustainable and inclusive growth, and achievement of the Sustainable Development Goals.

PFTAC delivers TA and Training known as Capacity Development (CD) to 16 member countries in the Pacific. PFTAC member countries comprise the Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tokelau, Tonga, Tuvalu, and Vanuatu.

The IMF finances CD delivery in the region from its own resources and through contributions from New Zealand, Australia, the European Union (EU), Korea, Canada, the Asian Development Bank (ADB), and most recently, the United States when it became the seventh PFTAC donor



PFTAC Director, David Kloeden with Charge D'Affairs of the US Embassy in Suva Tony Gruebel and Joanne Houghton, Counsellor Development Cooperation, Australian High Commission, Suva

with a \$US 2 million contribution in late December 2020. For the first time, member countries are contributing 10 percent of costs in PFTAC's fifth phase of operations. Furthermore, member countries also contribute through in-kind support for training activities in the region, and development partners also contribute through co-funding of workshops. The IMF contribution finances the center director, most local support employees, and certain office overheads.

GOVERNANCE

A Steering Committee (SC) comprising

the 16 member countries, the seven donors, and the IMF provide governance and oversight of PFTAC operations, with each member having an equal voice. The PFTAC director acts as the SC secretary, with the chair usually a senior representative of the country hosting the SC meeting that rotates annually. Member countries volunteer to host and chair meetings, and in 2018, Tonga as the intended host chaired even with a late venue shift to Fiji following a devastating cyclone that hit Tonga just weeks before the scheduled meeting. The FY2021 annual SC meeting planned for Niue in March 2020 was

canceled given COVID-19 restrictions, with three virtual meetings convened instead in April and August 2020, and February 2021 to keep SC members and observers informed of developments throughout FY2021. The broad interest and participation in these short, virtual engagements are worth retaining to supplement the annual face-to-face SC meeting even after the COVID-19 crisis has abated and travel resumes.

SC meetings have traditionally been convened in late-March to report on achievements and activities in the concluding fiscal year (that runs from May 1 to April 30), and to endorse workplans and budgets for the upcoming fiscal year. From 2021 across all IMF centers, SC meetings are shifting to a month or so after the start of the new fiscal year, and in the case of PFTAC, to late June 2021. This shift is part of a larger array of CD management reforms being implemented by the IMF, including the launch of new Information Technology platform and reengineered business processes.

PFTAC operates in the context of funding cycles, with the end of the fifth phase now approaching (having commenced in November 2016, and originally due to conclude in April 2022). However, the June 2021 SC meeting will be asked to endorse a six-month extension of Phase V to end-October 2022 given very large COVID-19 induced budget savings in FY2021 and extra contributions with the addition of the US government as the seventh donor.

Each phase is guided by the Program Document (PD) that sets out the objectives in a medium-term framework to define the PFTAC programs and, quantifying the resource requirements for fund-raising purposes. It is usually published 6 – 12 months ahead of the start of the phase. Once the phase is underway, proposed changes in the scope or priorities can be considered by the SC for endorsement if supported by the IMF and subject to budget constraints. An example during Phase V was the extension of the GFS program at the

request of member countries. In the second half of 2021, the PD for Phase VI will be developed to cover the period that is expected to start November 1, 2022 and run for at least 60 months, or possibly 66 months to coincide with the end of a fiscal year (i.e. end of FY2028 on April 30, 2028). Stakeholder views, inputs, and preferences for Phase VI will be solicited at a special SC meeting on July 2, 2021 to feed into the development of the PD. To ensure all voices and views are considered, and given that the SC meetings are being held virtually over very limited two-hour sessions, five Virtual Working Groups (VWG) were established in April 2021 to solicit and develop inputs for presentation and consideration at the July 2 meeting. The VWGs are thematically focused in line with the PFTAC programs, covering: (1) Public Financial Management (PFM); (2) Revenue Policy and Administration; (3) Financial Sector Supervision; (4) Macroeconomic Statistics; and (5) Macroeconomic Programming and Debt Management. The PFTAC advisor/s helps facilitate each VWG that will have met 3 – 4 times by the SC meeting, with a membership of 2 – 3 member countries, 1 – 2 donors, and if applicable, a regional organization or partner.

CAPACITY DEVELOPMENT (CD) STRATEGY

PFTAC remains the IMF's primary provider of CD in the Pacific. Regional delivery of CD, backstopped by the IMF's CD Departments, allows speedy and tailored CD provision, facilitates coordination and cooperation with key donors and development partners, lowers CD delivery costs, and contributes to building regional support networks. Expanding upon the priorities and strategies documented in the Phase V PD, PFTAC is also guided by the IMF's Asia Pacific Department (APD) medium-term Regional Strategy Note (RSN) for CD for FY2022 through FY2024. Priorities for the region are heavily influenced by the response to COVID-19 with an expected growth in demand for CD, with a specific emphasis on the needs

of both fragile and small states.

Identified fiscal issues over the medium term include revenue mobilization possibly in the context of Medium Term Revenue Strategies (MTRS), PFM priorities around heightened fiscal risks, and for the Pacific, resilience, and public investment management in the context of climate change. Rising debt levels call for more emphasis on debt-related CD including on debt statistics, debt dynamics, and debt management. In many countries, debt will continue to rise as a result of the policy responses to the COVID-19 crisis, boosting the demand for debt analytics and adjustment scenarios. Countries are aiming to modernize their debt and contingent liabilities management legal frameworks to meet challenges arising from the ongoing crisis. The COVID-19 crisis has highlighted the importance of high quality and better coverage of fiscal and financial data to support fiscal and public financial management (PFM). There is also a need for higher quality balance of payments (BOP) statistics for some countries, and there is emerging interest in high frequency indicators of economic activity to track the impact of COVID-19, including through use of new data sources.

The COVID-19 crisis has highlighted the importance of financial topics, most notably the continued monitoring of systemic risk, fintech and the digital economy with potential to deepen and broaden financial usage to under-served household and firms, and, importantly, timely and good oversight of financial institutions. The COVID-19 crisis has increased the importance of CD on macroeconomic frameworks. Governments have taken a variety of approaches to mitigating the impact of the pandemic on their economies. Evaluating the full implications of their policy choices requires a well-developed (and flexible) macroeconomic framework, appropriate near-term forecasting, and projection tools, as well as improved institutional frameworks of central banks and ministries of finance.

BOX 1. PFTAC MID-TERM EVALUATION

All RDCs, including PFTAC, are subject to an independent external evaluation at the mid-point of the operating phase. Following competitive tendering, the Phase V mid-term evaluation (MTE) of PFTAC was launched in late 2019 to review the first 30 months of Phase V operations between November 2016 and April 2019. The evaluation fact-finding and field visits could not proceed because of COVID-19 travel restrictions, causing delays to the evaluation and necessitating all information gathering, surveying, and stakeholder interviews to be conducted virtually. After several rounds of internal review by affected IMF departments in early 2021, and several iterations of the draft evaluation report, an updated version was shared in early May 2021 with the SC evaluation sub-committee for stakeholder review and feedback to allow for its finalization to influence changes to improve PFTAC operations and effectiveness particularly in the context of the next phase.

The evaluation assessed the relevance, effectiveness, efficiency, sustainability and impact of 74 of its 91 projects in six programs, providing recommendations to improve performance and guide the future direction of the center. A summary of some of the key findings and recommendations are as follows:

- **PFTAC Phase V programs and objectives are aligned with, and supportive of, member countries' national priorities.** PFTAC responded effectively and in a timely manner to member countries' needs in most program areas and countries over the review period.
- **All stakeholders agreed that PFTAC provided excellent overall value for money, offering high-quality TA and training in specialized topics on a cost-effective basis.** PFTAC has strong systems in place to design and monitor the quality of CD products and services provided to member countries.
- **PFTAC effectiveness varied by program area and jurisdiction. Across all programs, PFTAC CD projects realized, on average, 55 percent of planned milestones for the evaluation period.** PFTAC projects contributed to changes and improvements in organizations in member countries, such as the production of data and analysis to inform decision making; the reduction of risk through improved oversight; and strengthened fiscal positions of some countries due to advancements in tax administration.
- **Development partner coordination during Phase V was noted to have improved, with PFTAC playing an important role in developing regional networks.**
- Eight recommendations have been made based on the Mid-Term Evaluation findings and lessons learned. These include **strengthening the role of member countries in PFTAC governance; the continued adoption of a hybrid delivery model; strengthening support for center staff and experts.**
- Additionally, the Evaluation recommended **improving the use of RBM to support a more program-based approach to country prioritization of needs, resource use and sequencing of CD delivery; better integrating priority thematic areas into PFTAC programs; and allocating resources to develop regional expertise.**

PFTAC PROGRAMS

PFTAC is managed by a Coordinator, retitled Director from May 1, 2021. CD is provided by a team of resident advisors with substantial expertise in their respective sectors. The PFTAC office that was recently refurbished and modernized is located on the seventh floor of the Reserve Bank of Fiji building in Suva and shared with staff of the regional IMF Resident Representative office. Before COVID-19, the advisors were based in Fiji and travelled extensively throughout the region, but for the entirety of FY2021, CD was delivered remotely without any

travel whatsoever, with many of the team dispersed away from Fiji. The strong networks and relationships that the advisors and their predecessors forged over many years were instrumental in the success in pivoting from face-to-face in-country CD delivery, to virtual delivery through a variety of communication channels. This also proved beneficial throughout the year where these networks were additionally tapped to further integrate the IMF's surveillance function with the CD delivery of PFTAC. Several PFTAC advisors temporarily contributed to the work of APD country teams including Nauru, Tuvalu, and

the Marshall Islands in the initial months of the crisis - supporting APD mission chiefs and teams who were similarly adjusting to remote policy engagement with country authorities.

Before COVID-19, the resident advisors on average would spend about half of their time each year on missions to member countries and the balance of their time at the PFTAC office, maintaining an active dialogue with their counterparts following up on previous CD or preparing for upcoming missions or activities. Although all FY2021 work was virtual, the distinction and accounting for field

(albeit remotely delivered) and back-office activities has been retained. The resident advisors also manage the short-term experts (STX) employed to assist with delivery of the CD programs. The skills mix of the advisors reflects the priority needs of the member countries. The Director and advisors are assisted in delivering the CD program, finances, reporting, travel arrangements, workshop and conference logistics and other Center activities by four locally engaged staff and an economic analyst.

The composition and resourcing of PFTAC programs remained unchanged in FY2021 with the exception of a new Debt Management (DM) program that is co-located and closely integrated with PFTAC operations but financed separately by the government of Japan with separate governance and reporting obligations. The DM program has a \$US 3 million budget separate from PFTAC over three years (through end-FY2024), but otherwise resembles other PFTAC programs in terms of a resident advisor who was recruited in March 2021 and will be supplemented by STX to deliver a medium-term work program of demand-driven DM projects for member countries as well as regional workshops and training events. It is expected to have synergies and work closely with other PFTAC programs, particularly the PFM and Macro programs, as well as development partners active in the DM space such as the ADB and World Bank.

Throughout FY2021, seven resident PFTAC advisors continued to deliver and manage five CD programs, almost entirely remotely given COVID-19 restrictions. These programs comprise: (1) PFM with two resident advisors, both newly appointed in FY2021; (2) Revenue administration with one advisor and recruitment underway for a second advisor from October 2021; (3) Financial Sector Supervision (FSS) with one advisor appointed in FY2021; (4) the Macroeconomic Statistics program with a resident Real Sector Statistic (RSS) advisor and a Government Finance Statistics (GFS) program and advisor whose



PFTAC Conference Facility

appointment will end in August 2021 without replacement; and (5) Macroeconomics Programming with a single advisor. The PFM and Revenue advisors are backstopped by the Fiscal Affairs Department (FAD), FSS and DM advisors by the Monetary and Capital Markets (MCM) Department, Macro by APD, and the Statistics Department for RSS and GFS. The assignments of three of the seven advisors ended during FY2021, with successors recruited, on-boarded, and benefiting from a virtual overlap and handover period with their predecessor before eventually arriving in Fiji in late 2020. For at least half of the year, all work was undertaken virtually from home, including for most advisors from places of relocation until repatriation to Fiji. Local administrative staff similarly worked from home (WFH) given COVID-19 restrictions until all team members in Fiji returned to work at the PFTAC office in October 2020. In April 2021, all PFTAC staff had to return to WFH arrangements given a COVID-19 outbreak in Fiji.

The annual work program is agreed at the beginning of the fiscal year (FY) as part of the integrated IMF Resource Allocation Plan (RAP), but changes typically occur during the year to accommodate emerging CD requests following agreement between APD and relevant CD Departments. The PFTAC RAP is prepared under the leadership of APD, in close collaboration with PFTAC staff and the functional CD departments supporting the delivery of TA and training in the region. From

FY2022, the IMF is shifting away from the concept of an annual RAP, to a Medium Term Workplan of projects targeting objectives and outcomes, and a deemphasis on outputs such as missions. The FY2021 work program was developed before the onset of COVID-19 and was subject to substantial revision as the year unfolded. Crises give rise to new CD needs and reprioritization of CD efforts, particularly those with multi-year horizons entailing significant legal, institutional, and procedural change and reform. Since the onset of the COVID-19 crisis, PFTAC pivoted nimbly to deliver CD remotely. Workplans during FY2021 adjusted to new demands that have been classified by their COVID-19 relatedness. More than 75 percent of PFTAC CD in FY2021 had some degree of COVID-19 relatedness, with close to half being moderately or predominately responding to COVID-19 priorities.

The emphasis on fiscal issues grew further in FY2021 given the importance in the region of ensuring sustainable public finances, particularly in the wake of COVID-19, with the two core PFM and Revenue programs accounting for two thirds of PFTAC field activity (Revenue 52 percent and PFM 16 percent), up from around half over many years. This growth is primarily the result of a substantial scaling-up of the Revenue program with additional funding provided by Australia since FY2019, with delivery remaining elevated throughout

FY2021, even delivered remotely. The Statistics programs accounted for 13 percent of field resources in FY2021, closely followed by FSS at 12 percent, and the Macro program at 7 percent.

PARTNER COLLABORATION

A beneficial feature of the PFTAC model has been the close cooperation with development partners and national, regional, and international organizations. PFTAC is able to draw on the convening authority of the IMF, benefiting from a wealth of experience and institutional knowledge in collaborating with those entities that share common objectives to support the sustainable and inclusive development of member countries. Close PFTAC collaboration with regional partners is vital to leverage the impact of PFTAC. Our long and productive history of working closely together and jointly delivering training and even some TA with regional groups has continued, even in an online virtual world. This includes the Pacific Association of Supreme Audit Institutions (PASAI), extensive collaboration with the Pacific Islands Tax Administrators Association (PITAA) on many tax topics along with the Oceania Customs Organization (OCO), the Association of Financial Supervisors of Pacific Island Countries (AFSPC), and educational institutions including USP and Griffith University's South Pacific Center for Central Banking.

Working closely with development partners such as the ADB, the World Bank, the Organization for Economic Development and Cooperation (OECD), and regional organizations like the Secretariat of the Pacific Community (SPC), as well as United Nations (UN) agencies such as the UN Development Programme (UNDP) and the UN Economic and Social Commission for Asia and the Pacific (ESCAP), ensures that the comparative advantages and expertise of these organizations are melded with the economic and financial expertise of PFTAC to deliver well-rounded and comprehensive events for our respective, and mostly overlapping

client bases. There are additionally national organizations providing assistance in the Pacific that PFTAC also works closely with, such as the Australian Bureau of Statistics (ABS) and New Zealand Statistics, the Australian Tax Office (ATO), and particularly during FY2021, the Reserve Banks of Australia (RBA) and New Zealand (RBNZ) on tackling the remittance challenges facing the region.

The importance of working together grows as more organizations expand their presence and contributions in areas of common interest. For example, the ADB is scaling-up its revenue mobilization efforts that necessitates close collaboration with the PFTAC Revenue program, with PITAA being the ideal entity for efforts to coalesce. Similarly, the ADB has recently launched programs to help strengthen macroeconomic statistical capacity in the Pacific that is particularly welcome but will necessitate close collaboration with PFTAC and other partners in this space such as the ABS, SPC, the World Bank, and New Zealand Statistics.

PFTAC's regional cooperation was notably expanded in FY2021 through active engagement with the Pacific Islands Forum Secretariat (PIFS) through a Technical Working Group (TWG) that PFTAC co-chairs with PIFS on the nexus of PFM and Climate Change financing.

CROSS CUTTING ISSUES: GENDER AND CLIMATE CHANGE

PFTAC is alert and responsive to issues that do not necessarily fit exclusively under a single PFTAC program, but sometimes cut across two or more programs, including issues such as climate change, inequality, and gender that are recognized as regional IMF priorities in the RSN for APD, as well as disability issues. Some of these issues are becoming of increasing relevance to the work of the IMF, where they are recognized as macro-critical, and by extension to PFTAC once the macroeconomic implications come into focus through surveillance and are incorporated into CD planning if the IMF has a comparative advantage vis-à-vis other organizations. Of important note, neither the IMF nor PFTAC are expert agencies focused on issues like gender, climate change, or disability at the microeconomic level, but where research demonstrates that appropriate policies in these areas can contribute to sustained and inclusive growth, the IMF has a particular interest in such policies and institutional capabilities to deliver this potential.

Climate change has been increasingly elevated in recent years for the IMF, and particularly with respect to the PFTAC PFM program where it gained greater prominence through the pilot joint IMF/World Bank Climate Change



PFTAC Partners and Resident Advisors

Policy Assessments (CCPA- including in Tonga in early 2020); and the first PEFA Climate assessment for Samoa led by PFTAC in late 2020, bringing together a large group of partners for the assessment and peer review processes. The PFTAC team also recently met with officials from the Australian Pacific Climate Partnership to explore opportunities for collaboration.

PFM is central to governments' response to climate change, and access to climate financing requires robust PFM systems, and PEFA assessments are crucial to demonstrate sound national systems. It is in that context that PFTAC co-chairs with PIFS the TWG on PFM and Climate Change Finance as requested by the 2019 Forum Economic Ministers Meeting (FEMM). The informal TWG was established in March 2020 and has met nine times. It operates with a strong mandate of the FEMM which highly commended the group at its August 2020 meeting, with a membership comprising representatives from PIFS, PFTAC, the IMF Fiji resident representative, UNDP, the World Bank, ADB, the EU, the Australian Department of Foreign Affairs and Trade, (DFAT), the New Zealand Ministry of Foreign Affairs and Trade (MFAT), and the UK Department for International Development (DFID). The TWG oversees 3 workstreams: (i) PFTAC support to the climate related PFM agenda; (ii) PIFS guidance on the

accreditation process for accessing climate funds; and (iii) UNDP research into climate finance and its effectiveness, identifying enablers and barriers to climate financing.

Gender issues are also gaining prominence in IMF and PFTAC activities. Gender responsive budgeting is a regular issue in the PFM program, including recent PEFA Gender Responsive PFM assessments, with an assessment requested and planned for Nauru in FY2022. The IMF research agenda continues to expand upon gender issues, such as female labor force participation that is a macro-critical issue where appropriate policies have been demonstrated can contribute to even greater inclusive growth. A recent IMF podcast on Gender and Revenue Administration likely heralds heightened attention to the nexus of gender and taxation. During the period, PFTAC staff were approached to discuss and explore opportunities for collaboration with the Australian supported Pacific Partnership for Social Protection in addition to the UNICEF team in Suva.

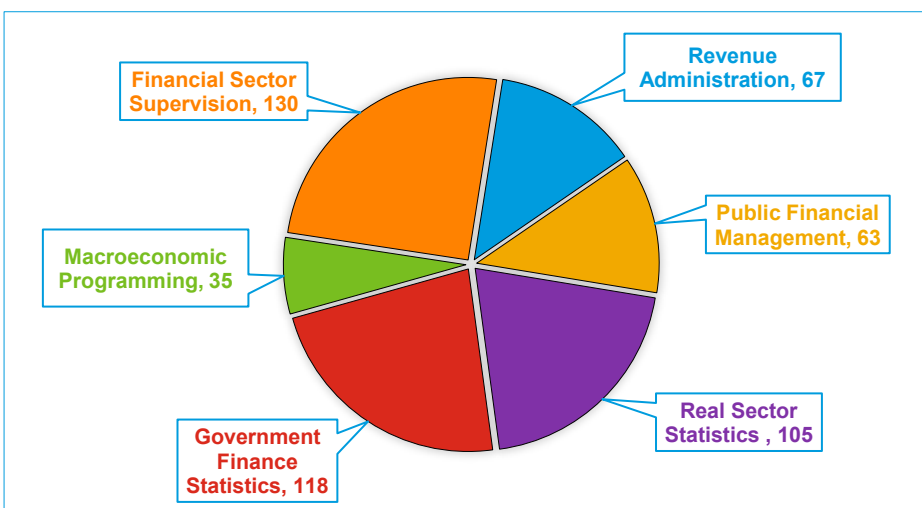
The proportion of female training participants was 45 percent in FY2021, up marginally from 44 percent in FY2020 across 17 regional events comprising virtual workshops, courses, and short webinars delivered by April 2021. PFTAC outreach through social media and other traditional channels continues to highlight developments of

IMF engagement and research on a range of gender issues of macro-criticality, including work place participation, financial inclusion, gender-based budgeting, and gender issues for revenue administration that is increasingly being reflected in the policy discussions under the IMF's surveillance role.

RESULTS BASED MANAGEMENT

Our Results Based Management (RBM) framework was developed to categorize all IMF provided CD according to a small number of high-level objectives that expands into a set of typically targeted outcomes per objective. Each CD department has developed its own catalogue to ensure consistency in developing, documenting, and importantly reporting CD activities. The PFTAC program draws on elements of catalogues developed by FAD (PFM, Revenue Administration, and Tax Policy), STA, and MCM, as well as a bespoke catalogue for the Macroeconomics program that is backstopped by APD. PFTAC works towards only a fraction of the CD areas covered by the entire IMF catalogue. During FY2021, the PFTAC programs were working towards 15 high-level objectives cited throughout this report, drilling down to 54 outcomes. (PFM works on 6 core objectives towards 11 outcomes; the Revenue program works on 2 core objective areas towards 10 outcomes; the FSS program works on 4 core objective areas towards 8 outcomes; the Real Sector Statistics program works on a single objective towards 13 outcomes; the GFS program works towards a single objective and 8 outcomes; and the Macroeconomics program also has a single objective towards 4 outcomes). We actively tracked and reported on the progress of 804 milestones in Phase V of which 518 were expected to be achieved during the period or earlier. Given the disparate nature of workstreams, associated milestones may vary in levels of detail and the number.

CHART 1: 518 SCORED MILESTONES DUE BY APRIL 2021 BY PROGRAMS





PFTAC Steering Committee Update, February 2021

PFTAC PROGRAMS AND AREAS OF OPERATIONS

REVENUE ADMINISTRATION

In the area of revenue policy and administration, PFTAC supports member countries to strengthen the capacities of tax administrations, mobilizing tax revenue, improving taxpayer compliance, and promoting citizens' ownership of their role as taxpayers.

OBJECTIVES

- (1) Strengthened revenue administration management and governance arrangements
- (2) Strengthened core tax administration functions, including an accurate taxpayer base, quality taxpayer services supporting voluntary compliance, and improvements in filing, payment, and audit services
- (3) Improved legal frameworks

PUBLIC FINANCIAL MANAGEMENT

In this area, the Center supports the planning and prioritization of PFM reforms based on the PEFA framework and assessments; strengthening legal frameworks; strengthening budget preparation, budget transparency, execution; and strengthening budget monitoring, reporting and accountability.

OBJECTIVES

- (1) Improved PFM laws and effective institutions
- (2) Comprehensive, credible, and policy-based budget preparation
- (3) Improved budget execution and control supported by an efficient financial management information system (FMIS) and with responsive internal audit
- (4) Improved coverage and quality of fiscal reporting
- (5) Improved asset and liability management
- (6) Strengthened management of fiscal risks

MACROECONOMIC PROGRAMMING

This program aims to improve macroeconomic policy advice to governments and central banks through more effective medium-term economic frameworks and forecasting capacity.

OBJECTIVES

- (1) Well-functioning macroeconomic policy and institutions and improved macroeconomic policy advice to government through sound medium-term macroeconomic frameworks; strong institutions for policy making; improved public access to key macroeconomic and fiscal information; and sound macroeconomic surveillance and policy/ research available for policy making

GOVERNMENT FINANCE STATISTICS

In this area, the Center supports the member states in compiling and harmonizing government finance statistics to ensure they are both reliable and consistent with international standards.

OBJECTIVES

- (1) Strengthened compilation and dissemination of data on financial statistics for decision making
- (2) Enhanced transparency of financial statistics for decision making through strengthened dissemination via the Fund's Data Standard Initiative

REAL SECTOR STATISTICS

In this area, the Center supports the member states in compiling national accounts that are robust and compliant with international standards and in implementing effective economic policy tools.

OBJECTIVES

- (1) Strengthened compilation and dissemination of data for decision making

BANKING REGULATION AND SUPERVISION

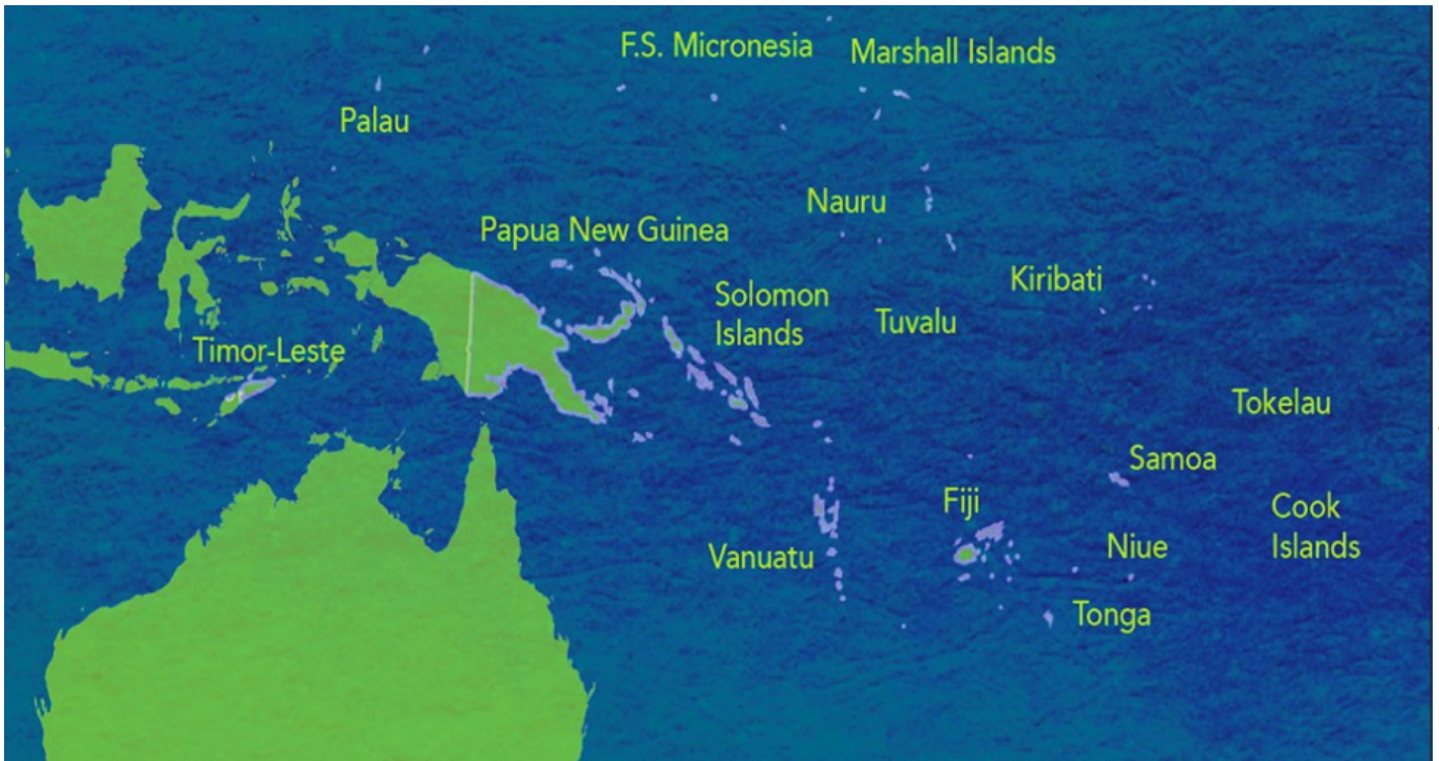
In this area, the Center helps the countries create resilience in their banking systems through sound regulation that helps promote financial stability and better access to finance.

OBJECTIVES

- (1) Strengthened financial sector surveillance through upgrading of regulatory framework in line with international standards
- (2) Make more efficient use of supervisory resources to better oversee key risks in the banking system
- (3) Ensure that banks have strong capital and liquidity positions that adequately cover their risks and contribute to financial system stability
- (4) Improved supervisory effectiveness through enhanced capacity in IFRS knowledge related to provisioning

PFTAC MEMBER COUNTRIES AND PARTNERS

PFTAC MEMBER COUNTRIES



PFTAC DONORS

 <p>Asian Development Bank</p>	 <p>Australian Government Department of Foreign Affairs and Trade</p> <p>Australia</p>	 <p>NEW ZEALAND FOREIGN AFFAIRS & TRADE</p> <p>New Zealand</p>	 <p>EUROPEAN UNION</p> <p>European Union</p>
 <p>United States</p>	 <p>Canada</p>	 <p>Ministry of Economy and Finance</p> <p>Korea</p>	

SECTION II

RESULTS

(MAY 2020 – APRIL 2021)



Joint PFTAC STI Macro-Fiscal Training, March 2021

A

SUMMARY AND OVERVIEW

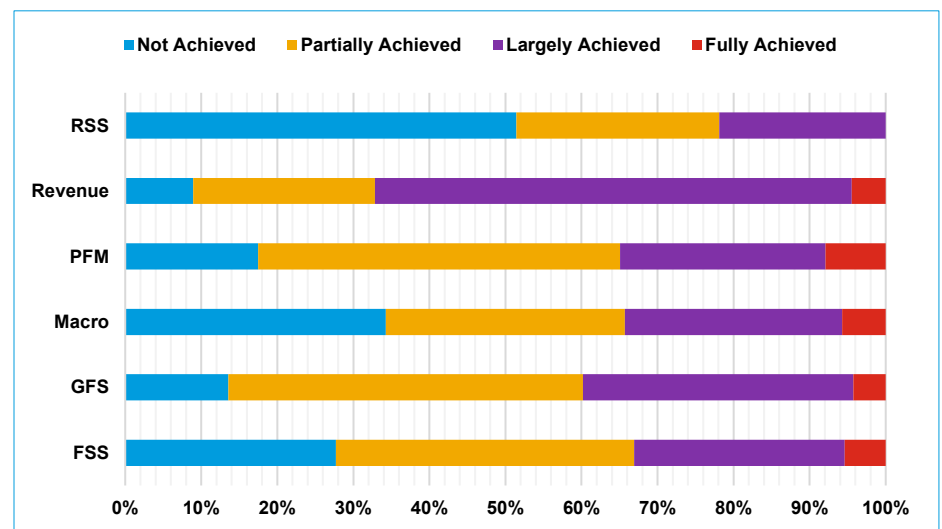
FY2021 was an extraordinary year by any measure. The COVID-19 crisis and economic impact affected every country, including those Pacific nations that managed to remain virus free or contained. While a few economic sectors held up, others such as tourism were decimated by the closure of borders. Many economies were hit hard, and in the context of COVID-19, new priorities and costs to shore up public health systems arose. Pacific citizens and institutions displayed remarkable resilience in tackling these many challenges. PFTAC pivoted to these challenges. After an initial move to virtual CD delivery in late FY2020, the entire work program with just a few exceptions in FY2021 was delivered remotely with great innovation and cooperation of the beneficiaries. The PFTAC team delivered an impressive CD program in response to new or heightened priorities from various locations in Fiji and beyond.

There are a range of metrics that PFTAC's work can be measured and reported against - inputs, outputs, outcomes, and ultimately impacts. Traditionally reported inputs include budget and resource allocation that translate into missions, training events, and other CD deliverables, and the outputs they generate including strengthened capacity from new skills and tools, mission reports, strategy documents, and medium-term economic frameworks. The volume of CD outputs delivered in FY2021 held up remarkably well, achieved with a considerably lower expenditure outturn

given the shift to remote delivery and the large resultant savings in travel and in-person training budgets.

Given the fiduciary obligations to account for the financial contributions from donors and member countries, this report provides substantial elaboration about PFTAC's inputs and outputs during FY2021. However, outcomes are what ultimately matter to advance each member country and the region towards overarching objectives of inclusive and sustainable growth and macroeconomic and financial stability, and in FY2021 specifically, responding to the COVID-19 crisis. During Phase V, the six PFTAC programs cumulatively work towards 15 high level objectives, six for PFM, two for Revenue, four for FSS, and one each for the Macro and two statistics programs. The new Debt Management program will work towards four core objectives.

CHART 2. PFTAC ACHIEVEMENT OF 518 MILESTONES, 2021



As noted in Chart 2 above, 518 predefined milestones were expected to be achieved by the end of April 2021 across the six PFTAC programs that have been tracked and summarized at Chart 4 to reflect the degree of completion of the milestones, with each milestone scored from 1 (not achieved) to 4 (fully achieved), noting that milestones are project specific and not standardized or comparable.

Chart 4 provides a snapshot of the programs that PFTAC has worked with member countries towards these 15 targeted objectives. The chart differs from those in the 2019 and 2020 annual reports in that average milestone ratings cannot be published at the country level without the explicit approval of each country. However, the dissemination

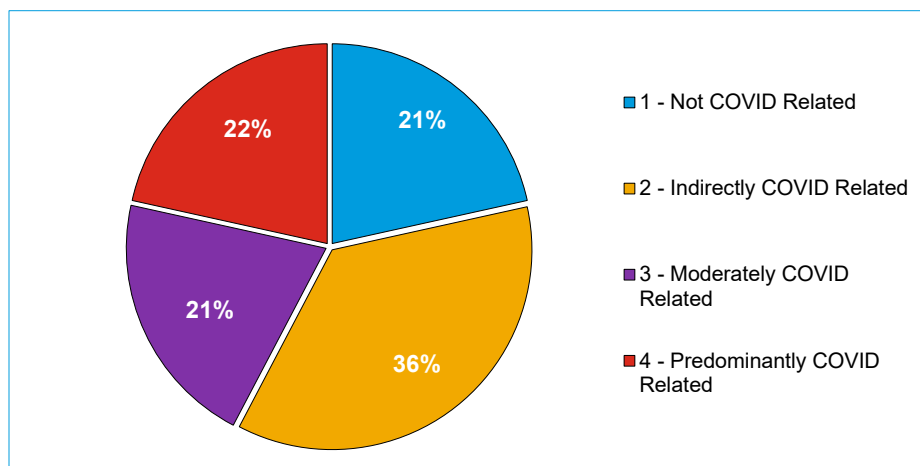
rules allow for the publication of targeted country-level outcomes without prior consent provided ratings are not divulged. Therefore, the colored disks reflect projects by program and country where milestones have been established. If the average milestone score for an outcome has changed during FY2021, it is shown with a green disk, and if fully completed in FY2021, with an additional check mark. Projects with milestones newly defined in FY2021 are designated by orange disks, and red disks indicate that there was no change in the average milestone score, or the milestones were postponed until FY2022 or later.

More important than average milestone or outcome scores is the progress that member countries are actually making towards their objectives from the CD that PFTAC provided in FY2021. To that end, Box 1 provides a country-by-country summary of the main results achieved or underway during the year, and then the subsequent chapters elaborate in detail the efforts of each program and the impact being observed on the ground.

PFTAC has always operated a 'demand-driven' CD model that reflects the highest priorities and needs of the member countries. Changing circumstances requires flexibility to adjust to new and emerging priorities, and never more so than in FY2021 with the COVID-19 crisis. The baseline FY2021 workplan was developed before the onset of COVID-19, so the evolution and changes to the workplans were greater than at any time in the past. To help focus the relevance of the workplan activities that were retained, and to ensure the appropriateness of new priorities, a

simple methodology was instituted to categorize all workplan activities as to their COVID-19 relatedness.







































































































































CHART 3. COVID-19 RELATEDNESS OF 130 MISSIONS/ACTIVITIES IN FY2021



All activities were classified under four broad categories: (1) Not COVID-19 related; (2) Indirectly COVID-19 related – while the objective of the TA was unrelated to responding to the COVID-19 crisis, indirect benefits to the response are expected to result; (3) Moderately COVID-19 related – while the original objective of the TA was unrelated, the impact and benefits are more directly related to responding to the crisis; and (4) Predominantly COVID-19 related – possibly in direct response to a request from the authorities, or existing work that was already strongly correlated to the crisis response or is after some recalibration. For the 130 missions and other activities delivered in FY2021, more than half (57 percent) were respectively indirectly or moderately COVID-19 related (classification 2 and 3), 22 percent was unrelated (classification 1), and the balance of 22 percent was predominantly COVID-19 related (classification 4).

Examples of predominantly COVID-19 related topics (classification 4) include revenue business continuity and compliance improvement responses, webinars on addressing COVID-19 issues, PFM reform roadmaps, cash management, public investment management, and quarterly national accounts. Examples of moderately COVID-19 related topics (classification 3) include tax policy reviews, tax reform implementation, strengthened large taxpayer administration, improved tax arrears and filing, strengthened internal audit (particularly COVID-19 expenditures), improved GFS data, GDP(E) compilation, medium-term macroeconomic forecasting, and managing cyber risks. Examples of Indirectly COVID-19 related topics (classification 2) include strengthening taxpayer services, IT strategies, strategic planning, organizational reforms, tax audit training, diagnostic assessments (PEFA, TADAT), strengthening budget documentation, ongoing financial supervision reforms, GDP rebasing, National Accounts training, and inflation forecasting.

CHART 4. IMPLEMENTATION PROGRESS OF PFTAC'S LOGICAL FRAMEWORK AT APRIL 30, 2021

	 Change in avg. milestone score	 No change in avg. milestone score	 New milestones defined	 Milestones postponed	 Milestones achieved	 No activity during FY21												
	PFTAC Region	Cook Islands	Fiji	FSM	Kiribati	Nauru	Niue	Palau	PNG	RMI	Samoa	Solomon Islands	Timor Leste	Tokelau	Tuvalu	Tonga	Vanuatu	
Public Financial Management																		
1. Improved PFM laws and effective institutions																		
2. Comprehensive, credible, and policy-based budget preparation																		
3. Improved budget execution and control																		
4. Improved coverage and quality of fiscal reporting																		
5. Improved asset and liability management																		
6. Strengthened identification, monitoring, and management of fiscal risks																		
Revenue Policy and Administration																		
1. Strengthened revenue administration management and governance arrangements																		
2. Strengthened core tax administration functions																		
Financial Sector Supervision																		
1. Develop/strengthen banking regulations and prudential norms																		
2. Implement a risk-based supervision (RBS) system and upgrade other supervisory processes																		
6. Improved financial stability via early detection of and effective and timely res																		
Develop/ strengthen cybersecurity regulations and prudential norms																		
Macroeconomic Programming																		
1. Well functioning macroeconomic policy and institutions: improved macroeconomic policy advice to government																		
Government Finance Statistics																		
1. Strengthen compilation and dissemination of data on macroeconomic and financial statistics.																		
Real Sector Statistics																		
1. Strengthen compilation and dissemination of data on macroeconomic and financial statistics.																		

BOX 2. MAIN RESULTS OF PFTAC TECHNICAL ASSISTANCE CENTER (MAY 2020 TO APRIL 2021)

COOK ISLANDS

- Finalization of off-site financial risk analysis and risk rating reforms to strengthen bank risk assessment framework
- GFS compilation techniques refined to use administrative data sources
- Staff capacity built on benchmarking and seasonal adjustment to publish seasonally adjusted data on quarterly national accounts
- Agile-PEFA assessment completed
- Tax Policy Review completed to assist authorities with options to recoup losses from trade taxes, Compliance Improvement Strategy (CIS) developed to improve monitoring and evaluation of compliance risk mitigation, Taxpayer Services Strategy designed with drafting assistance to finalize tax administration law, and review of revenue reforms undertaken

FIJI

- Continuation of Insurance Regulatory Reform project – assistance provided to Reserve Bank of Fiji to finalize draft law and consultation with industry stakeholders. Training conducted on draft example law and Prudential Standards
- GFS compilation techniques for using various administrative data sources refined to reduce statistical discrepancies
- Resumption of Quarterly National Account (QNA) – compilation of QNA data on GDP(P) (GDP by Production) and drafting of documentation on QNA sources and methods
- Macro-fiscal modeling and COVID-19 scenario planning
- Internal audit of the budget process reviewed, and updated training provided on risk based internal audit
- PFTAC facilitated an IMF tax policy mission by FAD focusing on

medium-term revenue recovery options, tax audit function strengthened through audit and investigations skills development program, support on taxpayer services, and review of tax reform progress completed

FEDERATED STATES OF MICRONESIA (FSM)

- GFS assistance provided to improve compilation technique for using various administrative data sources to reduce statistical discrepancies

KIRIBATI

- PFTAC participation in Ministry of Foreign Affairs and Trade (MFAT, NZ) led project on strengthening the supervision of the financial system in Kiribati.
- Revenue support on strengthening tax audit function, tax audit skills development training provided to build staff capacity, assistance to improve taxpayer service, tax arrears collection and returns collection, with legal support to finalize Seabed Mining legislation (SBM)

NAURU

- Additional support for national Chart of Accounts (CoA) mapping to GFS and compilation of institutional unit table for public sector.
- Compilation of draft 2018-19 GDP estimates and collection of improved industry data
- Support on Macro Forecasting, National Accounts and Economic Models to strengthen medium term macroeconomic framework
- Tax Policy review completed led by FAD to identify potential revenue reform options with tax law reform support on taxation of Foreign Income and consolidation of Tax Laws

NIUE

- Finalization of the draft Public Financial Management Act (PFMA)

- Further drafting assistance to modernize the Income Tax Act and Tax Administration Act.

PALAU

- Continuation of the Banking Regulatory Reform project – revised draft banking law and regulations finalized with training provided on risk based supervision
- GFS support to refine compilation technique and coverage extended to General Government (GG).
- Revenue support to assist with the implementation of tax reform agenda and GST. Legal assistance to finalize amendments to the Tax Reform Bill and drafting of VAT/ Income Tax legislation

PAPUA NEW GUINEA

- Finalization of the regulatory component of the Supervision Framework Enhancement Program - comprehensive suite of risk management prudential standards developed
- PFM Roadmap developed following the 2019 PEFA assessment
- Revenue support with HQ to review Medium Term Revenue Strategy (MTRS) reforms

REPUBLIC OF MARSHALL ISLANDS (RMI)

- Continuation of the Banking Regulatory Reform project – draft banking law and regulations reviewed, and amendments finalized. Risk based supervision training provided to build staff capacity for RBS implementation
- GFS compilation techniques refined, and coverage extended to GG.
- National accounts support on independent compilation of GDP(P) and staff capacity built on GDP(P) compilation and national specifics of data sources

- Macroeconomic support to adjust the economic forecast adjusted for COVID-19 impacts
- Manual for the Marshall Islands Fiscal Model (MI-FM) and Medium Term Budget and Investment Framework (MTBIF) compiled
- Revenue support with review of tax reforms and core tax functions.

SAMOA

- Staff capacity built on insurance legislation and prudential standards.
- GFS assistance with the compilation of GG consolidated data for FY19, coverage expanded to public sector and dissemination of public sector debt statistics (PSDS).
- Review of experimental GDP(E) data undertaken to assess its readiness for publication. Training on benchmarking and seasonal adjustment to build staff capacity for publication of quarterly GDP(P) data
- Macroeconomic support facilitated analysis and modelling of the contribution of the International Sector to the Samoa economy
- Strong progress on PFM reforms including the completion of first PEFA Climate Assessment piloting the newly developed Climate Module by the PEFA Secretariat, implementation of risk based internal audits, guidance on government cash management, and improving responses to audit recommendations and note disclosures
- Tax policy recommendations to compensate PACER Plus trade tax losses, improving taxpayer service and strategy, renewal of the compliance improvement strategy, development of business continuity plan and IT strategy, improving debt and returns management, strengthening tax audit function and

legal support on drafting of territorial tax law

SOLOMON ISLANDS

- Continuation of SFEP project - assistance on stakeholder consultation for new suite of prudential standards and development of financial risk analysis process
- Government spending classified by functional category, PSDS submitted to the joint WB/IMF PSDS database and information provided on recording government policy interventions on COVID-19
- Latest business survey data assessed, staff capacity built on GDP rebasing and benchmarking, implementation of experimental Quarterly National Accounts (QNA) data and rebasing of Annual National Accounts (ANA)
- CBSI staff capacity built on inflation forecasting techniques to be used for monetary policy setting
- Capacity of government officials enhanced to produce financial statements consistent with IPSAS cash accounting standards
- Revenue support on implementation of large taxpayer office and function based structure.

TIMOR-LESTE

- Desk review of draft PFM law completed and recommendations for improvement provided

TONGA

- Continuation of Insurance Regulatory Reform project - finalization of revised insurance law and prudential standards to be submitted for industry consultation
- List of institutional units for the public sector reviewed and finalized

with mapping of national chart of accounts (CoA) to GFS

- Compilation of experimental QNA data on GDP, both unadjusted and seasonally adjusted
- PFM reform program developed, PFM legal framework and legislation reviewed, and recommendations provided to advance the PFM reforms identified in the roadmap with staff capacity built to produce IPSAS compliant financial statements
- TADAT assessment undertaken, support on implementing industry partnership strategy and introduction of specific audit methods to support this with remote training provided to further strengthen the audit and investigations function

TUVALU

- Improvements to BOP coverage - compilation and dissemination of ESS for the period 2017–2020, compilation framework and data sources strengthened with training provided to staff
- Implementation and enhancement of the compliance improvement strategy (CIS) and improving core tax functions and development of corporate and business continuity plans

VANUATU

- Quality of GFS improved with reduced statistical discrepancy
- CIS developed to improve monitoring and evaluation of compliance risk mitigation, new strategic plan for tax and customs administration for the period 2021 to 2025 developed with a review of overall reform progress and status of PFTAC recommendation undertaken



1,677
field person days of CD delivered



493
professional government staff (of which 45 percent were women) were trained from the 16 PFTAC member countries in 17 regional training events totaling 1,850-person days of training



68%
of CD was fiscal, either PFM or Revenue (1,144 of 1,677 field days), with 52% just Revenue (877 days)



130
activities executed by PFTAC advisors and experts, comprising 17 seminars and 113 missions to member countries or support for regional activities



32%
of CD is delivered by the team of seven resident PFTAC advisors (538 of 1,677 TA field days), and 68 percent by members of the IMF's roster of short-term experts



\$ 37.1 million
contributions received of approx. \$US 39.2 million pledged by seven donors including the recent addition of the US Treasury and 14 of 16 PFTAC countries so far



72%
execution rate of the pre-COVID-19 work plan (1,677 TA days versus 2,341 planned), and 71% of missions (130 of 183 planned)

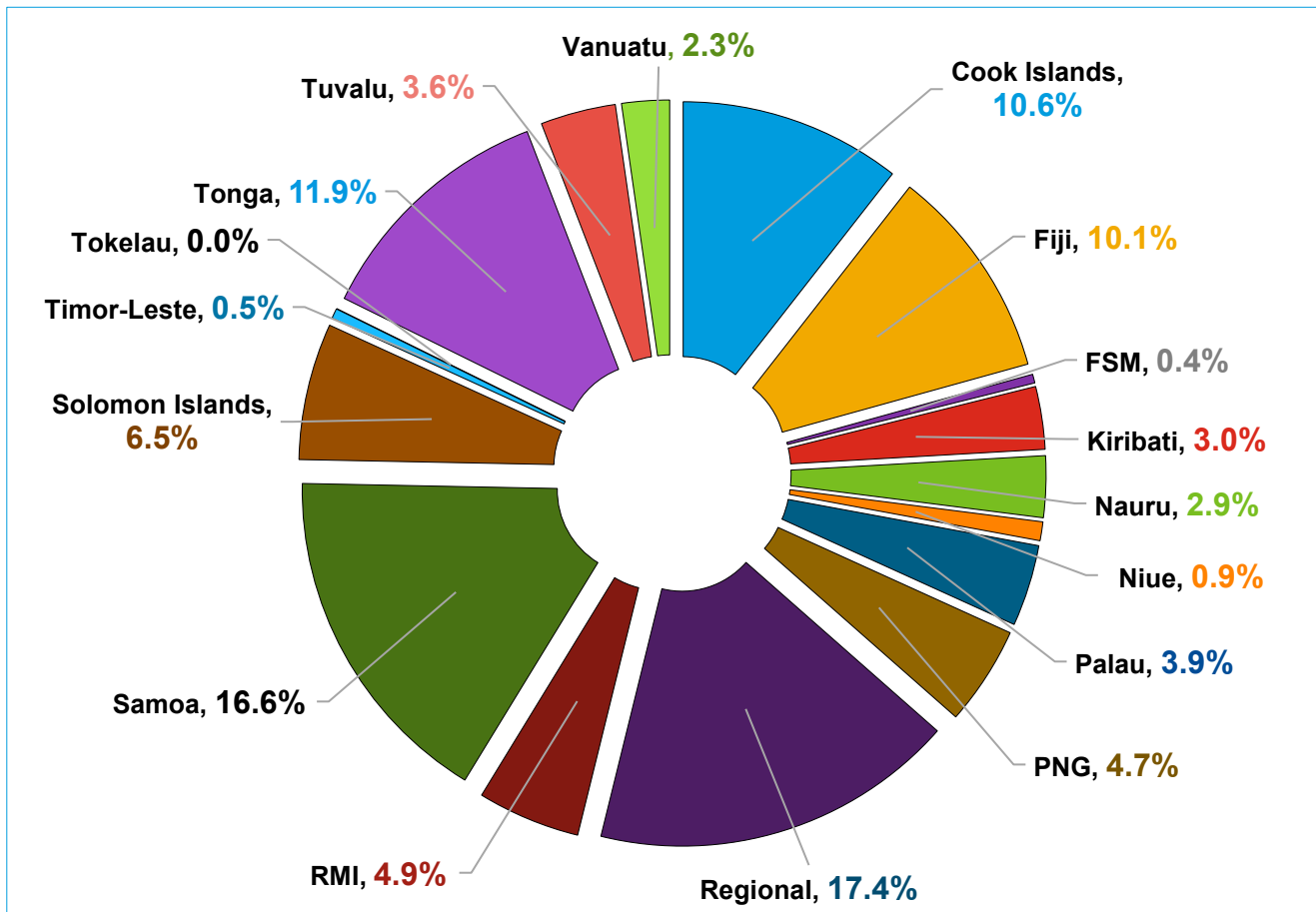


\$ 3.78 million
of projected expenses from a budget of \$US 7.47 million (approx. 51%), excluding the 7% trust fund fee



24%
of resources (395 days) provided to seven PFTAC countries designated as fragile (Kiribati, FSM, RMI, PNG, Solomon Islands, Timor Leste, and Tuvalu)

CHART 5: FY2021 TOTAL TECHNICAL ASSISTANCE DAYS BY COUNTRY (1677 DAYS)



ROBUST PROGRAM DELIVERY RESPONDS TO COVID-19 PRIORITIES

PFTAC delivered a remarkably robust and sizable CD program in FY2021 despite COVID-19 constraints, with the volume of missions/activities and TA days comparable to FY2020 (130 missions up from 124, but TA days were down slightly to 1,677 from 1,764). As FY2021 began, COVID-19 restrictions had already taken hold in the closing months of FY2020, necessitating a rapid pivot to delivering all CD by remote means, with staff working remotely from home either in Fiji or at a place of relocation for many of the resident advisors until return to office operations in October 2020 and the repatriation of relocated staff. After a year of no community COVID-19 transmission in Fiji, an outbreak in mid-April 2021 has necessitated a return to WFH arrangements until the situation is contained.

Like all organizations, PFTAC and the IMF had to adapt to this changed landscape. Client organizations similarly had to adjust to closed borders, remote work, and the necessity to engage through a variety of virtual communication channels with a great deal of patience and ingenuity. Challenges arose and lessons were learned, enabling the achievement of a productive and impactful program of engagement. Despite the many challenges, unforeseen benefits emerged. Big cost savings accrued with several million dollars of budgeted training and travel costs avoided. PFTAC staff became more closely integrated with the efforts of the IMF country teams in leveraging the excellent networks and relationships forged over many years with member country organizations and officials. There were similar experiences with development partners and regional organizations that enabled innovative collaboration such as the joint PEFA Climate assessment mission delivered remotely with Samoa, hybrid in-person/virtual training events convened with USP, and efforts to understand and address PFM impediments to accessing climate

change financing through a regional working group cochaired by PFTAC and PIFS.

Significant investment was devoted to developing meaningful workplans that responded to member country needs and the absorptive capacity of the beneficiary agencies, as well as reflecting the expertise and delivery capacity of the IMF and PFTAC plus other partner contributions. Development of an annual workplan typically takes six months in the leadup to the start of the fiscal year. Therefore, the workplans for FY2020 were well advanced by late February 2020 as the first impact of COVID-19 began to rapidly unfold. Given the quickly changing situation, this pre-COVID-19 workplan was retained and endorsed by a virtual briefing of Steering Committee members in late April 2020, with a clear expectation that it would need to be reviewed and adjusted within a few months as the crisis further evolved. The pre-COVID-19 FY2021 workplan and budget was very ambitious and on par with a similarly ambitious program and budget for FY2020 that was disrupted by COVID-19 in the closing months with expenditure and activity outturn reduced to around 75 percent of original plans.

Against the FY2021 pre-COVID-19 workplans, 71 percent of planned activities/missions were delivered (130 of 183 activities), utilizing 72 percent of planned TA days (1,677 of 2,341), a quite similar result as FY2020 but delivered entirely remotely over the full year versus just the final three months of FY2020.

Workplans were updated in August 2020 after extensive discussion with stakeholders. The net activity level barely changed given strong optimism that COVID-19 would be quickly contained, and travel restrictions would ease before the end of 2020, allowing a concerted catch-up effort. However, as the year end approached with no

likelihood of travel restrictions easing, a more realistic and final update of the workplans was developed that assumed all CD would continue to be remotely delivered for the balance of FY2021 and that took account of the remote delivery experience since March. The expected number of deliverable missions was reduced by about 24 percent (183 to 139), using 27 percent fewer TA days (reduced from 2,341 to 1,695 days). Outturn by April 30, 2021 against the workplans updated in December was 94 percent of expected activities (130 of 139 missions) using 99 percent of expected TA days (1,677 of 1,695 days).

Strong program delivery was achieved notwithstanding the transition of three of the seven resident advisors and the recruitment of a new eighth advisor. Both PFM advisors (Ms. Celeste Kubasta and Mr. Richard Neves) were replaced in FY2021, respectively in August by Mr. Iulai Lavea and October by Mr. Paul Seeds, with an overlap through end-January 2021 of Mr. Neves that facilitated a smooth and thorough handover. Mr. Rajinder Kumar was recruited to replace Mr. Benjamin Stefanou from August. The three new advisors initially worked remotely from their former locations before arriving in Fiji in November and December. Finally, Ms. Briar Ferguson was appointed in late March to a new resident advisor position in the newly established Debt Management program, working remotely from the UK ahead of her expected arrival in Fiji in June 2021. The team of local support staff remained unchanged throughout the year, working diligently from home for six months often under challenging circumstances, and again from mid-April 2021. Given the unusual situation, the IMF approved a fifth year extension of Mr. David Kloeden, formerly titled the PFTAC Coordinator but from May 1, 2021 reclassified as PFTAC Director, consistent with all IMF centers.

STX Utilization declined 9.3 percent in FY2021 over FY2020 (down from 1,256 to 1,139 days), almost offset by a 5.9 percent increase in LTX field utilization (up from 508 to 538 days), which in turn was reflected in a decline in the ratio of LTX field days to STX field days to 2.12-to-1 in FY2021, from a peak of 2.47-to-1 in FY2020. This is not surprising given the LTX were no longer traveling and were able to devote more of their own time to direct TA delivery. Furthermore, the decline in STX days in FY2021 does not mean a decline in output or productivity. This is reflected by the average number of mission days in FY2021 falling to the lowest level since FY2017 at 12.9 days in FY2021, having grown annually and peaking in FY2020 at an average of 14.0 days. Both the revenue and macroeconomics programs were exceptions given a few regional activities that utilized significant STX (revenue) or LTX (macro) resources, skewing their annual averages. The average mission duration for the two statistics program and the FSS program declined, primarily from lower STX utilization with proportionately more LTX missions as mandated by the Statistics Department in early FY2021, most of shorter duration.

TABLE 1: AVERAGE MISSION DURATION

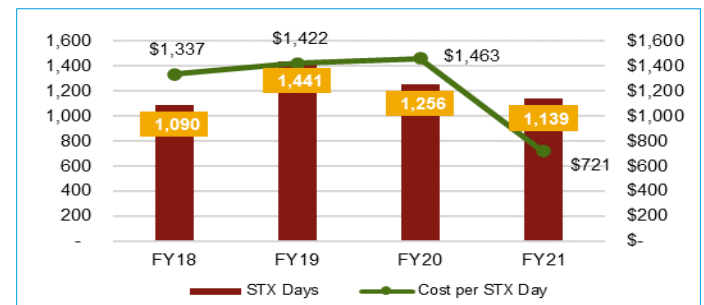
Program	FY17	FY18	FY19	FY20	FY21
Macroeconomic Programming	11.7	8.7	8.8	9.0	14.4
Financial Sector Supervision	12.1	17.0	15.8	14.2	9.8
Govt Finance Statistics	0.0	14.4	14.7	15.1	6.6
Real Sector Statistics	15.2	13.9	15.1	13.5	8.4
Public Financial Management	11.6	13.8	14.2	17.0	14.1
Revenue (incl Legal)	9.4	13.0	13.0	14.0	16.2
Grand Total	11.6	13.4	13.5	14.2	12.9

Before COVID-19, all STX missions (other than the occasional work-from-home activity) entailed a set number of paid travel days and weekends – these are not required for remote delivery. For example, a typical two-week in-country mission would entail 12 days between Monday and Friday including the intervening weekend when most STX would work, plus at least a travel day each end of the mission, a total of 14 paid days, versus typically 10 – 12 paid days for a virtual mission, a salary savings of at least 20 percent per mission. Unlike most pre-COVID-19 missions that typically entailed one or two weeks physically visiting a country, many virtual missions by necessity extended over a longer period of several weeks or even months, but in aggregate, equating to a week or two of TA delivery (5 – 12 TA days). This complicates mission reporting

and accounting but did allow advisors (both LTX and STX) to undertake concurrent missions.

Remotely delivered CD leads to a second round of STX savings from the foregone airfares, accommodation, and subsistence allowances. This is starkly illustrated by the halving of the daily STX cost in FY2021 to \$US 721 from \$US 1,463 in FY2020, consistently seen in past years. These factors explain why STX costs in FY2021 were only 44.6 percent of FY2020 STX budget (\$US 820,764 versus \$US 1,983,004) that however financed 90.6 percent the number of STX days in FY2021 versus FY2020 (1,139 STX days versus 1,256 STX days).

CHART 6: AVERAGE DAILY SHORT-TERM EXPERT COST



In pre-COVID-19 times, LTX time cleanly bifurcated between field days on mission or training, and office days devoted to backstopping STX work, doing their own pre- and post-mission work, or contributing to center operations such as outreach, reporting, and governance. While this has become blurred in a world of virtual TA delivery with all work performed in the office (or home office), accounting for field and office days was maintained in FY2021. Beyond the 538 LTX field TA Days on virtual mission or delivering a training event, the resident advisors spent another 1,125 days on TA management in the office, a total of 1,663 TA days in FY2021, equivalent to 7 ½ person years (assuming 225 available days a year after allowance for annual/sick leave). This half a person year above the seven LTX positions reflects the overlapping period that totaled six months between the three outgoing and incoming advisors, an average overlap of two months per advisor. This has been an unexpected benefit from the COVID-19 lockdown where an extended remote overlap is easily accommodated versus an in-person/in-country handover that was usually no more than one week, and sometimes did not occur at all.

TABLE 2. PFTAC TA DELIVERY BY STX/LTX DAYS AND MISSIONS: FY17, FY18, FY19, FY20, FY21, FY22 (Plan)

Program	STX Days						LTX Days						Total TA Days						Missions					
	FY17	FY18	FY19	FY20	FY21	FY22	FY17	FY18	FY19	FY20	FY21	FY22	FY17	FY18	FY19	FY20	FY21	FY22	FY17	FY18	FY19	FY20	FY21	FY22
Macroeconomic Programming	0	0	11	0	12	58	164	137	121	90	103	119	164	137	132	90	115	177	14	16	15	10	8	17
Financial Sector Supervision	154	167	198	131	122	260	88	88	55	54	83	92	242	255	253	185	205	352	20	15	16	13	21	42
Govt Finance Statistics	0	50	69	29	13	29	0	113	78	77	66	25	0	163	147	106	79	54	0	11	10	7	12	7
Real Sector Statistics	249	170	152	87	40	59	131	119	89	89	94	132	380	289	241	176	134	191	25	21	16	13	16	18
Public Financial Management	187	308	285	253	139	380	173	196	184	155	128	227	360	504	469	408	267	607	31	37	33	24	19	32
Revenue (incl Legal)	301	395	726	756	813	1187	111	87	92	43	64	126	412	482	818	799	877	1313	44	37	63	57	54	84
GRAND TOTAL	891	1090	1441	1256	1139	1973	667	740	619	508	538	721	1558	1830	2060	1764	1677	2694	134	136	153	124	130	200

These 1,125 TA days of LTX time spent at PFTAC in addition to 538 TA field days spent while on virtual mission, plus the 1,139 STX field days totals 2,802 TA days, the approximate equivalent of 12 ½ full-time equivalent (FTE) person-years. Two charts illustrate the share of TA, the pie chart reflects only 1,677 field mission days by program, while the bar chart also includes the apportioned LTX time at PFTAC by country that totals 2,802 TA days.

Beyond regionally related efforts (including (sub) regional workshops) that consumed 21.9 percent of TA days (up from 18.6 percent in FY2020), five countries (**Samoa, Tonga, Fiji, Cook Islands, and Solomon Islands**) benefitted from 48 percent of total TA days in FY2021. Four of the top five beneficiaries in FY2020 remained in FY2021 with some reordering, with Papua New Guinea falling from third to seventh place in FY2021, and Samoa advancing from sixth place in FY2020 to first in FY2021.

CHART 7. FY2021 TOTAL 1,677 TA DAYS BY PROGRAM

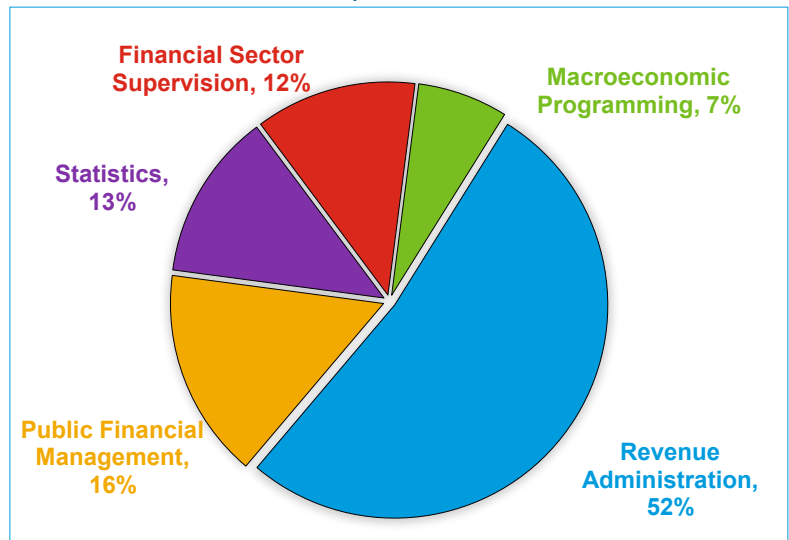
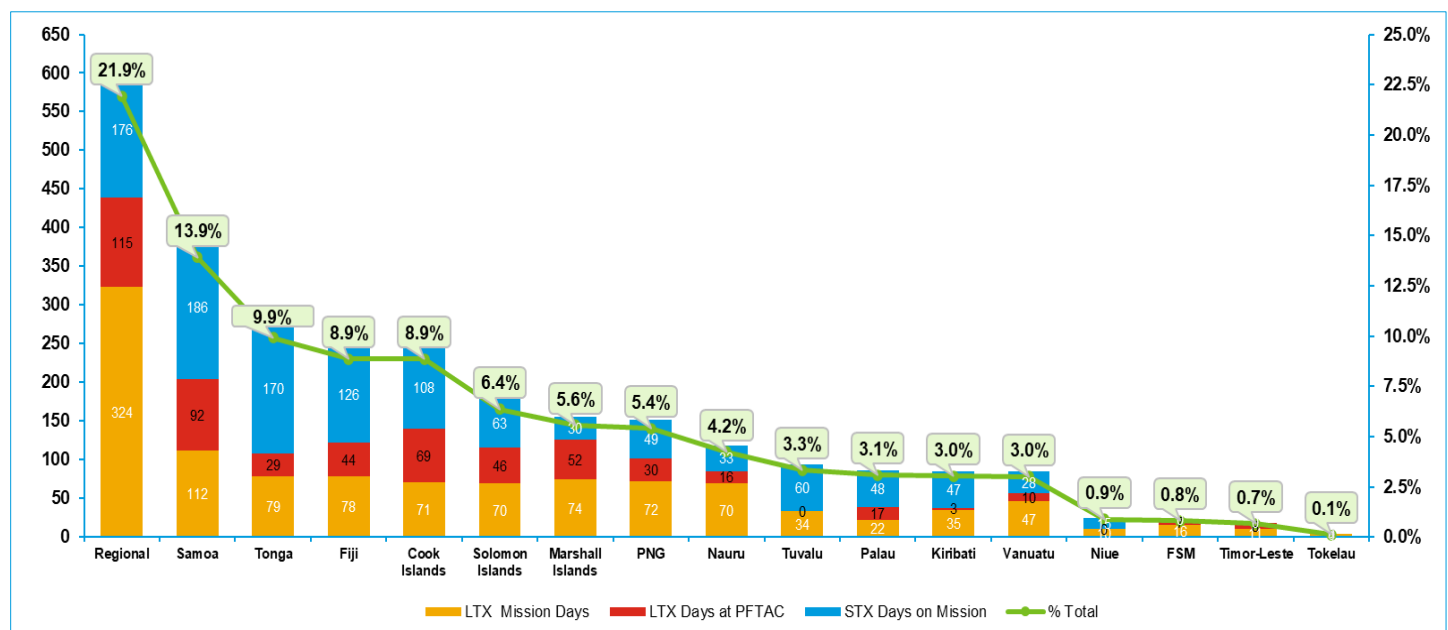


CHART 8. FY2021 EXPERT DAYS DELIVERING AND BACKSTOPPING TA



* 2,802 TA Days (includes 538 LTX and 1,139 STX Remote Mission Days plus 1,125 LTX Days at PFTAC)

A further five countries (**Marshall Islands, Papua New Guinea, Nauru, Tuvalu, and Palau**) accounted for the next 21.6 percent of PFTAC resources.

The balance of 8.5 percent of TA delivery is shared by the remaining six PFTAC member countries (**Kiribati, Vanuatu, FSM, Niue, Timor Leste, and Tokelau**).

CD efforts for the seven PFTAC members designated as fragile states (**Kiribati, FSM, RMI, PNG, Solomon Islands, Timor Leste, and Tuvalu**) fell to only 23.5 percent of field TA delivery (395 of 1,677 days), down from 33 percent in FY2020. Despite intentions and efforts to increase the resources to

fragile states, serious challenges were experienced in engaging virtually, with fragility clearly illustrated by connectivity limitations and staff and institutions adjusting to remote operations, while having to respond to COVID-19 outbreaks (both Papua New Guinea and Timor Leste) as well as natural disasters.

A few countries postponed TA on the expectation of a resumption of travel, but if the situation remains protracted, all efforts will be needed to encourage and facilitate remote engagement, drawing on the very positive results and experiences of other PFTAC countries.

TABLE 3. EXECUTION OF WORK PROGRAM DURING FISCAL YEAR 2021 (IN PERSON-DAYS)

Country/Region/Seminar	May 2020 through April 2021							
	TA Days Executed				Baseline LTX & STX Field Days	Baseline Execution rate	Updated LTX & STX Field Days	Updated Execution rate
	Resident advisors		Short-term experts	Total				
	At PFTAC	In-Field						
COOK ISLANDS	71	69	108	248	191	93%	163	109%
FIJI	78	44	126	248	205	83%	172	99%
KIRIBATI	35	3	47	85	116	43%	47	106%
MARSHALL ISLANDS (RMI)	74	52	30	156	65	126%	54	152%
MICRONESIA (FSM)	16	7	0	23	90	8%	7	100%
NAURU	70	16	33	119	111	44%	51	96%
NIUE	10	0	15	25	26	58%	15	100%
PALAU	22	17	48	87	58	112%	71	92%
PAPUA NEW GUINEA (PNG)	72	30	49	151	159	50%	55	144%
SAMOA	112	92	186	390	223	125%	279	100%
SOLOMON ISLANDS	70	46	63	179	194	56%	115	95%
TOKELAU	4	0	0	4	0	0%	0	0%
TIMOR-LESTE	11	8	0	19	96	8%	10	80%
TONGA	79	29	170	278	237	84%	202	99%
TUVALU	34	0	60	94	78	77%	54	111%
VANUATU	47	10	28	85	186	20%	72	53%
Regional work & workshops	324	115	176	615	306	95%	328	89%
GRAND TOTAL	1125	538	1139	2802	2341	72%	1695	99%
Fragile states	311	146	249	706	798	49%	342	115%

TABLE 4. IMPLEMENTATION OF THE FISCAL YEAR 2021 WORK PROGRAM (IN NUMBER OF ACTIVITIES)

Country/Region/Seminar	Baseline Plan	Activities executed	Baseline Execution Rate	Updated Plan	Updated Execution Rate
COOK ISLANDS	15	11	73%	10	110%
FIJI	15	11	73%	14	79%
KIRIBATI	8	8	100%	7	114%
MARSHALL ISLANDS (RMI)	6	7	117%	6	117%
MICRONESIA (FSM)	7	1	14%	1	100%
NAURU	8	6	75%	6	100%
NIUE	2	2	100%	2	100%
PALAU	4	6	150%	6	100%
PAPUA NEW GUINEA (PNG)	12	3	25%	4	75%
SAMOA	16	18	113%	20	90%
SOLOMON ISLANDS	15	11	73%	13	85%
TOKELAU	0	0	0%	0	0%
TIMOR-LESTE	7	2	29%	2	100%
TONGA	19	13	68%	13	100%
TUVALU	9	5	56%	5	100%
VANUATU	15	5	33%	7	71%
Regional seminars and courses	25	21	84%	23	91%
GRAND TOTAL	183	130	71%	139	94%
Fragile States	64	37	58%	38	97%

TRAINING DELIVERY in FY2021 was vastly different to any previous year. Other than a few special hybrid arrangements, all events were delivered virtually. Two PFM events were offered as in-person events in COVID-19 contained countries by utilizing the campus facilities of USP located across the Pacific, including the Suva campus for the first event delivered jointly with the UNDP, although a second Public Investment Management workshop with FAD was limited to campuses outside Fiji due to a local COVID-19 outbreak. Provided there was a minimum number of registrations per country, campus facilities were used to bring together participants sometimes from different agencies away from the distractions of their work environments to engage through the USP network and campus facilities. Other participants and presenters who did not have access to a USP facility joined remotely.

Although counted as CD delivery for Fiji rather than within regional activities, another major training event was delivered remotely by two PFTAC STX from New Zealand to 75 revenue staff in several classroom locations in Fiji, including a large cohort in Suva where the revenue LTX and coordinator were able to join in-person.

Overall, 17 regional events were delivered, up from 16 in FY2020, with very similar participation rates and course metrics, albeit delivered in shorter, more focused sessions, some in just one day, and others spread out over a number of days averaging 4 days per event, slightly down from an average of 4.2 days in FY2020. Overall, 493 government officials were trained (steady from 492 in FY2020), but with a reduction of about 8 percent to 1,850 total training days down from 2,015 in FY2020, mostly due to the slightly shorter average event duration. The proportion of female participants was marginally up from 44 percent (215 of 492 in FY2020) to 45 percent (222 of 493 in FY2021).

Each PFTAC program delivered at least one event, with both the FSS and Revenue programs delivering four each, although the FSS events were short 2-hour webinars delivered with MCM reflecting the early financial sector responses to COVID-19, while the revenue events ranged from 4 to 15 days duration, including topics responding to COVID-19 priorities as well as foundational tax training, including an emphasis on tax audit skills.

Most events were delivered

collaboratively with IMF partners (MCM, FAD) or jointly with other centers (CDOT, SARTTAC, and STI), or partners including ABS, PITTA, UNDP, and USP.

Beyond the LTX and STX budgets, the allocation for workshop and training events is the next largest item, and in FY2021 was \$US 1,204,724 yet direct costs of only \$US 45,338 (4 percent) were incurred, to contract several presenters and for minor catering costs. This compares to an outturn of \$US 988,386 and \$US 859,565 in FY2020 and FY2019 respectively. The delivery of the FY2021 virtual training program that was on par with a FY2020 program of in-person training was achieved with a budget savings of more than \$US 1 million. However other indirect costs were incurred but not borne by PFTAC, including the sunk LTX costs (which are always incurred), as well as the costs for the time of collaborating IMF staff at HQ and other centers. However, the massive savings arises from not having to pay airfares for participants and presenters as well as their accommodation, subsistence, and venue costs normally required for in-person events.

TABLE 5. FY2021 WORKSHOP/ SEMINARS

Sector	Partner	Location	Topic	Duration (Days)	Male	Female	Total	Training Days
Macro	STI	Virtual	COVID19 Macroeconomic Impact Webinar	2	26	28	54	108
Macro	STI	Virtual	Webinar on Macro-Fiscal Analysis	3	26	16	42	126
FSS	MCM	Virtual	Roundtable Discussion on Banking and Regulation Supervision during the COVID-19 Pandemic	1	17	10	27	27
FSS	MCM	Virtual	Roundtable Discussion on Cyber Risks of Remote Work during the COVID-19 Pandemic	1	17	10	27	27
FSS	MCM	Virtual	Roundtable Discussion on Central Bank Support to the Financial Markets during the COVID-19 Pandemic	1	17	10	27	27
FSS	MCM	Virtual	Roundtable Discussion on Insurance Regulatory and Supervisory Responses During the COVID-19 Pandemic	1	17	10	27	27
FSS		Hybrid	AFSPC Annual Meeting	1	11	6	17	17
GFS	STA	Virtual	GFS Methodological Training	1	17	11	28	28
RSS	ABS	Virtual	Quarterly National Accounts (QNA) and Seasonal Adjustment	5	6	15	21	105
RSS		Virtual	Annual National Accounts (ANA)	5	4	9	13	65
RSS	CDOT	Virtual	Balance of Payments: Methodology and Compilation Challenges	5	2	6	8	40
PFM	UNDP	Hybrid	Budget Documentation and Report Writing	5	25	24	49	245
PFM	FAD	Hybrid	Public Investment Management Assessment (PIMA) (funded by JSA)	4	24	18	42	168
Revenue	FAD/SARTTAC/PITAA	Hybrid	Response to COVID19 for Tourism Economy	6	9	2	11	66
Revenue	PITAA	Virtual	Managing Compliance Improvement and Effective Data Analysis	4	27	21	48	192
Revenue	PITAA	Virtual	Small State Tax Audit Training	15	12	7	19	285
Revenue		Virtual	Managing Return Filing and Tax Arrears	9	14	19	33	297
TOTALS				69	271	222	493	1850

CD delivery in FY2021 at 130 missions and 1,677 TA days is comparable to FY2020 delivery of 124 missions and 1,764 TA days, but the expenditure outturns for both years are vastly different due to the specific peculiarities and savings from COVID-19. FY2021 expenditure outturn of \$US 4.05 million (including trust fund management fee) is the lowest in many years and is just 51 percent of the \$US 7.99 million budget. This extraordinary savings of \$US 3.94 million is abnormal and will not be sustained once the COVID-19 crisis has abated and if there is a return to pre-COVID-19 operations. The biggest contributors to the underspend include:

- A mere 4 percent utilization of the \$US 1.20 million workshop/training budget
- Savings of \$US 1.56 million of the STX budget (35 percent utilization) that financed 69 percent of the expected pre-COVID-19 STX utilization (1,139 used of 1,650 pre-COVID-19 days planned).
- Savings of \$US 0.35 million for LTX travel expenses, with appointment costs of new advisors only costs incurred.
- Underspend of the Macro budget of at least \$US 0.3 million on costs that did not eventuate for the Correspondent Bank Relationship (CBR) initiative.

CHART 9. FY2021 FINAL PROGRAM OUTTURN – PERCENT OF BUDGET EXPENDED

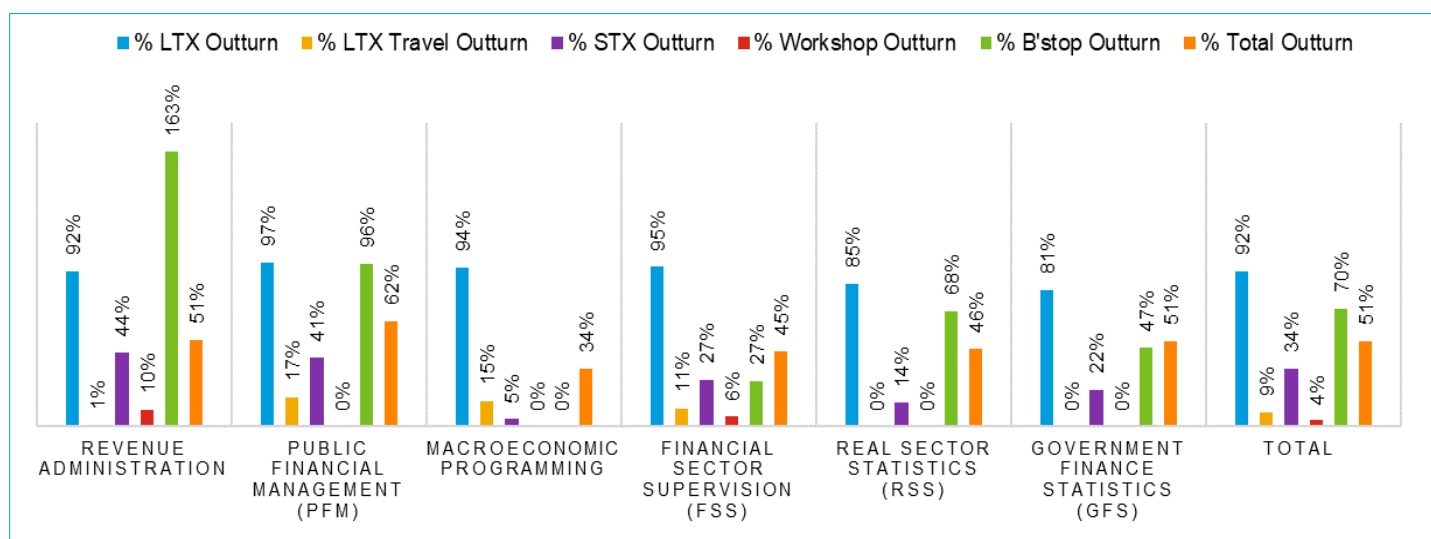


TABLE 6. PFTAC FY2021 BUDGET (US DOLLARS) BY PROGRAM

	Revenue	PFM	Macro	FSS	RSS	GFS	Other	Total
Resident Advisors (Long Term Experts - LTX)	340,000	678,126	351,790	333,090	324,189	324,188	-	2,351,383
LTX Travel	62,000	103,589	65,000	57,000	55,000	55,000	-	397,589
Short-Term Experts (STX)	1,187,998	401,524	205,403	334,722	124,122	39,497	90,000	2,383,266
Diagnostic Missions	150,000	50,000	150,000	-	-	-	-	350,000
Training/Seminars/Workshops	333,031	167,827	254,415	195,000	155,000	99,451	-	1,204,724
Backstopping/Project Management	42,844	79,232	-	74,415	73,842	68,902	32,060	371,295
Other Costs (Evaluation, misc, etc)	20,744	-	-	-	10,142	10,142	370,233	411,261
Total TA Provision/Delivery	2,136,617	1,480,298	1,026,608	994,227	742,295	597,180	492,293	7,469,518
Trust Fund Management Fee	155,684	124,714	59,403	64,677	52,883	40,794	58,036	522,866
Total Trust Charges	2,292,301	1,605,012	1,086,011	1,058,904	795,178	637,974	550,329	7,992,384

*Trust Fund Fee is 7 percent of funds utilized for TA delivery

TABLE 7. PFTAC FY2021 FINAL OUTTURN (US DOLLARS) BY PROGRAM

	Revenue	PFM	Macro	FSS	RSS	GFS	Other	Total
Resident Advisors (Long Term Experts - LTX)	312,890	659,933	330,343	314,881	274,560	262,077	-	2,154,684
LTX Travel	694	17,683	9,975	6,135	-	-	-	34,487
Short-Term Experts (STX)	519,985	165,185	9,888	91,615	17,306	8,547	8,238	820,764
Diagnostic Missions	162,235	2,230	-	-	-	-	-	164,465
Training/Seminars/Workshops	33,623	-	355	11,360	-	-	-	45,338
Backstopping/Project Management	69,635	76,291	-	19,916	50,425	32,168	9,876	258,311
Other Costs (Evaluation, misc, etc)	(849)	-	(422)	-	-	(422)	307,049	305,356
Total TA Provision/Delivery	1,098,213	921,322	350,139	443,907	342,291	302,370	325,163	3,783,405
Trust Fund Management Fee	138,414	102,984	37,194	49,069	43,072	29,764	10,346	264,838
Total Trust Charges	1,236,627	1,024,306	387,333	492,976	385,363	332,134	335,509	4,048,243

*Trust Fund Fee is 7 percent of funds utilized for TA delivery

TABLE 8. PFTAC FY2021 FINAL OUTTURN (PERCENT) BY PROGRAM

	Revenue	PFM	Macro	FSS	RSS	GFS	Other	Total
Resident Advisors (Long Term Experts - LTX)	92%	97%	94%	95%	85%	81%	-	92%
LTX Travel	1%	17%	15%	11%	0%	0%	-	9%
Short-Term Experts (STX)	44%	41%	5%	27%	14%	22%	9%	34%
Diagnostic Missions	108%	4%	0%	-	-	-	-	47%
Training/Seminars/Workshops	10%	0%	0%	6%	0%	0%	-	4%
Backstopping/Project Management	163%	96%	-	27%	68%	47%	31%	70%
Other Costs (Evaluation, misc, etc)	-4%	-	-	-	0%	-4%	83%	74%
Total TA Provision/Delivery	51%	62%	34%	45%	46%	51%	66%	51%

FUND RAISING was reported at the end of FY2020 as essentially complete and sufficient to underwrite the expected final two years (FY2021 and FY2022) of Phase V of PFTAC operations provided all donor pledges and member country contributions materialized. Since then, member country contributions have increased from \$US 2.26 to \$US 2.9 million, with a balance of \$US 992,067 pending from 12 member countries, including \$US 660,000 from two countries (Timor Leste for \$US 550,000 and Palau for \$US 110,000) that have not

signed a Letter of Understanding to financially contribute to Phase V operations. While remaining member contributions are most welcome, it is understood that the COVID-19 crisis has stretched the financial resources of many countries.

Donor contributions rose \$US 4.28 million, from \$US 29.9 million at end-FY2020 to \$US 34.18 at end-FY2021. Final and penultimate contributions were received from the governments of Australia and Korea, with the only remaining donor contribution for

\$US 500,000 remaining for Korea in FY2022. The United States government through the US Treasury became the seventh donor to Phase V of PFTAC with a contribution of \$US 2.0 million received in late December 2020.

Excluded from PFTAC fund-raising, accounting, and governance is the new Japanese government financed Public Debt Management program over three years through end-FY2024 from a \$US 3.0 million contribution.

TABLE 9. STATUS OF FINANCIAL CONTRIBUTIONS FOR PHASE V (AS OF APRIL 30, 2021)

	Currency*	Commitments		Contributions received	Payments pending
		(partner currency)	(U.S. dollars)	(U.S. dollars)	(U.S. dollars)
PARTNERS					
ADB	U.S. dollar	800,000	800,000	800,000	0
Australia	Aust. dollar	12,600,000	9,494,573	9,267,500	0
Canada	Can. Dollar	1,500,000	1,128,329	1,136,191	0
European Union	Euro	6,000,000	7,013,442	6,829,368	0
Korea	U.S. dollar	2,500,000	2,500,000	2,000,000	500,000
New Zealand	NZ dollar	18,000,000	12,411,168	12,144,520	0
United States	U.S. dollar	2,000,000	2,000,000	2,000,000	0
SUBTOTAL, PARTNERS			35,347,512	34,177,579	500,000
MEMBER COUNTRIES					
COOK ISLANDS	U.S. dollar		110,000	90,040	19,960
FIJI	U.S. dollar		687,500	625,000	62,500
KIRIBATI	U.S. dollar		82,500	65,975	16,525
MARSHALL ISLANDS (RMI)	U.S. dollar		110,000	50,000	60,000
MICRONESIA (FSM)	U.S. dollar		110,000	40,000	70,000
NAURU	U.S. dollar		82,500	81,968	532
NIUE	U.S. dollar		27,500	9,975	17,525
PALAU	U.S. dollar	LoU Pending	110,000	0	110,000
PAPUA NEW GUINEA (PNG)	U.S. dollar		1,375,000	1,375,000	0
SAMOA	U.S. dollar		165,000	165,000	0
SOLOMON ISLANDS	U.S. dollar		165,000	167,646	0
TOKELAU	U.S. dollar		11,000	11,000	0
TIMOR-LESTE	U.S. dollar	LoU Pending	550,000	0	550,000
TONGA	U.S. dollar		110,000	49,975	60,025
TUVALU	U.S. dollar		27,500	17,500	10,000
VANUATU	U.S. dollar		165,000	150,000	15,000
SUBTOTAL, MEMBER COUNTRIES			3,888,500	2,899,079	992,067
BROUGHT FORWARD FROM PHASE IV					
Australia	U.S. dollar			159,480	
European Union	U.S. dollar			157,216	
Korea	U.S. dollar			46,196	
New Zealand	U.S. dollar			153,742	
SUBTOTAL, FUNDS BROUGHT FORWARD				516,634	
GRAND TOTAL			39,236,012	37,593,292	1,492,067

Phase V expenses through the end of FY2021 total \$US 25.5 million including the trust fund fee. Assuming that only the final Korean contribution is received, total available Phase V funds contributed by donors, member countries, and rolled-over balances from Phase IV total \$US 38.1, leaving a budget envelope for the remainder of Phase V of \$US 12.6 million, far in excess of the needs or ability to be utilized in FY2022 that was to be the final year of Phase V. Given this, the 2021 Steering Committee is asked to endorse a six month extension of Phase V through October 31, 2022.

The proposed FY2022 budget is \$US 7.3 million (including

management fee) to finance the ambitious workplans that have been developed and are predicated on a continuation of remote CD delivery through late 2021, with a pick-up and return to in-country TA delivery and in-person training in the second half of FY2021. Several aspects that differentiate the FY2021 from the previous budget include:

- The winding-down of the GFS program with the end of the LTX position at the end of August 2021 with a handful of STX missions and a major regional event through the remainder of Phase V

- The continued scaled-up efforts of the Revenue program with an ambitious workplan. However, given the extent the program has grown beyond any other IMF center with a single LTX, a second resident

advisor is being recruited to be in place by October 2021 to overlap with the current LTX through the rest of Phase V.

TABLE 10. PROPOSED FY2022 & FY2023 BUDGETS (US DOLLARS MILLIONS)

	Program Document Budget	Tot Ph V Expenses to end-FY21	% of Prog Doc Budget thru end-FY21	FY2022		FY2023 Proposed Budget	Phase V Outturn	
				Proposed Budget	Change FY221v FY21		Total end FY23	PD Diff.
Resident Advisors (LTX)	\$12.6	\$9.3	74%	\$2.3	\$0.2	\$1.2	\$12.8	(\$0.2)
LTX Travel	\$2.3	\$1.3	59%	\$0.4	\$0.3	\$0.2	\$1.9	\$0.4
Short-Term Experts (STX)	\$11.4	\$7.1	62%	\$2.2	\$1.3	\$1.2	\$10.4	\$1.0
Diagnostic Missions	\$1.2	\$1.0	83%	\$0.2	\$0.0	\$0.1	\$1.3	(\$0.1)
Training/Seminars/Workshops	\$6.0	\$2.7	46%	\$1.1	\$1.0	\$0.5	\$4.3	\$1.7
Backstopping/Project Management	\$1.9	\$1.2	63%	\$0.3	\$0.0	\$0.1	\$1.7	\$0.3
Other Costs (Evaluation, misc., etc.)	\$1.6	\$1.1	71%	\$0.4	\$0.1	\$0.2	\$1.8	(\$0.2)
Total TA Provision/Delivery	\$36.9	\$23.8	64%	\$6.9	\$3.1	\$3.5	\$34.2	\$2.8
Trust Fund Management Fee*	\$2.6	\$1.7	64%	\$0.5	\$0.2	\$0.2	\$2.4	\$0.2
Total Trust Charges	\$39.5	\$25.5	64%	\$7.3	\$3.3	\$3.8	\$36.6	\$3.0
IMF and Host Country In-Kind Contribution	\$2.6							
TOTAL	\$42.1			\$7.3	\$3.3	\$3.8	\$36.6	\$3.0

*Trust Fund Fee is 7 percent of funds utilized for TA delivery

REVENUE ADMINISTRATION

MAIN ACHIEVEMENTS

- (1) Supporting the tax administrations of member countries that intend to be a PACER Plus signatories to prepare for trade tax losses with support delivered to **Samoa, Tonga, Cook Islands, Kiribati, and Nauru**. Tax policy reviews were also undertaken for **Fiji, Cook Islands, and Nauru**; plus, a FAD-led review in **Kiribati**;
- (2) Developing corporate strategies, operational plans, and business cases to motivate greater government support and investment in tax administration;
- (3) Facilitating improvements to tax administration organizational arrangements and introduction of function-based structures;
- (4) Developing and implementing risk-based compliance improvement strategies, including strategies and actions plans focused on the impact of COVID-19 on taxpayer compliance and revenue;
- (5) Elevating the importance and improving the effectiveness of taxpayer services;
- (6) Strengthening the focus and compliance management of the large taxpayer segment;
- (7) Facilitating improvements to the management of tax return filing and tax arrears management;
- (8) Facilitating improvements to the effectiveness of tax audits; and
- (9) Modernizing tax legislation including Income Tax, VAT, and Tax Administration Acts.



Fiji Revenue and Customs Service Auditor Skills Development Training, March 2021

PFTAC supports member countries to strengthen their tax administration capacity, mobilize tax revenue, improve taxpayer compliance, and promote the role and contribution of taxpaying citizens towards fiscal sustainability.

The Revenue Administration Program focuses on two key objectives:

(1) strengthened revenue administration management and governance arrangements; and (2) strong core tax administration functions that include an accurate taxpayer base, quality taxpayer services that support voluntary compliance, and improvements to on-time return filing and payment, as well as tax audit and investigations; that are supported by fit-for-purpose legal frameworks. The program is delivered by a resident tax administration advisor with peripatetic support from his predecessor and draws on an extensive pool of international tax experts. The PFTAC SC approved the appointment of a second LTX for the balance of Phase V to address the high workload of the Revenue program with an expected start by October 2021. Specialized resources are provided from the IMF's Legal Department to draft new or revised tax

legislation to support the revenue program objectives, as well as tax policy expertise from the FAD to review and provide advice on tax policy options.

In FY2021, the Revenue program (including Legal support) delivered 54 missions or activities (totaling 877 TA days) comprising 46 missions to member countries, 6 remotely delivered regional workshops, and 2 regionally focused initiatives. Against the FY2021 workplan as updated in December 2020 to reflect ongoing COVID-19 restrictions, this was an outturn of 102 percent of planned missions/activities (54 of 53), and 110 percent of planned TA days (877 of 800), of which 64 TA days were delivered by the resident advisor and 813 TA days by STX. However, the outturn against the pre-COVID-19 workplan based on no travel restrictions was 86 percent of planned missions/activities (54 of 63 planned activities) and 88 percent of TA days (877 of 1,000 planned TA days). With travel restrictions in place, assistance was delivered remotely, which created an opportunity to introduce new STX, including several very qualified women to work with experienced experts on assignments in a cost effective way.

The pairing of experts also had the benefit of increased output per mission.

Extra funding from Australia enabled the extensive scaling-up of the revenue program to better respond to unmet demand for CD for the region. The scaling-up of the revenue program started in mid-FY2019 and continued throughout FY 2020 and FY2021. It extended PFTAC's provision of tax policy advice, tax legislation drafting, and extensive tax administration CD with a significant proportion of the expansion directed to countries that intend to be or are signatories to the PACER Plus trade agreement and who face likely losses of revenue from reducing trade taxes under the trade agreement. The trend in CD delivery over the past four years by the PFTAC Revenue Administration Program illustrates the extent of the scaling-up in TA delivery:

PFTAC Assistance	FY 18 (pre scaleup)	FY19	FY 20	FY 21
		(6 months of scaleup)	(1-year scaleup – 2 months COVID impacted)	(1-year scaleup – full year COVID impacted)
TA missions	28	53	50	48
Training events	7	5	7	6
Number of TA days	482	726	799	877

BOX 3: REINVIGORATING TAX COLLECTION AND RESTORING COMPLIANCE IMPACTED BY COVID-19

A cross-regional workshop series was trialed to deliver CD during the COVID-19 travel restrictions, bringing together countries across regions with similar issues and characteristics.

A workshop on reinvigorating tax collections and restoring compliance impacted by COVID-19 was delivered jointly by the FAD Revenue Administration Division with PFTAC, PITAA and the South Asia Regional Training and Technical Assistance Center (SARTTAC), with two webinar sessions delivered in October with a third in early December to assist in developing country-specific action plans, key deliverables of the

workshop series.

Six countries participated in the workshops, namely **Bhutan, Cook Islands, Fiji, Maldives, Samoa, and Tonga**. These countries were selected on the basis that they are small administrations with economies that are highly dependent on tourism. The tourism industry has been one of the most severely impacted sectors from the COVID-19 lockdown with these countries specifically impacted. The workshop focused on revenue enhancing strategies but recognizing the impact of the pandemic on the economy. Including Bhutan and Maldives in the workshop enabled

inter-regional information sharing and collaboration among the like-minded states.

The drafting of country-specific and targeted revenue collection plans are key outcomes from the first workshop session. The second workshop session provided support to answer questions from participants and provide further advice. This was followed by engagements with each country to discuss their plans and make recommendations for improvements and refinement of the action plans before the final feedback and evaluation session on December 1.



Revenue Administration Officials attending Virtual Workshop on Reinforcing Tax Collection and Restoring Compliance

BOX 4. ASSISTANCE TO COOK ISLANDS TO TACKLE COVID-19 REVENUE CHALLENGES

The COVID-19 crisis has led to unprecedented tax administration challenges. In response, the IMF has issued a series of short technical notes to provide guidance on how revenue administrations can support the crisis response of their governments. Drawing on these notes, PFTAC assisted the Cook Islands Revenue Management Division (RMD) with their tax compliance strategies to take full account of the current COVID-19 induced economic crisis. As the Cook Islands has remained COVID-19 free, RMD has fortunately been able to operate in a normal working environment without the extraordinary precautions of remote work and staff and taxpayer health and safety measures required by countries with confirmed COVID-19 cases.

However, the pandemic has wreaked severe economic impact from a shutdown of the tourism industry with a resulting significant decline in tax

revenues. In developing the new compliance strategies, the key operational risks were identified and developed to reflect COVID-19 mitigation strategies. The compliance improvement strategy focuses on: (a) registration risks; (b) outreach and education; (c) outstanding tax returns; (d) tax arrears; (e) audit; (f) large taxpayers; and (g) the tourism sector. The tourism sector is particularly hard hit by the crisis with crucial challenges to contain non-compliance while avoiding the closure of taxpayer businesses if avoidable.

The existing compliance improvement plans that most tax administrations have implemented may not be able to meet the challenges of the crisis. Compliance strategies that address COVID-19 must assist revenue administrations to safeguard tax revenue and protect financing of significant government spending needs to address the crisis, including

maintaining and expanding governments' social protection programs. Furthermore, restoring compliance levels in the post-crisis period will be crucial when the focus on raising revenue will need to be renewed.

PFTAC also assisted the RMD with the development of a Business Continuity Plan (BCP) to mitigate revenue administration risks emerging from the pandemic. The BCP balances a set of initiatives to: (a) contain expected increases in non-compliance due to decreased economic activity by boosting services and communication; (b) supporting the implementation of the Cook Island Government's Economic Response Package (ERP); and (c) readjusting core tax functions to recognize those taxpayers affected by the crisis and those affected to a lesser extent.

Other remote regional workshops covered the large taxpayer segment and compliance model, tax return filing and arrears management, and a sub-regional webinar for the five smaller countries in the region to develop tax auditor skills. PFTAC was also a co-host together with PITAA, the OECD, and the Commonwealth Association of Tax Administrations (CATA) on a workshop covering the challenges facing tax administrations with e-commerce and digitalization, with experts from FAD presenting various topics. In addition to the regional workshops, customized country specific tax audit skills development programs were delivered to **Fiji**, **Tonga**, and **Kiribati**. These programs were tailored to address specific skills development needs for the administrations. Technical training was also provided to the tax arrears collections staff in **Samoa**, the newly established Large Taxpayer Office staff in **Solomon Islands**, and to

taxpayer service staff in **Fiji**, **Cook Islands**, and **Samoa**. A total of 322 participants attended the FY2021 regional training workshops and country-specific skills development programs.

The focus at the start of FY2021 shifted away from the pre-COVID-19 developed workplan to dealing with the challenges presented by the COVID-19 pandemic. The pandemic had a severe impact on the economies of countries and revenue collection, especially in the tourism dependent countries, and had a big impact on CD delivery with assistance having to be delivered remotely. Initially it was thought that remote assistance would be better suited to certain types of assistance, such as legal drafting, development of corporate and other strategies, and TA to improve certain core tax functions. Experience over the year, however, has shown that most types of assistance can be delivered

remotely, including tax policy reviews and TADAT assessments, especially where there is an existing relationship between the advisors and country counterparts. Benefits of remote work include savings in travel costs, economical pairing of experts on the same mission for increased productivity, greater flexibility and responsiveness with requests for urgent TA starting within one week of a request being received, higher number of participants in remote workshops, more time and opportunity to finalize the technical report and obtain feedback and comments from counterparts, as well as the possibility of more frequent and quicker follow-up assistance if needed.

Despite these benefits, there are several challenges with remote missions and a balance of remote and in-person missions is expected once travel resumes.

BOX 5. TRAINING FOR FIJI TAX AUDITORS AND INVESTIGATORS

An online workshop was delivered by STX Mark Bell and Jonathon Matthews over two weeks to FRCS staff based in Suva, Nadi, Lautoka, and Labasa with a total of 115 staff over five separate locations participating in each session. The participants included 75 Tax Audit and Investigations staff and 40 Customs Compliance and Investigation officers as observers.

The program was structured using a “building block” approach due to the mix of experience of participants, starting with introductory sessions and then moving through to intermediate and advanced sessions, with the topics covering technical tax and audit issues as well as soft skills. The first workshop session on March 8 was followed by daily training sessions for two weeks with a concluding session on March 19.

The sessions included group case study discussions plus two in-depth case studies provided to participants in advance of the presentations which related to the analysis of financial accounts and asset accretion methodology. The training topics included: (1) Auditor Development; (2) Audit Process; (3) VAT Audit Process; (4) Documentation and Risks; (5) New Audit Methods; (6) Using 3rd Party Information; (7) Introduction to Transfer Pricing; (8) Introduction to Avoidance; (9) Informal Banking System; (10) Prosecution Best Practice; (11) Documentation and Filing of Evidence; and (12) Common Audit Issues for Group Discussion.

There was excellent interaction amongst the groups and with the presenters notwithstanding the large group size. Positive participant

feedback through the Workshop Evaluation indicated that participants strongly agreed or agree that the workshop achieved its objectives. Participants also confirmed that the training materials distributed were helpful and that they will be able to apply what they learned in their work.

The FRCS audit skills development program and a similarly tailored program presented to the Tonga Ministry of Revenue and Customs are part of a series of workshops designed to meet the skills development needs of a specific country or group of countries to improve auditor capability. A pilot program was also developed and presented to Kiribati, followed by the joint PFTAC/PITAA workshop for the smaller tax administrations with auditors from Tuvalu, Nauru, RMI, FSM and Niue participating.



Training for Fiji Tax Auditors and Investigators, March 2021

There are, however, certain drawbacks that impact on the quality and duration of a remote mission. The main drawbacks are lack of close interaction and time for discussions/coaching, technology constraints such as bad internet connections, limited ability to get data and other information quickly, no eye contact and “reading” of workshop participants in terms for their understanding and attention to topics being discussed, and the high volume of video conference meetings, seminars and workshops by different development partners limiting time available to do other urgent work. Successful remote work is dependent on good communication skills by advisers and facilitators, strong technology support, commitment to reform initiatives, the TA supporting the reforms or improvements, and reasonable response times to requests for information, input, and comments. Support should be carefully tailored with due consideration to administrative capacity and the impact of the COVID-19 pandemic and economic shocks by other disasters.

A FAD-led review of Tax Reforms in Pacific Countries was undertaken in early 2021 to consider developments over the four years since the last review in 2017, including the scaling-up of the Revenue program and the significant impact of the COVID-19 crisis in 2020. The findings of the 2021 review will be particularly timely for the development of priorities and resource requirements for Phase VI of PFTAC operations due to commence in 2022. The findings of the updated review will be presented for discussion at the 2021 annual PFTAC Steering Committee meeting. The review focused on five case study countries, namely **Fiji, Kiribati, Samoa, Solomon Islands, and Tonga**, with a lighter review of the other 11 PFTAC member countries. This is consistent with the focus of the 2017 review.

Apart from collaboration with PITAA, OECD, ADB, and CATA on regional workshops, cooperation has been established with the ADB, EU, DFAT and the World Bank on assistance being provided to **Fiji, Kiribati, Palau, and the Solomon Islands**.

In the **Cook Islands** PFTAC assistance led to:

- (1) Tax policy review and recommendation on policy options including advice on the issue of territorial tax;
- (2) Design of compliance improvement strategy to deal with impact of COVID-19;
- (3) Taxpayer service and communication strategy and operational plan;
- (4) Review of reform progress over past two years and business case motivating more investment and support for the RMD.

Support to **Fiji** included the following:

- (1) Tax policy review led by FAD Tax Policy Division;
- (2) Review of reform progress;
- (3) Taxpayer service and communication strategy with focus

on micro-and medium taxpayers;
and

- (4) Tax audit and investigations skills development with tailored training program to address specific development needs.

In **Kiribati**, the outcomes of TA provided by PFTAC were:

- (1) Strengthened tax audit function;
- (2) Tax audit skills development; and
- (3) Improved taxpayer services, tax arrears, and returns collections.

Revenue administration CD assisted the **Republic of Marshall Islands** with:

- (1) A Review of PFTAC and ADB supported Tax Reforms and development of strategy to take tax reforms forward.

PFTAC's support to **Nauru** facilitated:

- (1) Review of tax policy options to consider ; and
- (2) Review of tax administration reform progress.

PFTAC assistance to **Palau** helped to:

- (1) Support preparation for tax reforms, including finalizing legislation and plans to implement the Palau Goods and Services Tax and Net Profit Tax.

In **PNG**, the PFTAC Revenue program assisted with:

- (1) Review of the Medium Term Revenue Strategy (MTRS) funded through the Revenue Mobilization Trust Fund (RMTF) and agreement on transiting assistance back to PFTAC when the RMTF program concludes in mid-2021.

Expanded assistance to **Samoa** led to:

- (1) Development of Information Technology Strategy including the Tax Invoice Monitoring System (TIMS);
- (2) Taxpayer service and communication strategy developed and implemented;
- (3) Review of current compliance improvement strategy and plans and development of new enhanced strategy and plans with focus on the COVID-19 impact on compliance;
- (4) Tax administration reform review led by FAD with PFTAC LTX;
- (5) Improving on-time return filing and payment and management of outstanding returns and tax arrears;
- (6) Strengthened tax audit function and assistance with TIMS data analysis; and
- (7) Development and implementation of a business continuity plan in COVID-19 and other natural disasters context.

Engagement with the **Solomon Islands** contributed to:

- (1) Implementation of the new functional structure, including a business case to increase support and investment for the SIIRD as well as the development of new job descriptions; and
- (2) Implementation of the Large Taxpayer Office (LTO), including training of LTO staff.

In **Tonga**, PFTAC assistance included:

- (1) TADAT training and formal performance assessment;
- (2) Implementation of the Industry

Partnership (IP) project plan with components for: (1) relationship management, (2) leverage; and (3) audit (assurance);

- (3) Audit methods to support the IP project;
- (4) Tax audit development framework covering recruitment, placement, promotion appropriate skills development for the different levels of auditors, as well as the training material; and
- (5) Tax audit skills development course tailored for specific needs as identified.

CD to **Tuvalu** provided for the:

- (1) Development of a strategic plan and priorities for its first year of operation; and
- (2) Implementation and enhancement of a compliance improvement strategy, focusing on large taxpayers and improving taxpayer services.

In **Vanuatu**, PFTAC's support contributed to:

- (1) Development of a corporate strategic plan; and
- (2) Renewal of a compliance improvement strategy with COVID-19 focus.

Regional assistance was provided to:

- (1) Development of PITAA strategic plan; and
- (2) 2021 PFTAC regional review.

PFTAC continues to support significant tax law reform efforts by PICs. The reforms primarily involve updating and modernizing tax legislation, particularly income tax and VAT laws.

BOX 6. TAX LAW REFORM

PFTAC continues to support significant tax law reform efforts by PICs. The reforms primarily involve updating and modernizing tax legislation, particularly income tax and VAT laws. Work on some projects slowed in 2020 as Governments focused on immediate COVID-19 measures.

The rewrite of the Income Tax Act (ITA) in **PNG** continues. A draft of the rewritten ITA was released for public consultation in mid-2020 and a revised draft prepared taking account of submissions received. A further round of public consultations is planned for mid-2021 with the legislation to be submitted to Parliament in November 2021.

Work continued on modernizing and simplifying VAT legislation in **Fiji** and **Tonga** (where VAT is called “consumption tax”). A particular focus of the VAT rewrites is on improving the taxation of supplies of imported services (including the “import” of business-to-consumer digital products) and reviewing exempt and zero-rated supplies. Both countries propose enacting the rewritten VAT legislation in the second half of 2021. The **Palau** Tax Reform Bill was submitted to Parliament in February 2021 with the introduction of the Palau Goods and Services Tax (a VAT style tax) the centrepiece of the tax reform.

Work has also continued in some PICs on tax administration legislation. In **Tonga**, the Revenue Services Administration Bill was passed in the May 2020 sitting of Parliament but is still awaiting Royal Assent. A final draft of the **Niue** Tax Administration Bill has been prepared with the Bill intended to be submitted to Parliament in the second half of 2021. Work commenced on a Tax Administration Bill for the **Cook Islands** in December 2020. The drafting of the Bill is nearing completion and is expected to be submitted to Parliament in the second half of 2021.

Nauru passed amendments to the Business Tax Act to replace territorial taxation with the taxation of residents on worldwide income.

There has been ongoing work in **Kiribati** on small business tax and seabed mining legislation.



Tonga Ministry of Revenue and Customs: Establishment of Large Taxpayer Office

BOX 7. PFTAC/PITAA ONLINE WORKSHOP ON MANAGING LARGE TAXPAYERS, COMPLIANCE IMPROVEMENT, AND EFFECTIVE DATA ANALYSIS

Fourteen Pacific Island tax administrations represented by 58 officials participated in the workshop facilitated by two FAD experts, Stan Shroshree and Martin Scott. The experience, knowledge and backgrounds of the participants was diverse which is reflective of the size and sophistication of PICs that participated namely, eight small, four medium, and two large tax administrations.

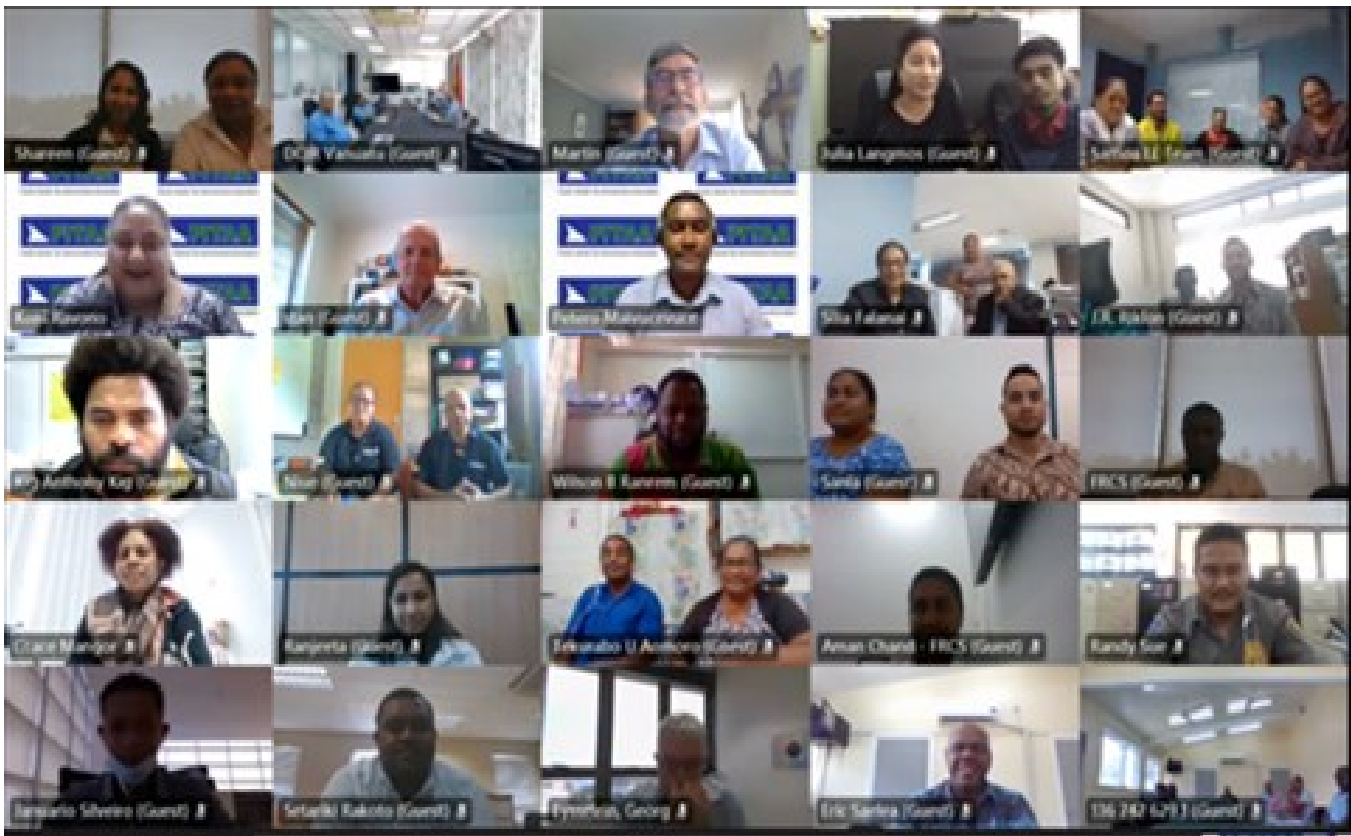
Approximately 12 hours of training was delivered over the 4-day workshop which included 14 presentations, tasks for participants, and open forum discussions. This provided the facilitators and participants the

opportunity to share knowledge and learn from the experiences of others.

The workshop agenda covered a wide range of topics focused on the large taxpayer segment and compliance. The topics included: (a) COVID-19 – the importance of large taxpayers in reprioritizing revenue collections; (b) characteristics of large taxpayers; (c) applying the compliance model in the large taxpayer environment (tax administration as a compliance agency); (d) applying the compliance model in the large taxpayer environment (the compliance model and thinking behind it); (e) large taxpayers – governance and structure; (f) key features of an effective large

taxpayer compliance strategy; (g) managing and measuring performance; (h) information management; (i) key compliance functions; (j) stakeholder and relationship management; (k) addressing non-compliance; and (l) developing a high level implementation plan.

Participants from **Fiji, Tonga, and Solomon Islands** shared their experiences relating to their Large Taxpayer Management as case studies. Their presentations covered the impact of establishing large taxpayer offices on compliance, staffing and successes to date.



Virtual Workshop on Managing Large Taxpayers, Compliance Improvement and Effective Data Analysis, February 2021

BOX 8. PFTAC/PITAA ONLINE WORKSHOP ON RETURN FILING AND TAX ARREARS

The joint PFTAC/PITAA webinar on **Managing Tax Arrears and Return Filing** was delivered across five days to 46 participants from 13 PFTAC member countries. The workshop aimed to provide participants with a good understanding of both the theoretical concepts behind managing tax return filing and tax arrears risks and the practical application of those concepts.

Workshop participants shared their country experiences and each of the participating countries developed and presented a high-level customized

plan for their country.

Participants improved their understanding of international best practice and learned how to practically implement the customized plans using a framework developed from the four key principles of payment and arrears management: (1) Prevention – engage before the due date; (2) Early and continuous engagement – engaging after the due date; (3) Effective and timely enforcement – firmer enforcement; and (4) Realistic compliance and recovery – write off and uneconomic to recover.

The workshop introduced strategic payment thinking approaches, use of behavioral insights, analytics, and reinforced respective TADAT Performance Outcome Areas.

These plans were reviewed as part of the workshop. Participants were encouraged to discuss these plans with their executive managers and incorporate into existing business and operational plans. The high-level plan will assist in enabling progressive improvements.



PFTAC Revenue Advisor with PITAA Head of Secretariat and Department of Foreign Affairs and Trade (Australia) Officials

PUBLIC FINANCIAL MANAGEMENT

MAIN ACHIEVEMENTS

- (1) Successfully piloting and completing the PEFA Climate module in **Samoa**—the first such assessment worldwide;
- (2) Formulating PFM roadmaps, which are realistic and achievable within the country context, enabling better progress in strengthening PFM systems and practices;
- (3) Updating and modernizing PFM legislation to provide comprehensive scope and coverage of all elements of the PFM system, and to promote fiscal responsibility and transparency;
- (4) Strengthening financial reporting via the adoption of cash-based International Public Sector Accounting Standards (IPSAS) and progressively reporting encouraged disclosures; and
- (5) Strengthening internal control through the implementation of risk-based audit practices in accordance with the Institute of Internal Auditors (IIA) standards.



Samoa Ministry of Finance CEO – Oscar Malielegaoi shares experience on PEFA Climate Assessment and PFTAC TA Support

In FY2021, the PFM program delivered 19 missions or activities (totaling 267 TA days) comprising 17 missions to member countries and 2 regional workshops delivered through a hybrid in-person and remote modality in conjunction with USP. Against the FY2021 workplan that was updated in December 2020 to reflect ongoing COVID-19 restrictions, this was an outturn of 83 percent of planned missions/activities (19 of 23), and 81 percent of planned TA days (267 of 328), of which 128 TA days were delivered by the resident advisors and 139 TA days by STX. However, the outturn against the pre-COVID-19 workplan based on no travel restrictions was 54 percent of planned missions/activities (19 of 35 planned activities) and 53 percent of TA days (267 of 501 planned TA days).

The major users of PFM TA during the year were **Samoa** and **Tonga** (5 missions each). It should be noted that logistical constraints in some countries have made hosting remote missions more challenging. The key topic areas where assistance was provided, included conducting of Public Expenditure and Financial Accountability (PEFA) assessments, updating PFM legislation, formulation of prioritized and sequenced reform roadmaps, implementing international standards for risk-based internal audit, and strengthening financial reporting through the adoption of cash IPSAS, including progressive reporting against encouraged disclosures.

PFTAC continued to support countries in diagnosing their PFM performance,

using the PEFA assessment tool. During the year, two PEFA assessments were undertaken, including the flagship PEFA Climate Module—piloted in **Samoa**—which was the first such assessment globally. An agile PEFA assessment was undertaken for the **Cook Islands**. This was PFTAC's second PEFA using the agile approach, which is less onerous and resource intensive than the regular modality and better suited to remote delivery.

Building upon the findings of past PEFAs, PFTAC assisted the development of PFM roadmaps for **PNG** and **Tonga**. Assistance was provided in drafting new PFM legislation for **Niue** and **Tonga**.

With PFTAC support and guidance, countries continue to make good progress on strengthening fiscal reporting, which has been reflected in improved audit opinions. Adoption of the cash based- IPSAS has been instrumental in this. During FY2021, support on implementing cash IPSAS was provided to **Nauru**, **PNG**, **Samoa**, **Solomon Islands**, and **Tonga**. Many countries are going beyond the basic mandatory disclosures of Part 1 IPSAS and have started to progressively make their financial statements more informative by incorporating (optional) encouraged disclosures in accordance with Part 2 IPSAS, including the disclosure of nonfinancial assets and liabilities. Advice has been provided on IPSAS compliance, providing greater clarity via policy statements in the notes to the statements, and improving data quality, comprehensiveness, and

timeliness of the financial statements.

Support was provided to **Fiji** and **Samoa** to further earlier work on modernizing internal audit practices through the implementation of the IIA risk-based auditing standards. This has had the benefit of providing a focus on the highest risk areas, rather than spreading limited resources more thinly across all areas and transactions. Addressing systemic issues in the highest risk areas is fundamental to strengthening the overall control environment. Risk assessments of governance and emergency responses in Fiji have particular relevance to the COVID-19 crisis.

The ongoing project on cash management in **Samoa** has assisted the authorities to initiate a quarterly warranting system which is fundamental to revising commitment ceilings in response to revenue shocks, such as those experienced during COVID-19; strengthen cash flow forecasting practices; and utilize cash resources more effectively through consolidation of cash funds as part of initiating a treasury single account (TSA).

PFTAC continues to play a leading coordination role with active engagement of the development partners and regional institutions involved in PFM reform activities. This has assisted in enhancing the effectiveness of CD within a busy arena.

BOX 9. PEFA CLIMATE CHANGE MODULE ASSESSMENT

The PEFA Climate Change framework, piloted for the first time in **Samoa**, examined the responsiveness of Samoa's PFM systems to its climate change policies. Led by PFTAC, the assessment team included the PEFA Secretariat, PRIF, World Bank, and PIFS. The report was peer reviewed by ADB, DFAT, EU, IMF, JICA, MFAT

(NZ), UNDP and the World Bank. The report findings highlighted opportunities where Samoa could enhance its responsiveness to climate change through strategic allocation of resources, tracking expenditure, and improved prioritization of public investment. Issues valuable to the pilot phase were also uncovered such as

climate change oriented taxation, accounting for climate change actions taking place outside central government, and recalibration of some of the dimensions. The PEFA climate change framework also highlighted the broader question of PFM flexibility in integrating other key objectives such as poverty and equality.



Hybrid Workshop on Budget Documentation and Reporting at USP Fiji Campus, September 2020

A joint workshop co-hosted by the UNDP and PFTAC was conducted remotely, as a follow up on the in-person workshop delivered in FY2020. The workshop targeted senior budget officials and members of legislative secretariats who provide budget analysis to members of parliament. Workshop sessions discussed the basics of good budget documentation and how to handle the COVID-19 response in the budget; the importance of incorporating fiscal policy into budget documentation; documenting gender responsive budgeting and disaster resilience; and developing citizens budgets to inform stakeholders.

In the **Cook Islands** PFTAC:

- (1) Undertook the Agile PEFA assessment to determine how PFM systems have progressed since the 2014 assessment and to prepare a PFM Roadmap.

Follow-on support to **Fiji** assisted:

- (1) Risk-based audit of governance issues related to the Green Climate Fund (GCF) accreditation process (gender, climate change, the audit committee, and internal audit charters), and strengthening

of governance assessment processes, including the planning and execution of whole of government audits, including on areas related to disaster recovery programs.

Support to the **Marshall Islands** included:

- (1) Assessing current documents against the IMF's Fiscal Transparency Code (FTC), making recommendations which have been adopted for preparing an explanatory document for the legislature on the presented budget.

PFTAC assisted **Niue** to:

- (1) Draft a modernized PFM Act (PFMA) to support the PFM reforms. Drawing from earlier assistance, a revised PFMA was drafted and submitted to the authorities for feedback. Due to COVID-19 related delays, this work will be completed in FY22.

Guidance was provided to **PNG** to:

- (1) Formulate a sequenced and prioritized PFM reform roadmap building on the findings of the

2020 PEFA and taking on board capacity constraints.

Support to **Samoa** included:

- (1) The PEFA Climate assessment of the responsiveness of PFM systems to the country's climate change policies and objectives;
- (2) Strengthening cash management practices, including cash flow forecasting, consolidation of cash resources, and implementation of a quarterly warranting system to strengthen commitment controls within the financial management system; and
- (3) Deepening the use of risk-based internal audit practices and standards and conducting a whole of government audit of the payroll; and advised on updating the internal audit manual and establishing the Audit Committee.

The **Solomon Islands** benefitted from:

- (1) A review of the 2018 Financial Statements to be compliant with IPSAS cash. Due to COVID-19, planned follow up work has been postponed to FY22.

BOX 10. COOK ISLANDS AGILE PEFA

The PFTAC PFM team together with the assessment team, including members from the Pacific Association of Supreme Audit Institutions (PASAI), and the PEFA Secretariat, conducted the **Cook Islands** Agile PEFA assessment that was launched in January 2021. The assessment measured the performance of PFM processes, practices, and systems and the extent to which they have progressed since the 2014 assessment.

Despite the challenges of remote delivery on such a resource and data intensive activity, albeit with some delay, the field work was completed, and the draft report was submitted for peer review. This is a testament to the goodwill and excellent cooperation of the Cook Island counterparts.

The preliminary findings show notable gains in budget classification and documentation, central government operations, fiscal risk reporting, debt management, fiscal strategy

formulation and budgeting, and medium term budgeting. Weaknesses remain in procurement, public investment management, bank account reconciliation, reporting on budget execution, internal audit, and external audit.

The draft report, once peer reviewed, will provide the basis for formulating an updated PFM roadmap, sequenced, and prioritized according to the gaps, shortcomings and other needs identified in the PEFA assessment.

PFTAC assisted **Tonga** in:

- (1) Building capacity in preparing financial statements compliant with IPSAS cash, reviewing the 2019/20 financial statements, and making recommendations on the changes required;
- (2) The formulation of the PFM

Roadmap following the 2019 'Agile' PEFA assessment working closely with CEOs and senior staff; and

- (3) Submitted a draft bill to the authorities of a model PFMA that supports the implementation of the required PFM reforms. This work is being extended to FY22 due partly to the COVID-19

related restrictions.

PFTAC provided advice to **Timor-Leste** on:

- (1) Revising its draft update to the PFM Act, giving guidance on layout, scope, coverage, and specific technical content.

BOX 11. REMOTE WORKSHOPS: BUDGET DOCUMENTATION AND PUBLIC INVESTMENT MANAGEMENT

The PFTAC PFM team undertook two remote workshops during FY2021: (i) a follow up workshop on budget documentation, which was delivered during November 2020; and (ii) a workshop delivered by the FAD in conjunction with PFTAC on strengthening Public Investment Management (PIM) in Pacific countries.

Despite the remote delivery modality with its associated challenges, both workshops achieved excellent participation and engagement. USP provided logistical support for both these events through the use of their campuses. This proved very useful especially in countries where connectivity is more challenging. Whilst remote delivery is no substitute for in-person events, in the circumstances it demonstrated what was possible.

The workshop sessions were undertaken each with four half-day sessions over three weeks for the budget documentation workshop and two weeks for the PIM workshop. This spread-out approach facilitated greater retention of interest and participation throughout. Country case studies were a popular theme, with participants eager to share experiences.

The budget documentation workshop generated active discussion on the workshop themes which included the basics of good budget documentation and how to handle the COVID-19 response in the budget; the importance of incorporating fiscal policy into budget documentation; documenting gender responsive budgeting and disaster resilience; and developing citizens budgets to inform stakeholders.

The PIM workshop provided

participants with an understanding of why sound management of public investment is critical to the achievement of the most efficient and resilient infrastructure. The workshop introduced the IMF's PIMA framework and also presented the new PIMA Climate Change module.

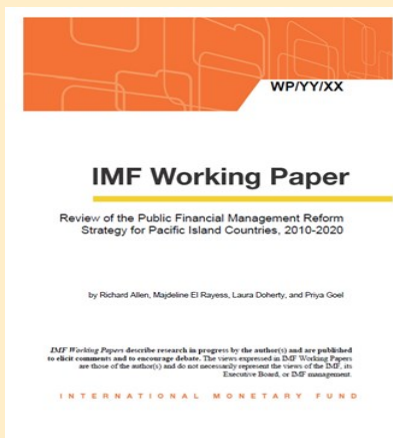
It focused on key public investment management practices across the three stages of the PIM – planning, allocation, and implementation as well as on building climate resilience for small island states and integrating climate considerations into infrastructure planning, building climate resilience, and improving natural disaster responsiveness and access to climate finance.

The event was attended by more than 50 participants from 8 PICs, including officials from ministries of finance, planning, and infrastructure.



Virtual PIMA Workshop, April 2021

BOX 12. FAD REVIEW OF PFM REFORM STRATEGIES FOR PICs, 2012-2020



FAD undertook a review of PFM reform strategies for 16 Pacific Island Countries (PICs) during the period 2010-2020. The strategy was endorsed by the finance and economic ministers of the region (FEMM) in 2010. The paper analyzed more than 30 PEFA assessments carried out across the region. The region shares the generally slow pace of PFM reform that is also a feature of most developing countries.

The study noted a number of findings:

- PFTAC has played a pivotal role in coordinating reforms and contributing to improvements in PFM.
- Success in implementing PFM roadmaps in the region has been varied.
- Roadmaps have tended to be overly ambitious and too broad, while failing to fully recognize capacity constraints and other limitations.
- Solid improvements were noted in budget execution and control and fiscal reporting, but less progress was noted in areas such as budget credibility, internal and external audit, and procurement.
- Strengthening PFM broadly will be a contributing factor to accessing climate funds.
- COVID-19 has had an immediate impact on countries and their systems which will reach into the medium term.

The working paper made a number of key recommendations:

- Reforms should be more realistic, prioritized, and sequenced.
- PFTAC and other partners should continue support to strengthening the basic PFM areas which underpin more advanced areas.
- PEFA diagnostics are important but are resource intensive, it is important to balance diagnostics against implementation of reforms.
- Focus should be on addressing areas of identified weaknesses, e.g., climate, gender, PIM institutions, SOE oversight, etc.
- Improving transparency should be a key area of reform.
- Lessons learned from COVID-19: use new modalities (remote and hybrid delivery) to strengthen continuous engagement.

<https://www.imf.org/en/Publications/WP/Issues/2020/09/04/Review-of-the-Public-Financial-Management-Reform-Strategy-for-Pacific-Island-Countries-2010-49709> Authors: R. Allen; Majdeline El Rayess, Laura Doherty, and Priya Goel

BOX 13. PIFS TECHNICAL WORKING GROUP ON PFM AND CLIMATE FINANCE

The informal technical working group (TWG) on PFM and climate change finance was established in March 2020 in accordance with the decisions of the 2019 FEMM Action Plan. The TWG is co-chaired by PIFS and PFTAC, each alternately hosting the meetings. Meetings are convened periodically, with a total of nine meetings held through the end of FY2021. The TWG operates with a strong mandate from the FEMM which highly commended the group at its meeting of August 2020.

The membership comprises representatives from PIFS, PFTAC, the IMF Fiji resident representative, UNDP, the World Bank, ADB, the EU, Australia (DFAT), New Zealand (MFAT), UNDP, and the UK Department for International Development (DFID).

The TWG oversees 3 workstreams: (i) PFTAC support to the climate related PFM agenda; (ii) PIFS guidance on the accreditation process for accessing climate funds; and (iii) UNDP research into climate finance and its effectiveness, identifying enablers and barriers to climate financing. These workstreams feature as standing agenda items for the meetings.

Workstream 1 provides regular update on PFTAC activities aimed at

strengthening countries PFM systems and practices, with a view to strengthening the case for countries' accreditation and direct access to climate funds. The meetings provide a forum for discussing key areas of interest to development partners, including transparency of public finances; the management of assets and liabilities; predictability of funding; budget execution controls; and reporting—all areas vital to effective and resilient public investment. The TWG was kept abreast of the Samoa PEFA Climate module, from planning through to completion and publication.

Under Workstream 2, PIFS has been working actively on identifying progress and learning lessons from country experiences endeavoring to gain accreditation and tap into the climate funds. The workstream has developed three key outputs: (i) a policy brief on Pacific experiences seeking accreditation for the Green Climate Fund (GCF) and Adaptation Fund (AF); (ii) a Mapping report on PICs' interests for accreditation; and (iii) a Draft Regional NIE guideline, to assist member countries in their accreditation application process.

Workstream 3 has undertaken in-depth research into areas of climate finance, based on desk-based literature review, and key stakeholder interviews. The study highlights emerging concepts for

consideration including shifting from short to longer term; incremental to transformative; funding to financing; and climate financing to resilience financing.

In addition to these three workstreams, guest presentations have been made by: (i) the Pacific Regional Infrastructure Facility (PRIF) on the role of infrastructure in the recovery efforts of Pacific Island countries (PICs) from COVID-19, such as better connectivity, more reliable and cheaper energy, ICT, and access to water & sanitation; and (ii) the Green Climate Fund (GCF) on the status of climate financing in the region, and GCF's support for regional readiness programs—although none have been mobilized yet in the Pacific. The UNDP is also providing support to high-level events, such as COP26.

In May 2021 (after the financial yearend), FAD made an advanced presentation of its study on climate finance, which is due to be published later in the year.

The TWG is another example of the collaboration efforts between PFTAC, development partners and regional institutions – something which is vital for assisting PICs in addressing climate change and reflective of the IMF's increased commitment on climate change issues.

TABLE 11. PEFA AND PIMA ASSESSMENTS AND PFM ROADMAPS IN PACIFIC ISLAND COUNTRIES

Country	Most Recent External	Number of PEFAs (Final)	PFTAC Guided Self-Assessments	Planned PEFAs	Completed PIMA	Most Recent Roadmap	Roadmap Development Support	Planned Roadmap Development
Cook Islands	2014 ¹	2	2013	Agile: FY21	-	2016	Self	-
FSM	2012	1	2016	-	-	2018	Self	-
Fiji	2019	2	2019	-	-	2020	PFTAC/ PEFA Secretariat	-
Kiribati	2009	2	2017	-	2018	2011	EU	-
Nauru	2010	1	2016	-	-	Revised	ADB/PFTAC	FY19
Niue	2011	1	-	-	-	Revised 2014	PFTAC	-
Palau	-	0	2013	Agile: FY21	-	-	-	FY21
PNG	2019	4	2014-15	-	-	2021	PFTAC/FAD	FY21
RMI	2012	1	2012	-	-	2013	PFTAC	-
Samoa	2018 ²	4	2013	-	-	2020	PFTAC	-
Solomon Islands	2012	2	2012	-	-	2018	PFTAC	-
Timor-Leste	2019	3	-	-	2017	-	-	-
Tokelau	-	0	2018	-	-	2019	PFTAC	-
Tonga	2019	2	2014	-	-	2014	PFTAC	-
Tuvalu	2011	2	2015	-	-	2017	PFTAC	-
Vanuatu	2012	3	2015	-	-	2016	PFTAC	-

¹ The Cook Islands agile PEFA undertaken in FY2021 is currently being reviewed and yet to undergo PEFA Check.

² This refers to the most recent main PEFA – Samoa also undertook the PEFA Climate module assessment which was finalized and published February 2021.

MACROECONOMIC PROGRAMMING AND ANALYSIS

MAIN ACHIEVEMENTS

- (1) Assisting countries to better understand their macro-fiscal position and outlook to better inform policy decision making;
- (2) Assisting countries to undertake scenario analysis of the effects of different recovery pathways out of COVID-19, particularly for tourism dependent countries;
- (3) Undertaking 'webinars' for member countries in the region combining theoretical training and practical policy discussions with a focus on the impact and response to COVID 19;
- (4) Assessing sectoral economic contributions to assist member countries better understand the impact of potential regulatory changes affecting those sectors; and
- (5) Providing support for a regional electronic Know Your Customer (KYC) Facility for use by regional banks and money transfer operators to improve the efficiency of regional remittance flows and reduce bank 'de-risking' pressure.



Joint PFTAC STI Macro-Fiscal Training, March 2021

The work of the Macroeconomic program over the course of FY2021 occurred largely remotely, though one mission was conducted in person in Fiji and a further training course was attended in person by Fijian government officials.

In most cases the remote delivery of TA was effective in communicating concepts and in undertaking analysis. In some cases, remote delivery also had the benefit of being able to reach a wider audience in the case of workshops and to undertake more frequent meetings of regional projects.

In FY2021, the Macro program delivered 8 missions or activities (totaling 115 TA days) comprising 5 missions to member countries, two remotely delivered regional workshops, and a significant contribution to a regional initiative

tackling the loss of Correspondent Banking Relationships (CBR). Against the FY2021 workplan that was updated in December 2020 to reflect ongoing COVID-19 restrictions, this was an outturn of 73 percent of planned missions/activities (8 of 11), and 78 percent of planned TA days (115 of 147), of which 103 TA days were delivered by the resident advisor and 12 TA days by an STX.

However, the outturn against the pre-COVID-19 workplan that far more ambitiously anticipated greater use of STX and considerably more resources to support the CBR initiative, the mission/activity outturn was 33 percent (8 of 24 planned activities) and 54 percent of TA days (115 of 212 planned TA days). This lower than expected resource use was due to a large number of in person workshops and regional travel that did not occur

due to COVID-19.

The macroeconomic program is focused on assisting members to develop quantitative tools for use in policy analysis, forecasting, debt sustainability, and external vulnerability analysis. These tools take a graduated approach depending on the needs of the country and seek to contribute to: (1) Basic Budgeting; (2) Medium Term Forecasting; (3) Scenario analysis; (4) Fiscal Strategy; and (5) Broader Macroeconomic Analysis.

A further goal of the macroeconomic program is to aid countries in undertaking macroeconomic policy analysis through formal training combined with policy discussions with a focus on practical application in the Pacific.

BOX 14. JOINT MACROECONOMIC AND STI WEBINARS

The PFTAC Macroeconomic Adviser in conjunction with the IMF's Singapore Training Institute (STI) conducted two joint 'webinars' over the course of Fiscal Year 2021.

The first, which also benefited from a presentation by the IMF's Pacific Resident Representative, Leni Hunter, was on the **Economic Impacts of COVID-19 on Pacific Countries**. Approximately 50 government officials from across the Pacific attended along with economists from Australian (DFAT). Participants were also trained on a model that assisted in forecasting the economic impact of COVID-19 under different scenarios in Pacific countries.

The second, on **Fiscal Analysis, Debt Sustainability and Risks** took place over three days and was attended by 42 participants across the Pacific. The sessions covered macroeconomic

accounts and their relationship with the fiscal sector. This approach is particularly important for understanding the impact of changes in fiscal policy on the broader economy, including as governments look to withdraw fiscal support during a future post COVID-19 recovery stage.

The workshop also examined fiscal risks and their mitigation as well as debt sustainability. This is of high importance as many Pacific countries have faced considerable increases in their debt levels as a result of the pandemic.

A hands-on session on debt sustainability was also included as part of the webinar allowing participants to gain a greater understanding of the implications for debt sustainability of different fiscal and economic pathways.

The final webinar presentation was on Fiscal Policy during the pandemic in the Pacific which provided insights into developments and policy initiatives undertaken across the Pacific. The presentation examined the impact of COVID-19 on the economies and their government's fiscal position of a number of Pacific countries as well as examining past and possible future policy responses in light of this analysis.

The webinar also benefited greatly from the involvement of the IMF's APD Pacific Division Deputy Chief, Scott Roger, who facilitated a round table discussion on policy options and their implications for Pacific countries as they look to their recovery post-COVID. Member countries were able to directly discuss their situation with Scott, drawing upon his extensive experience in the region.

In **Fiji**, the macroeconomic adviser worked closely over an extended mission period with Ministry of Economy staff and Reserve Bank of Fiji staff to build a new macro-fiscal

forecasting and analysis model in one of the very few opportunities where in-person TA was able to be delivered anywhere by the IMF during FY2021. The purpose of the model is to enable

the authorities to examine the impact on the Fiji economy and fiscal position of a range of scenarios, including different timeframes for the return of tourists to Fiji, changes in government

spending decisions, and the impact of cyclones. The model is GDP(E) based and involved mapping government expenditure to the appropriate national accounts components on a GFS and Fiji Government Fiscal year basis. The model produces a range of indicators on both a numerical basis and as ratios of GDP out to 2030-31. The model will ultimately help inform the Fiji government of the impact of its fiscal decisions under different return of tourism assumptions.

At the request of the **Samoa** authorities, the macroeconomic adviser undertook an assessment of the contribution of the international financial sector to Samoa's economy, including both GDP and GNI, as well as revenue collection. The resulting

report will assist the authorities to better understand the impact on their economy of any possible regulatory changes that could affect the sector. Overall, the report recommended using GNI as well as GDP, when assessing the impact of the international financial sector in Samoa, enabling a fuller understanding of the impact on economic welfare.

Working remotely in **Nauru**, STX Jyoti Rahman and the Macroeconomic Adviser provided assistance on construction of a macro-fiscal model for use in fiscal forecasts as well as projections and scenario analysis. The model will aid the authorities in making assessments about the policy tradeoffs they face under different fiscal policy positions, accumulation in their

sovereign wealth fund, and risk analysis around the future of the offshore processing Centre located in Nauru.

The macroeconomic adviser was also seconded remotely to both the **Nauru** and the **Tuvalu** APD country teams based in Washington, to assist in analytical work. In relation to Nauru, this focused on examining Nauru's debt sustainability, including the impact of outstanding defaulted debt.

A remote mission to the **Solomon Islands** undertook work with the Ministry of Finance and the Central Bank to review existing inflation forecasting models and frameworks as well as examining the uses of different measures of inflation.

BOX 15. CORRESPONDENT BANKING RELATIONSHIPS

Since the Global Financial Crisis, authorities in Australia, New Zealand and the Pacific islands have been concerned about losses of Correspondent Banking Relationships (CBR) by small banks and money transfer operators (MTOs) in the region. Remittances from Australia, New Zealand, and the US are important sources of income for several countries in the region, and CBR losses make such transfers more difficult and help keep remittance costs amongst the highest in the world.

In November 2019, and in response to this concern, Governors of the nine

central banks of the South Pacific (Australia, Fiji, New Zealand, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga and Vanuatu) agreed to develop a regional Know Your Customer (KYC) utility. In March 2020 a Steering Committee to oversee the project was established, together with a Working Group to take the project forward. The Steering Committee comprises members of the region's central banks and is co-chaired by New Zealand and Australia, with the IMF/ PFTAC as the secretariat.

The IMF's APD Pacific Division Deputy

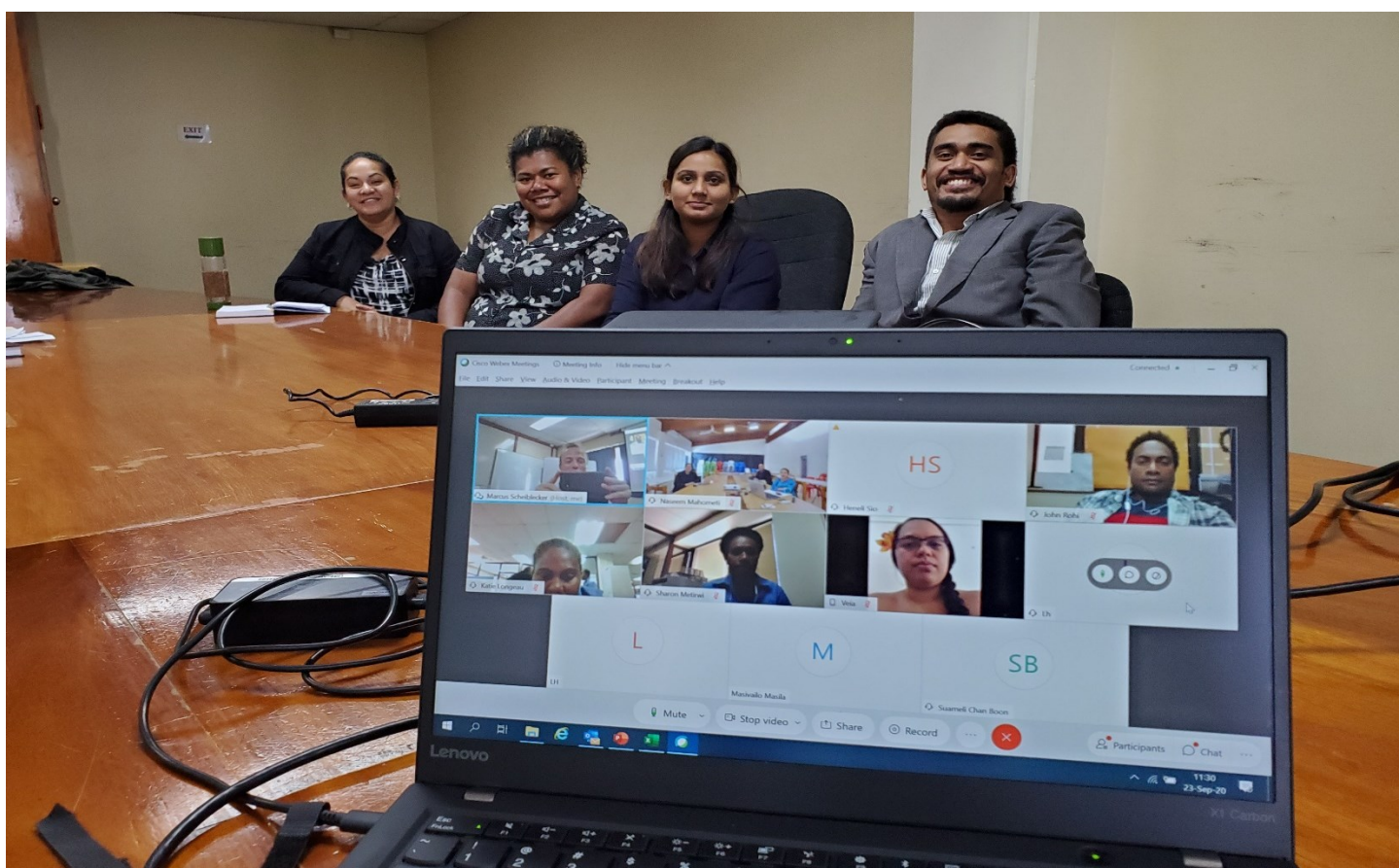
Chief, Scott Roger also provides advice to the Steering Committee. In addition, the World Bank, ADB, the UN, and other International Financial Institutions are frequent participants.

The objective of the KYC Facility is to improve Customer Due Diligence – that is identification – of financial transfer senders and receivers. This will give Australian, New Zealand and US Banks greater confidence in Anti-Money Laundering and Counter Terrorism Financing regulations, reducing pressure on them to cancel their CBR.

MACROECONOMIC STATISTICS

MAIN ACHIEVEMENTS

- (1) Providing general and targeted training to local staff to build compilation capacities;
- (2) Improving the timeliness of GDP data by introducing quarterly GDP programs in several countries;
- (3) Extending the coverage of national accounts by implementing expenditure side GDP compilation;
- (4) Compiling, disseminating, and ensuring the timeliness of GFS for the BCG, and expanding coverage to the GG;
- (5) Ensuring that new national Charts of Accounts (CoA) are mapped and aligned to the classifications according to the Government Finance Statistics Manual 2014 (GFSM 2014) for automation in the financial systems; and
- (6) Increasing the coverage in the compilation of public sector debt statistics (PSDS).



Hybrid Workshop on Quarterly National Accounts and Seasonal Adjustment at Fiji Bureau of Statistics Office, September 2020

WORK PROGRAM EXECUTION

GOVERNMENT FINANCE STATISTICS

Due to the unprecedented and challenging times caused by the COVID-19 pandemic, the entire GFS program was delivered remotely. The duration of most CD activities was shortened to one-week to allow the compilers to focus on other important challenging tasks arising from the pandemic.

Over FY2021, 12 GFS missions (totaling 79 TA field days) were delivered: 66 days by the PFTAC GFS resident advisor and 13 days by STX. This is effectively 84 percent delivery (TA days) of the workplan as adjusted in late 2020.

The program also delivered one training event: a virtual regional workshop in April 2021 focused on how to record COVID-19 related government policy interventions in fiscal statistics. Attending the workshop were 34 officials from 11 member countries, all except Nauru, Tuvalu, and Timor-Leste, who were unable to attend given staff constraints.

The main themes in FY2021 for the GFS program were:

- (1) Assisting with recording the most commonly observed interventions in fiscal accounts during the COVID-19 pandemic in all the region;
- (2) Reviewing the coding and mapping of the new national CoA aligned to the guidelines provided through the *GFSM 2014* in **Fiji, Tonga** and **Vanuatu**. A new information system became operational in **Palau**, while reforms progressed in **Fiji, FSM**, and **RMI**. These reforms may see potential improvements in producing financial statistics and will ensure improved timeliness if

the GFS is automated as part of the process;

- (3) Assisting in the compilation and dissemination of GFS for the BCG for decision making and IMF surveillance as well as for reporting to the IMF's GFS annual database;
- (4) Twelve reports were submitted with data to the annual database, the same number as in FY2020. Hands on training in the GFS compilation process was provided in **Cook Islands, FSM, Nauru, Palau, RMI, Timor-Leste, Tonga**, and **Vanuatu**;
- (5) Expanding coverage to the GG in **FSM, Palau** and **RMI** while progress in data preparation was made in **Fiji** and **Solomon Islands**;
- (6) Increasing coverage in the compilation of PSDS with progress made in **FSM, Palau, RMI, Solomon Islands**, and **Vanuatu**;
- (7) Preparing detailed business process documentation to better understand compilation processes in **Cook Islands, FSM, Palau, RMI, Timor-Leste** and **Tonga**; and
- (8) Increasing the frequency of GFS reporting in **Cook Islands**, while progress was made in **Palau** and **Tonga**.

REAL SECTOR STATISTICS

The COVID-19 pandemic has been a challenge for countries and their statistical offices and also for PFTAC's CD delivery. Due to travel restrictions, TA missions were delivered remotely throughout the year with the exception of Fiji. Nevertheless, the outturn against the pre-COVID-19 workplan of RSS was 94 percent (16 of 17) of

planned missions/activities and 66 percent (134 of 203) of planned TA days. Compared to the workplan adapted to the new circumstances in December, 100 percent of planned missions/activities and 88 percent of planned TA days, with all 16 planned missions/activities delivered, utilizing 134 of 152 planned TA days.

One of the 16 delivered activities was a remote mission to **Tuvalu** covering External Sector Statistics.

Three regional workshops were delivered with one concentrating on annual national accounts and another on quarterly national accounts. PFTAC contributed to a further workshop in cooperation with CDOT on BoP compilation. All workshops were delivered remotely.

The most important achievements in FY2021 were:

- (1) Finalizing and publishing quarterly national accounts program in **Fiji**;
- (2) Starting seasonal adjustment programs to QNA figures for **Cook Islands** and **Samoa**; and
- (3) Finalizing a program on expenditure side GDP (GDP-E) calculation on an annual basis in **Samoa**.

The sole objective of the RSS program is to *strengthen macroeconomic and financial statistics compilation and dissemination*.

The COVID-19 pandemic has increased the demand for timely QNA to better inform recent economic developments and support effective and evidence based economic policymaking. Governments, businesses, and citizens require timely, high frequency data to track the depth of the recession and the pace and shape of the recovery.

BOX 16. QNA AND SEASONAL ADJUSTMENT

Quarterly National Accounts (QNA) allow for the compilation of Gross Domestic Product (GDP) on a quarterly basis. As such, results are published typically 3 – 4 months after the end of a quarter, with information about recent economic developments available faster, allowing a swifter policy reaction. Further, this timeline allows for the earlier publication of preliminary results of the last year's production – as the sum of its quarters.

As quarterly production is usually influenced by calendar and seasonal variations – like tourist seasons – the usefulness of QNA for informing

economic policy and surveillance can be increased substantially by adjusting the results for such influencing factors. Otherwise, quarters can only be compared with those of the previous years, but not informing the most recent changes in national production.

The adjustment of such variations is not straight forward, as they show up in different series with different intensity, and patterns can change over time. For this reason, the adjustment is based on mathematical/statistical time-series models.

Although, user friendly software has

been developed in past years, their application needs careful training and instruction. Users also have to be informed about the nature of this process. PFTAC provides such training on internationally recommended software in its QNA courses as well as bilaterally during its TA missions.



In the **Cook Islands**:

- (1) GFS data was submitted to the IMF's annual GFS database;
- (2) compilation of quarterly GFS was finalized; and
- (3) a mission assisted with compiling seasonally adjusted QNA data on an experimental basis.

Fiji received assistance on statistical issues towards:

- (1) incorporating the classification adjustments in the BCG time series (2010-2019) and submitting the data to the IMF GFS database;
- (2) expanding coverage towards GG and progressing on consolidation; and
- (3) finalizing and publishing seasonally adjusted experimental QNA data up to 2019Q4.

Technical assistance to **FSM** included:

- (1) reviewing the compilation process for BCG and State Governments;

Nauru was supported with

- (1) updating annual national accounts

to a new base year; and

- (2) assisting in the compilation of annual BCG GFS.

In **Marshall Islands**, technical assistance helped:

- (1) the authorities to continue to develop National Accounts independently of external providers with PFTAC support;
- (2) to compile and disseminate BCG GFS FY 2019;
- (3) to expand the GFS coverage towards GG by completing a consolidated time series FY 2008-18; and
- (4) to compile data for public corporations.

In **Palau**, PFTAC's support contributed to:

- (1) expand the GFS coverage towards GG by completing a consolidated time series FY2008-18;
- (2) compile data for public corporations;
- (3) to compile and disseminate BCG GFS FY 2019;

In **Samoa**, support mainly focused on:

- (1) assisting the Samoa Bureau of Statistics with finalizing annual GDP by expenditure estimates;
- (2) assisting with compiling seasonally adjusted QNA data on an experimental basis; and
- (3) Assisting the Samoa Bureau of Statistics in refining the GG GFS compilation processes.

In the **Solomon Islands**, the PFTAC program contributed to:

- (1) Compiling the classification of functions of government (COFOG); and
- (2) integrating GFS data into GDP compilation and updating GDP to 2019.

The focus of PFTAC assistance to **Tonga** was:

- (1) starting the implementation of an experimental QNA program; and
- (2) reviewing the existing GFS time series and creating a consistent process to compile the BCG GFS in the future.

In **Timor-Leste**:

- (1) PFTAC assisted in the compilation of annual GFS data for FY 2019;

In **Tuvalu** PFTAC assisted in:

- (1) compiling the balance of payments and international investment position (IIP) for 2017–2018 and revising the 2013 statistics; and
- (2) rebasing and updating GDP.

In **Vanuatu**, PFTAC's support contributed to:

- (1) refining the BCG GFS compilation process.



Virtual National Accounts Mission to Solomon Islands, June 2020

BOX 17. COVID-19 - HOW TO RECORD GOVERNMENT POLICY INTERVENTIONS IN FISCAL STATISTICS

Governments across the world have introduced different forms of policy interventions in their battle against COVID-19 in trying to keep their citizens safe and well and reducing the financial impact on corporations and households.

PFTAC countries, particularly tourism-reliant economies, are no exception with the COVID-19 pandemic having had an extraordinary impact.

Applying the recommended recording in international guidelines, such as the Government Finance Statistics Manual 2014, helps to ensure the accuracy of

both key fiscal indicators, such as government deficit, as well as other macroeconomic indicators, such as GDP.

The IMF Statistics Department produced a guidance note on this topic, covering eight broad categories of intervention: (1) increased healthcare spending; (2) provision of assistance to households; (3) relaxation of tax obligations for households and corporations; (4) provision of financial assistance to corporations; (5) capital injections, lending facilities, and provision of guarantees; (6) emergency assistance

from international organizations and foreign governments; (7) liquidity and quasi-fiscal operations by public financial corporations; and (8) debt reorganization.

PFTAC conducted a virtual workshop for 34 officials from 11 countries to explain in detail each of the most commonly observed interventions and its recording in GFS.

Participants from different PFTAC countries prepared presentations based on their country examples, the challenges faced, and areas that required further technical assistance.



Virtual Regional GFS Training, April 2021

F

FINANCIAL SECTOR
SUPERVISION

MAIN ACHIEVEMENTS

- (1) Contributing to financially inclusive macroeconomic stability and growth through stable, well-supervised financial institutions;
- (2) Developing and implementing Financial Supervision Framework Enhancement strategies;
- (3) Supporting and facilitating financial sector legislative reforms; and
- (4) Upgrading prudential and risk management standards.



18th Virtual Annual Meeting of the Association of Financial Supervisors of Pacific Countries (AFSPC), March 30, 2021 hosted by PFTAC

WORK PROGRAM EXECUTION

FINANCIAL SECTOR SUPERVISION

The FSS FY2021 program contributed to significant enhancement and reform of the financial sector regulatory and supervision frameworks of member countries, further aligning them with international standards. PFTAC delivered TA continued to assist countries modernize their risk-based supervision frameworks and provided support in reforming some long-standing gaps and inefficiencies in supervisory systems. Work continued with the Supervision Framework Enhancement Program (SFEP), Banking Regulatory Reforms, and the Insurance Regulatory Reform project.

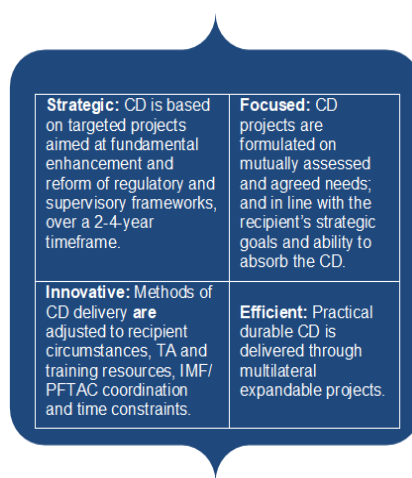
Owing to travel restrictions in the wake of COVID-19, the annual workplan had to be frequently revised over the year. TA activities that could only effectively be delivered on-site within country were postponed, while in many cases the authorities' priorities themselves changed as they were preoccupied in addressing the impact of COVID-19 on their economy and financial systems. In responding to the pandemic, PFTAC reprioritized TA topics to focus on those that would strengthen the safety and soundness of the financial system and enhance supervisory capacity to analyze financial risks that banks face.

PFTAC also increased its informal interaction with the authorities to discuss the regulatory and supervisory challenges created by the crisis, offering guidance based on the policies developed by the IMF. With the support of MCM, a roundtable conference of Pacific supervisory authorities in May 2020 facilitated the sharing of national responses and regulatory treatment by AFSPC member countries to help understand the issues AFSPC members faced and their responses to these challenges. The TA provided by PFTAC is gradually but steadily reflecting the supervisory tools and prudential regulations that have been adopted internationally following the global financial crisis.

Overall, the FSS program delivered 21

of 33 planned missions/activities (64 percent outturn) in FY2021, using 205 days of remote field TA versus 312 planned days (66 percent outturn), comprising 83 LTX days and 122 STX days. Though the outturn during FY2021 both in terms of missions and TA days was lower than planned, the number of TA missions conducted, and TA days used in FY2021 were higher than that in the previous year by 62 percent and 11 percent, respectively. This reflected the strong commitment of the authorities to continue regulatory reforms despite the COVID-19 disruptions.

Figure 1: Four Pillars of PFTAC TA on FSS



The success of PFTAC's FY2021 workplan is mostly attributed to a strategic focus that builds on foundational efforts around four key pillars: Strategic, Focused, Innovative, and Efficient (see Figure 1).

SUPERVISION FRAMEWORK ENHANCEMENT PROGRAM

In 2017, PFTAC initiated the SFEP, a medium-term strategic approach to assist Pacific countries to enhance the structure and operational effectiveness of their FSS frameworks focusing on the banking sector. Initial diagnostic missions and the establishment of medium-term supervision enhancement strategies (MTSES) and TA plans were completed in 2017 for the **Cook Islands, PNG, Solomon Islands and Vanuatu**.

To develop MTSES and TA plans, PFTAC and the supervisory authorities of the relevant member countries assessed the structure and operation of the supervision frameworks in relation to the size and complexity of their respective financial sectors and against international supervision standards and practices.

SFEP focuses on three key components of risk-based supervision (RBS) frameworks:

- (1) Risk identification and assessment (off-site and on-site supervision processes);
- (2) Risk-rating models; and
- (3) Supervisory action planning.

SFEP has been designed to reflect the upgrading of prudential and risk management standards under the Banking Regulatory Reforms project. During FY2021, the SFEP was extended to **Palau and Marshall Islands**. Since 2017, PFTAC has undertaken 31 missions on the project (**PNG (9), Cook Islands (8), Vanuatu (3), Solomon Islands (7), Palau (2), and Marshall Islands (2)**) across one or more components of SFEP and the Banking Regulatory Project. These missions account for a large share of FSS program resources utilized since 2017.

The **Cook Islands** has completed all four components of the project laying the foundation to commence work on further aligning its prudential framework with Basel II/III during the Phase VI program cycle. **PNG** and **Solomon Islands** have started reviewing and upgrading their prudential and risk management standards, off-site supervision, risk analysis and risk rating frameworks, and aim at completing their implementation during FY2022. Another three countries have commenced work on at least one component of the SFEP. Due to travel restrictions throughout FY2021, a remote training SFEP component was added to successfully complete

delivery to the staff of the **Palau** Financial Institutions Commission and **Marshall Islands** Banking Commission. Table 12 shows the status of SFEP in these six countries.

BANKING REGULATORY REFORMS

The bank regulatory reform project has three components to: (i) review financial sector legislation, (ii) upgrade the prudential standards to align them with Basel II/III standards, and (iii) upgrade the risk management

standards to align them with Basel Core Principles and Pillar 1 Basel guidance on risk management.

Most PICs are expected to commence adoption of Pillar 2 and Pillar 3 of Basel capital framework, PFTAC-assisted simplified versions of standardized approaches of Basel III and macroprudential capital buffers during Phase VI of the PFTAC's program cycle.

In response to TA requests to enhance

their banking legislation and prudential standards frameworks from the **Marshall Islands** Banking Commission, the **FSM** Banking Board and the Financial Institutions Commission of **Palau**, the IMF Legal Department (LEG) reviewed the banking sector legislation of these countries and provided them drafting suggestions in 2019 and 2020. The authorities have been working to finalize the amendments and expect to introduce the revised legislation during FY2022.

TABLE 12. SUPERVISORY FRAMEWORK ENHANCEMENT PROGRAM

Countries	- Off-site Supervision - Prudential Reporting - Risk Analysis	- On-site Supervision - On-site Examination - Risk Management Assessment	- Risk Rating Framework - Supervision Action Planning	Supervision Manual
C1				
C2				
C3				
C4				
C5				
C6				

In Tables 12, 13 and 14 C1 to C7 refer to seven countries – Vanuatu, Cook Islands, FSM, RMI, Samoa, Solomon Islands, and PNG. For confidentiality reasons, the countries have not been displayed in the charts in any specific order.

TABLE 13. PRUDENTIAL STANDARDS – ALIGNMENT WITH BASEL II (PILLAR 2) AND BASEL III (PILLAR 1 AND 3) – PHASE 1

Countries	Definition of Capital	Leverage Ratio	Credit Risk	Counterparty credit risk	Market Risk	Operational risk	LCR	NSFR	Large Exposures	Related Party Transactions	IRRBB
C1											
C2											
C3											
C4											
C5											
C6											
C7											

TABLE 14. RISK MANAGEMENT STANDARDS – ALIGNMENT WITH BASEL CORE PRINCIPLES AND BASEL III GUIDANCE

Countries	Governance	Risk Management	Fit and Proper	Credit Risk	Market Risk	Forex risk	IRRBB	Operational risk	Business Continuity Management	Outsourcing	Cyber Risk	Liquidity Risk	Stress Testing
C1													
C2													
C3													
C4													
C5													
C6													
C7													

Key:

	PFTAC TA not yet commenced
	Draft under preparation
	Framework finalized/ Standard issued but not yet in force
	Framework/ Standard in force



18th Virtual Annual Meeting of the Association of Financial Supervisors of Pacific Countries (AFSPC), March 30, 2021 hosted by PFTAC

During FY2021, the legislative work was followed by TA to upgrade some of the prudential regulations and risk management standards in **FSM** and **RMI**. Besides these, the Central Bank of the **Solomon Islands** (CBSI) and Bank **PNG** (BPNG) have also commenced work to upgrade their prudential and risk management standards with PFTAC assistance. PFTAC is also assisting BPNG to introduce a framework for consolidated supervision of financial institutions and extension of prudential regulation to non-banking financial entities. **Cook Islands** and **Samoa** issued the revised prudential statements on risk management in FY2021. Tables 13 and 14 indicate the status of development and alignment of prudential and risk management standards with international standards in **Cook Islands, Marshall Islands, Samoa, Solomon Islands, PNG, FSM, and Vanuatu**.

The Government of **Kiribati** is undertaking a comprehensive review of its financial sector legislation and prudential framework with the help of an external consultant. The IMF has agreed to support the initiative by providing a peer review of the consultant's output.

INSURANCE REGULATORY REFORM

Using the banking regulatory reform project structure as a model for insurance regulatory reform, PFTAC and MCM commenced the Insurance Regulatory Reform project in FY2019 by holding a workshop on insurance regulations that was attended by representatives from **Cook Islands, Fiji, PNG, Samoa, Solomon Islands, Timor-Leste, Tonga, and Vanuatu**. The workshop: (1) provided information on international good practice on insurance legislation and prudential standards (content and structure); (2) facilitated a self-assessment of current legislation and standards against international standards; and (3) established a regulatory reform strategy and TA plan for **Fiji, Samoa, and Tonga**. Following the development of the draft example law and prudential standards during FY2020, PFTAC followed up this work during FY2021 with remote training and familiarization missions to **Fiji, Samoa, and Tonga**.

During the year, all three countries made considerable progress towards finalization of the legislation and prudential standards with PFTAC

providing STX support to clarify questions raised by the authorities on the example laws and standards.

Tonga has also conducted an industry consultation of the draft insurance law and PFTAC is engaged with the NRBT to assist in the law's finalization. These countries are expected to introduce new insurance sector legislation and prudential standards during FY 2022.

CYBER RISK REGULATION AND SUPERVISION CAPACITY DEVELOPMENT PROJECT

With MCM assistance, PFTAC has been implementing a cyber risk regulation and supervision CD project in the Pacific since FY2020. The project has two components: (i) Cyber risk regulation CD, and (ii) Cyber risk supervision CD. Following a cyber risk workshop held at the 2018 AFSPC Annual Meeting, the four participating countries (**Fiji, PNG, Samoa, and Tonga**) have been working to finalize their national prudential standard on cyber security drawing on an example prudential standard provided to all PFTAC members to use in developing their own country-specific standards. All four countries are close to finalizing their draft prudential standards. During

FY2021, the IMF provided further assistance to BPNG to finalize the standard. PFTAC organized a remote conference on 'Cyber Risks of Remote Work' during the COVID-19 pandemic

in June 2020. The overall progress of the project during FY2021 has been rather slow as the two sequential components planned during the year have been postponed to FY2022 due

to COVID-19, namely training on cyber risk in collaboration with STI followed by cyber risk on-site examination program in the countries.

BOX 18. ANNUAL MEETING OF THE ASSOCIATION OF FINANCIAL SUPERVISORS OF THE PACIFIC COUNTRIES (AFSPC)

A virtual, abridged meeting of the AFSPC was held on March 30, 2021. AFSPC meetings are generally held annually around August – September but the 2020 meeting was postponed due to the COVID-19 pandemic. Given the limitations of virtual meetings, this delayed meeting was restricted to a day versus the usual five-day event.

The meeting was hosted by PFTAC and chaired by Mr. Ellison Pidik, Assistant Governor, Bank of Papua New Guinea (BPNG). In addition to PFTAC, 17 participants from 9 countries attended the meeting. PFTAC and Reserve Bank of Fiji (RBF) participants attended in-person in the PFTAC office with all others connected virtually.

At the outset, Mr. David Kloeden, PFTAC Director introduced the Phase VI Program cycle of PFTAC and requested member countries to assist PFTAC in articulating potential CD priorities in various sectors for the next cycle due to begin in 2022. In the first session of the meeting, the participants provided an update of the latest financial sector developments in their countries including the measures taken to mitigate the economic impact of COVID19.

In the second session, participants shared their current regulatory and supervisory activities and their preliminary ideas for the potential CD projects for PFTAC around financial sector supervision during its Phase VI Program cycle (2022 – 2028).

The forum agreed to set up a sub-group with membership from AFSPC member countries, World Bank, ADB and a few donors to refine the ideas identified and transform them into concrete projects for the consideration of the Steering Committee at its July 2, 2021 meeting. Representatives of four AFSPC member countries volunteered to join the working group. Later, the World Bank and the ADB also provided nominations for the group.

The group will conduct a survey among the PFTAC member countries to ascertain their regulatory and supervisory priorities over the next six years and short list the thematic projects for implementation with possible TA support from PFTAC.

SECTION III

WORK PROGRAM

(MAY 2021 – APRIL 2022)

A

SUMMARY AND
OVERVIEW

This section summarizes the work program developed for delivery over the period May 1, 2021 to April 30, 2022, corresponding to the 2022 IMF fiscal year (FY2022). The work program reflects the strategic objectives programmed over the fifth operational phase of PFTAC financing, covering the period November 2016 – April 2022, but expected to be extended to October 31, 2022.

WORKPLAN DEVELOPMENT

Since late 2019, the IMF has been reengineering its business processes for the management of CD as well as a reconfiguration of the annual CD timeline. This has led to a shift in the scheduling of annual SC meetings until after the start of the FY instead of the past practice before the end of the concluding FY. This allows for a single, final version of the Annual Report to be produced with the actual budget and activity outturn rather than projected results in a draft report for the SC meeting that is subsequently updated after the start of the new FY. However, scheduling the SC meeting later means that the process of endorsing the budget and workplans now occurs shortly after the start of the FY.

In line with the shift of planning, reporting, and governance calendars for all IMF CD Centers, development of the FY2022 workplans was launched in early January 2021 with extensive engagement with the many stakeholders, most importantly the authorities and CD beneficiaries of the 16 PFTAC member countries, development partners and donors, regional organizations, and the APD teams and mission chiefs for the 13 PFTAC countries that are IMF members. These conversations covered ongoing CD projects and reforms, identification of new or emerging priorities, particularly in the

context of responding to the COVID-19 crisis and the policy dialogue between member countries and the IMF teams, and issues around scheduling, sequencing, and remote delivery of CD. By early April 2021, workplans had been tentatively formulated, and were crystallized by early May 2021 with the start of the new FY. From FY2022, workplans and budgets are now being managed and monitored from the IMF's new IT platform, Capacity Development – Management and Administration Program (CD-MAP). Significantly enhanced and expanded products will be available from CD-MAP to report on workplan progress and financial developments and should begin to be visible in the FY2022 Quarterly Reports.

In the meantime, PFTAC has produced detailed FY2022 workplans for review and endorsement at the June 29, 2021 SC meeting in the same format as recent years, presented from two perspectives: (1) by program (e.g. PFM), structured around country projects defined by an RBM objective working towards achievement of one or more targeted outcomes; and (2) by country, similarly documented by programs and RBM-defined projects. These workplans are also provided in summarized tabular form in the respective chapters for the various PFTAC programs in this section of the Annual Report.

BOX 19. UPDATE ON THE CAPACITY DEVELOPMENT MANAGEMENT AND ADMINISTRATION PROGRAM (CDMAP)

Over the past year, the CDMAP project has continued implementation of its IT solution through a number of releases that aim to provide the capabilities required to manage the IMF's CD portfolio. This has commenced with the FY2022 budget progress for which the new system has been gradually building its capabilities. As of May 1, 2021, IMF CD operations are now managed within CDMAP and the implementation of CDMAP will conclude in 2021.

One of the key features of CDMAP is the new reporting structure for execution of activities from FY2022 onwards, which will be categorized under the following 11 activities under 3 broad modalities:

- **CD Delivery:** This includes field and duty station-based work (preparation and delivery of CD support to beneficiary country officials through diagnostic and technical advice at the beneficiary country or remote location), Resident Advisor (delivery of CD support on a long term basis by external expert residing in the beneficiary country), interactive learning and workshops (prepared/delivered in-person or remotely), online learning, peer-to-peer engagement
- **Analytics and Development:** Research and analytical work for the development of CD tools (standardized assessment tools/analytical guides for future CD delivery); development of training courses or other learning materials; development of general CD technical materials.
- **Management and Administration:** CD project management and RCDC administration (operational costs not directly associated with CD delivery or project management).

The number of budgetary categories has been marginally reduced from 14 to 11. This standardized budgeting and reporting framework would help reduce administrative costs and allow more resources to be applied to actual CD delivery.

As there is no one-to-one relationship between the existing and new budgeting and reporting structures, conversion of data for existing funding programs would have been challenging and full comparability across fiscal years would not have been possible. Hence there will be a transition period for existing funding programs and until existing funding programs end, all reports will include two sections: (i) execution through FY21 using the old reporting structure; and (ii) execution from FY22 onward using the new structure.

WORKPLAN ASSUMPTIONS

The shadow of the COVID-19 pandemic will continue to weigh on the economies and wellbeing of PICs for the foreseeable future and will continue to influence and drive PFTAC operations well into FY2022 and likely beyond. At least for the first half of the year (through end-October 2021), all planned CD is expected to be delivered remotely. From November, the workplans have optimistically been developed around a gradual resumption of travel to enable a return to face-to-face engagement and training, with budgets accordingly reflecting a gradual uptick in travel and training related expenses. This will only be possible if circumstances are safe and it is feasible for the PFTAC advisors to travel and be received in member countries, including points of transit, and be able to return home (Fiji for LTX and elsewhere for STX) without the need to quarantine, and

similarly for a resumption of travel to support in-person training. If travel remains curtailed, the CD program will be delivered virtually for the balance of FY2022, continuing the mode of delivery that has been in place since March 2020. In this event, the utilization of the budget provision for mission travel and in-person training will not materialize leading to an underspend as experienced in FY2021.

STAFFING CHANGES

Barring unforeseen circumstances, only two changes in the team of PFTAC resident experts are anticipated in FY2022. After an additional but final extension, the assignment of Mr. Luis Temes, the resident GFS advisor will conclude on August 31, 2021 following two extensions of a year and four months respectively. Following his departure, the GFS program will gradually wind-

down with a small number of STX missions over the remainder of FY2022 plus a regional event to conclude the program, plus several final STX missions during the expected Phase V extension in the first half of FY2023.

The two longest serving advisors, the RSS expert Mr. Marcus Scheiblecker and the Revenue advisor Mr. Georg Eysselein are expected to remain at PFTAC throughout FY2022, with a second resident Revenue advisor to be recruited and in place by October 2021. The size of the team of experts (including the new DM advisor) will remain at eight throughout FY2022 with the departure of the GFS advisor offset by arrival of a second Revenue advisor. As at June 1, 2021, all team members are physically in Fiji, other than the expected May 2021 arrival of the evacuated GFS advisor and the new DM advisor delayed because of a local COVID-19 outbreak in Fiji.

BOX 20. PUBLIC DEBT MANAGEMENT PROGRAM

The IMF in partnership with PFTAC has launched a three-year CD program in Debt Management (DM) for the Pacific region. The program, which is funded by the Government of Japan and to be implemented over FY 2022–2024, will primarily assist PFTAC member countries in strengthening public DM capacity.

Enhancing capacity in DM activities strongly complements PFTAC's current work program. Managing debt risks is closely aligned with PFTAC's increased emphasis on developing medium-term fiscal planning and budgeting in order to be able to cope effectively with the uncertainties and costs of climate change, natural disasters, non-communicable diseases, aging populations, gender inequality, as well as external economic shocks.

With both the size and the complexity of debt stocks increasing throughout the region, debt levels and DM are areas of significant macro-critical concern for PICs. The COVID-19 crisis, combined with a long pipeline of development projects, is likely to put upward pressure on debt ratios in some countries. This has increased the importance of delivering CD to help address these issues and ensure that effective DM frameworks are established to safeguard future sustainability.

The PFTAC DM program is designed to strengthen the capabilities of PFTAC member countries by: (i) building capacity in debt-related analyses and reporting; (ii) strengthening the institutional arrangements for DM; (iii) building capacity to implement debt and risk management strategies; and (iv) improving the functioning and depth of domestic debt markets.

More broadly, the program will aim to strengthen capacity and make progress in the following areas:

- (1) Establishing good quality debt database, and commencing regular reporting on public debt;
- (2) Improving the institutional structure for DM with better policy coordination and legal frameworks;
- (3) Improving staff capacity in Medium Term Debt Management Strategy (MTDS) formulation and implementation, and loan negotiations;
- (4) Developing a MTDS;
- (5) Implementing DM strategies through an Annual Borrowing Plan (ABP) and an issuance calendar consistent with the MTDS;
- (6) Improving staff capacity relating to domestic market financing; and
- (7) Facilitating the introduction of instruments to improve resilience to climate shocks.

The program will adopt a comprehensive and programmatic approach to country needs, and will focus on building institutional capacity on a sustainable basis through the close support of a long-term resident advisor based in PFTAC.

The placement of an LTX is expected to enable the type of responsive, frequent, and customized assistance that has been successful in building similar capacities in other regions, such as West and Central Africa and the Caribbean. The program will aim to leverage and closely integrate CD efforts of other development partners.

TRAINING/WORKSHOP EVENTS at the regional or sub-regional level are expected to be up marginally with 19 events planned versus 17 delivered in FY2021. More than half of the program is expected to be delivered remotely through 10 webinars or virtual workshops, while the balance has been tentatively planned as in-person events for the second half of FY2022 provided travel resumes. If travel remains fully or partly curtailed, these 9 events will be delivered remotely, or if their viability requires in-person interaction, they may be postponed until travel resumes. Hybrid events are another option throughout the year drawing on the experience in FY2021 with two PFM workshops delivered virtually that included some in-person interaction using the USP campus network across the Pacific.

When travel into and within the Pacific restarts, it is likely to be rebuilt gradually. Flight availability and networks for several PFTAC member

countries were already very limited before the COVID-19 crisis, and may be limited to even fewer, indirect, and more expensive options in the future. This would have PFTAC budget ramifications for participants who may require more pre- and post-event days for attendance. As a regional travel hub, Fiji is likely to remain the preferred and most cost effective venue, particularly Nadi given proximity to the international airport rather than Suva. Accordingly, all but one of the nine events are expected to be convened in Nadi, the exception being a financial sector supervision workshop targeted for Port Moresby in conjunction with the annual AFSPC meeting that the Bank of PNG hopes to host in early 2022.

Every PFTAC program is scheduled to deliver at least one training event, with the Revenue program accounting for five, collaborating closely in their delivery with PITAA as in the past as well as one event with the OCO after a

break of several years. One event will be delivered jointly by the Macro and PFM programs, following up on previously well-acclaimed workshops focused on managing fishing revenues for such endowed countries. The Macro program will continue its very effective joint delivery with STI with three planned events, two virtually, and a third late in FY2022 delivered in-person if possible. The PFM program will contribute to a long-delayed regional symposium led by PIFS with other partners for Finance Ministry heads. A major IMF event is targeted for February 2022 subject to a resumption of travel to launch the Debt Management program, with a three day technical workshop culminating in a High Level Dialogue (HLD) for senior Pacific policy makers and officials. The event would be modelled on three successful HLD events held jointly by PFTAC and APD in Fiji between 2017 and 2018.

TABLE 15. FY2022 PLANNED WORKSHOPS/ SEMINARS

Sector	Partner	Location	Topic	Estimated Date	Duration (Days)
Macro	STI	Virtual	GDP Forecasting/ Now casting Workshop	Jun 16 - 18, 2021	3
Macro	STI	Virtual	Inflation Forecasting Workshop	Sep 15 - 17, 2021	3
Macro/ PFM	STI	Fiji	Fishing Revenue Workshop	Nov 29 - Dec 2, 2021	3
Macro	STI	Fiji	Macro-Fiscal Forecasting	Mar 16 - 18, 2022	3
FSS	MCM	Virtual	Cyber Risk Regulation and Supervision Project - Second component - online training by HQ	June 1 - 5, 2021	5
FSS		Virtual	Macro-prudential Supervision and Capital Buffers	Sep 2 - 3, 2021	2
FSS		PNG	AFSPC Annual Workshop	Jan 25 - 30, 2022	5
GFS		Virtual	GFS and PSDS methodological training	March 2022	3
RSS		Virtual	Quarterly National Accounts Compilation	October, 2021	5
RSS		Fiji	Annual National Accounts Compilation	November, 2021	5
PFM		Virtual	PEFA and PFM Reform Prioritization Workshop	Jul 29 - 30, 2021	4
PFM		Fiji	Fiscal Risk and Transparency	Feb 1 - 4, 2022	4
PFM		Fiji	PFM Symposium	Mar 8 - 11, 2022	4
DM	APD	Fiji	Workshop and High Level Dialogue (HLD) on Debt Management and Sustainability	February, 2022	4
Revenue		Virtual	Risk Management and Data Analysis	July, 2021	4
Revenue		Virtual	Effective Taxpayer Services and Communication	July, 2021	3
Revenue		Virtual	Strategic and Operational Management	October, 2021	4
Revenue	OCO/ PITAA	Fiji	Tax Investigations - VAT	November, 2021	5
Revenue		Fiji	Leadership, Integrity and Good Governance	Jan 24 - 27, 2022	4
TOTAL					73

FY2022 WORK PROGRAM ambitiously targets a return to pre-COVID-19 levels of activity—expanding significantly on the FY2021 outturn that was nevertheless impressive given it was remotely delivered:

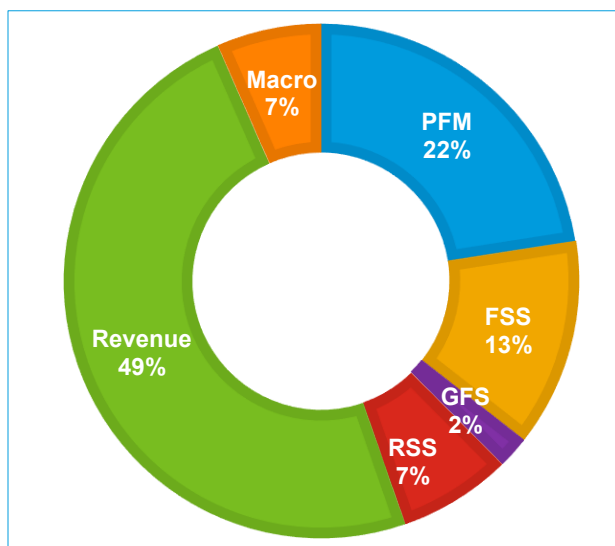
- 2,694 TA Field days are planned (721 LTX and 1,973 STX), up 60.6 percent from 1,677 days.
- 200 Activities are planned (181 missions and 19 workshops/regional events), up 53.8 percent over 130 activities (113 missions and 17 workshops/regional events).

The respective workplans are summarized in annexes to the following program chapters. Full FY2022 plan details are available at www.pftac.org from two perspectives, program-by-program and additionally by country.

Changes to the overall work program are as follows:

- The Revenue program will continue at a scaled-up level throughout FY2022 and for the remainder of Phase V, although the heavy burden borne by the single resident advisor will be shared beginning in the second half of the year with the recruitment of a second advisor. Overall, the number of missions and activities will grow 56 percent over FY2021 (84 up from 54), but 33 percent above the Phase V highpoint in FY2019 when the Revenue program delivered 63 missions. The planned number of TA days will grow 49 percent, up from 877 to 1,313 days, although the mix between LTX and STX days will slightly shift with a second advisor on the ground for the last six months. Planned LTX field days will grow 97 percent (64 to 126 days), while STX utilization will increase 46 percent (813 to 1,187 days).

CHART 10. DISTRIBUTION OF FY2022 MISSION DAYS BY PROGRAM



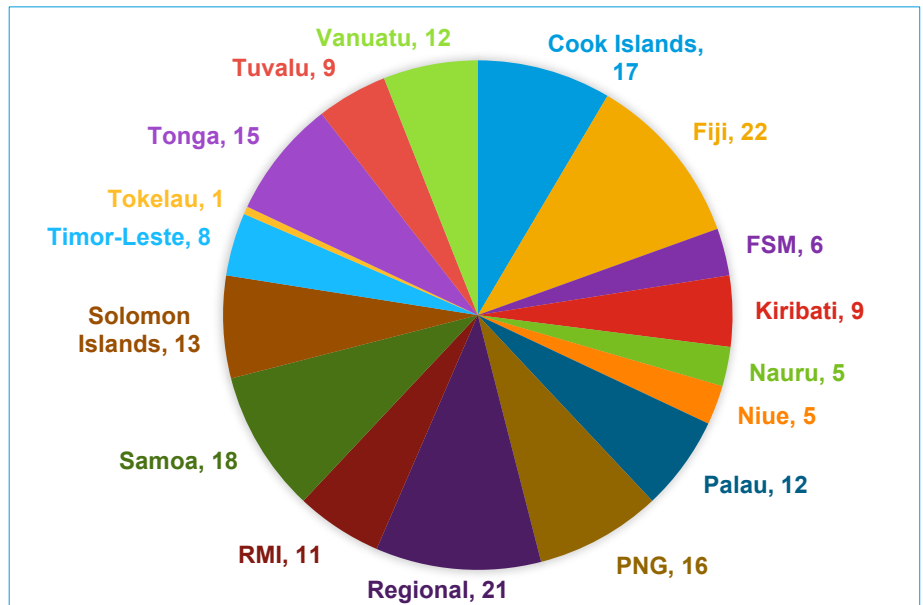
- With the two new PFM advisors having fully settled into their roles, the contraction of the FY2021 PFM program

will reverse in FY2022, with missions planned to increase 68 percent (from 19 to 32), returning to FY2019 levels, but utilizing substantially more TA days, growing 127 percent (from 267 to 607 days), predominantly from 173 percent greater STX utilization (from 139 to 380 days), and 77 percent more LTX field delivery (up from 128 to 227 days).

- With the new FSS advisor similarly now fully familiarized with the region, a major ramping up of the FSS program is envisaged with a doubling in the number of missions/activities (up from 21 to 42). These will be delivered almost entirely by a 113 percent increase in STX utilization (from 122 to 260 days) and a modest 11 percent higher LTX contribution (83 to 92 field days), with overall TA days up 72 percent (from 205 to 352 days).
- The Macro program will see more than twice as many missions delivered (up from 8 to 17), achieved by 54 percent more TA days (from 115 to 177), primarily from more STX resources (from 12 to 58 days), and a modest increase in LTX days (from 103 to 119 days). While the Macro advisor will continue to devote at least 10 percent of his time to non-mission CBR issues, he is expected to personally deliver slightly more, but shorter missions, supplemented by the highest STX utilization for the Macro program in Phase V.
- Overall, the volume of activity under the two Statistics programs will slightly decline in FY2022 (down from 28 to 25 missions), due entirely to the end of the GFS resident advisor position in August 2021. Indeed, the RSS mission count is marginally higher (up from 16 to 18), whereas GFS declines from 12 to 7. A total of 245 TA days is planned, up from 213 TA days in FY2021, from 42.5 percent growth in the RSS program (from 134 to 191 days, of which STX days are up from 40 to 59 days, but LTX days increase from 94 to 132 days), while the GFS program TA days will decline 32 percent (79 to 54 days), with LTX days down from 66 to 25, with a slight offset in STX days up from 13 to 29 days.
- In response to continued high levels of demand, the share of the Revenue program remains elevated but down from 52 percent in FY2021 to slightly under half of overall PFTAC TA field delivery in FY2022 at 49 percent. At 13 percent and 7 percent respectively, the FSS and Macro programs will maintain their same share as in FY2021, but the winding back of the GFS program produces a reduction of the two Statistics programs from 13 to 9 percent in FY2022, offset by growth of the PFM program from 16 to 22 percent. The two fiscal programs together will hit an all-time record of 71 percent of overall PFTAC activity (excluding the new DM program). The proportion of resources targeted to the seven fragile Pacific states in FY2022 will return to pre-COVID-19 levels of 35 percent of total TA days (941 of 2,694 days), a significant reversal of the decline to just 24 percent in FY2021 arising from COVID-19 challenges.

COUNTRY LEVEL planning will see slightly more than half of the 2,694 days of field delivery in FY2022 provided to six countries, with **Fiji** (11.3 percent), **Cook Islands** (10.0 percent), **Samoa** (9.1 percent), **Timor-Leste** (7.0 percent), **Papua New Guinea** (6.8 percent), and **Tonga** (6.8 percent). Fiji will return to top place, with Samoa and Tonga slipping from first and second place in FY2021 to third and sixth respectively, and are the only two countries that will receive slightly less CD than the very robust volume of support they received in FY2021 given how well both countries adapted to remote CD delivery. All 14 other PFTAC member countries will see an increase in CD in FY2021, in some cases a substantial increase, particularly the fragile states and smaller countries. Cook Islands moves from third to second place, and Papua New Guinea moves from the middle of the group to the top six, and Timor-Leste advances the most from second lowest beneficiary in FY2021 to fourth. However, these two countries received significantly less CD in FY2021 than had been planned because of disasters that preoccupied both countries as well as remote delivery difficulties, so the ambitious FY2022 plans will depend on a resumption of travel and/or overcoming remote delivery challenges.

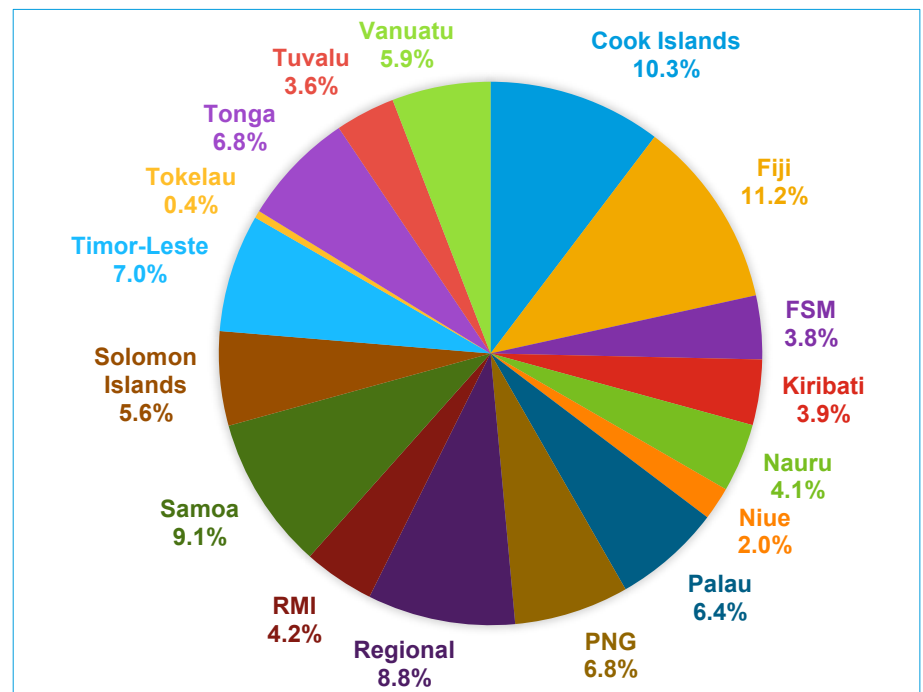
CHART 11. FY2022: 200 PLANNED MISSIONS/ ACTIVITIES



The next five countries will account for 26.6 percent of PFTAC resources, with **Palau** (6.4 percent), **Vanuatu** (5.9 percent), **Solomon Islands** (5.6 percent), **RMI** (4.2 percent), and **Nauru** (4.1 percent). And the final group of five countries accounts for the remaining 13.7 percent of activity, with **Kiribati** (3.9 percent), **FSM** (3.8 percent), **Tuvalu** (3.6 percent), **Niue** (2.0 percent), and **Tokelau** (0.4 percent).

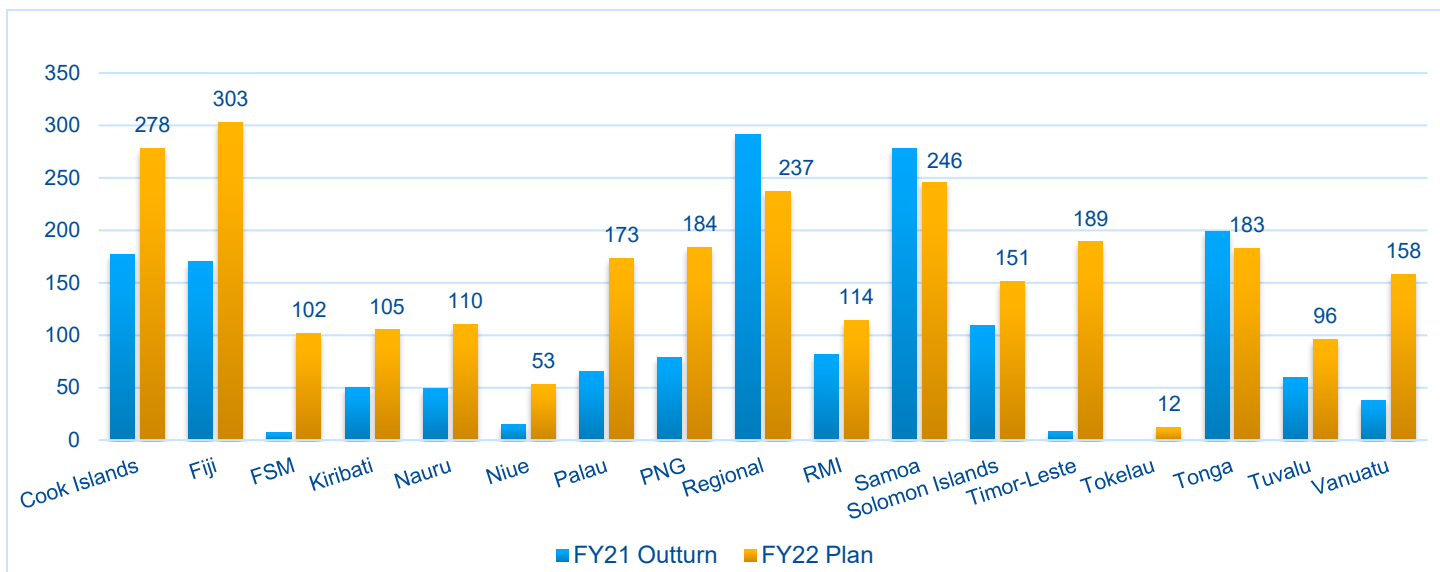
A further 8.8 percent of PFTAC resources (237 TA field days) are currently earmarked to **regional** activities, primarily in the preparation and delivery of 19 planned workshops, seminars, or other events, including remote training, as well as other regional support such as the Macro assistance to the regional CBR initiative.

CHART 12. FY2022: 2,694 PLANNED TA FIELD DAYS



Finally, the 2,694 TA Field Days that constitute the FY2022 work program excludes the time spent by the resident advisors in managing and overseeing their respective programs from the PFTAC office in Fiji, or since COVID-19, from a remote location. This has been tracked, attributed to the beneficiary countries, and reported in the FY2021 results and amounted to an additional 1,125 days of advisor time, but is expected to decline in FY2022 with advisors devoting more time to direct field delivery. Each resident advisor has approximately 225 available working days per year, and in FY2021, each advisor delivered an average of 76 TA field days that is planned to increase to an average of 101 TA field days per advisor in FY2022.

CHART 13. FY2022 WORKPLAN (2,694 DAYS) vs. FY2021 OUTTURN (1,677 DAYS)



The budget that is assured of being available at the start of FY2022 is approximately \$US 12.64 comprising carried-forward Phase IV funds and all donor and member contributions received so far plus a final donor contribution due in 2021. Phase V expenses through the end of FY2021 total \$US 25.5 million, reflecting a fund-raising shortfall of \$US 1.5 million against the PD target of \$US 39.5 million. However, the \$US 12.64

million remaining budget envelope is ample to finance an ambitious program in FY2022, plus a continuation at an even higher level for the six month extension of Phase V that has been proposed for the first half of FY2023. If COVID-19 constraints restrict travel and generate further budget savings as was the case in FY2021, even with a robust remotely delivered program, the available funds at the end of FY2022 may exceed the needs for a

six month extension. In this event, an even longer extension to Phase V could be considered. Alternatively, Phase V could end as planned on October 31, 2022 with the remaining balances rolled-over to Phase VI if individual donor rules allow, or a proportionate share returned to those donors where it is not permitted. This would be a decision for the 2022 SC meeting.

TABLE 16. PROPOSED FY2022 BUDGET BY LINE (US DOLLARS MILLIONS)

	Program Document Budget	Tot Ph V Expenses to end-FY21	% of Prog Doc Budget thru end-FY21	FY2021	FY2022		FY2023	Phase V Outturn	
				Final Outturn	Proposed Budget	Change FY21vFY21	Proposed Budget	Total end FY23	PD Diff.
Resident Advisors (Long Term Experts - LTX)	\$12.6	\$9.3	74%	\$2.2	\$2.3	\$0.2	\$1.2	\$12.8	(\$0.2)
LTX Travel	\$2.3	\$1.3	59%	\$0.0	\$0.4	\$0.3	\$0.2	\$1.9	\$0.4
Short-Term Experts (STX)	\$11.4	\$7.1	62%	\$0.8	\$2.2	\$1.3	\$1.2	\$10.4	\$1.0
Diagnostic Missions	\$1.2	\$1.0	83%	\$0.2	\$0.2	\$0.0	\$0.1	\$1.3	(\$0.1)
Training/Seminars/Workshops	\$6.0	\$2.7	46%	\$0.0	\$1.1	\$1.0	\$0.5	\$4.3	\$1.7
Backstopping/Project Management	\$1.9	\$1.2	63%	\$0.3	\$0.3	\$0.0	\$0.1	\$1.7	\$0.3
Other Costs (Evaluation, misc., etc.)	\$1.6	\$1.1	71%	\$0.3	\$0.4	\$0.1	\$0.2	\$1.8	(\$0.2)
Total TA Provision/Delivery	\$36.9	\$23.8	64%	\$3.8	\$6.9	\$3.1	\$3.5	\$34.2	\$2.8
Trust Fund Management Fee*	\$2.6	\$1.7	64%	\$0.3	\$0.5	\$0.2	\$0.2	\$2.4	\$0.2
Total Trust Charges	\$39.5	\$25.5	64%	\$4.0	\$7.3	\$3.3	\$3.8	\$36.6	\$3.0
IMF and Host Country In-Kind Contribution	\$2.6			\$0.5					
TOTAL	\$42.1			\$4.5	\$7.3	\$3.3	\$3.8	\$36.6	\$3.0

*Trust Fund Fee is 7 percent of funds utilized for TA delivery

THE PROPOSED FY2022 BUDGET of \$US 7.3 million including the management fee is substantially (55 percent) more than FY2021 outturn of \$US 4.0 million, but below the pre-COVID-19 budget for FY2021 of \$US 8.0 million, and less than the approved budgets in FY2020 (\$US 8.5 million) and FY2019 (\$US 7.9 million). The workplan for FY2022 targets 200 missions/activities using 2,694 TA days, which is at least 10 percent more than workplans in the three previous years that had slightly larger budgets. However, travel and training costs that were close to zero in FY2021 will only pick-up in the second half of FY2022 but will still fall short of pre-COVID-19 expenditure levels, and remote CD delivery including both missions and training using STX will deliver additional budget savings. The continuation of these COVID-induced savings will thus finance a very ambitious work program in FY2022 with a smaller budget envelope than pre-COVID-19 years.

IMF CD budget categories have been restructured from the start of FY2022 with the introduction of CD-MAP and do not equate to the high-level categories provided in previous Annual Reports (such as LTX, STX, Workshop, and Backstopping charges). However, for comparability with the first four years of Phase V, the FY2022 budget proposal to support the proposed workplans is presented below in a consistent manner, although outturn in FY2022 will be reported using the new structures but mapped where possible to the historic categories. The budget for each program is consistent with previous years with the following exceptions:

- The Revenue program budget envelope essentially remains unchanged at the scaled-up level that began in FY2019 but rebalanced with a higher LTX allocation to cover the second resident advisor from November 2021, offset by a modest reduction in the STX budget.
- The PFM, RSS, and FSS program budgets essentially remain unchanged, but their significantly scaled-up plans for FY2022 will be possible through a much higher utilization of the budget than achieved in FY2021 or even earlier years in the case of the PFM program.
- The Macro program budget reverts back to the FY2019 baseline, with a sizable reduction from FY2021 that included a significant allocation to support CBR efforts that did not materialize given COVID-19 travel restrictions.
- The GFS budget for FY2022 is close to half of FY2021 given the end of the resident advisor position, but a modest continuation of the program delivered by STX and managed directly from Washington.

TABLE 17. PROPOSED FY2022 BUDGET BY PROGRAM (US DOLLARS MILLIONS)

	Revenue	PFM	Macro	FSS	RSS	GFS	Other	Total
Resident Advisors (Long Term Experts - LTX)	510,000	678,126	351,790	342,083	324,189	108,063		2,314,251
LTX Travel	90,000	103,589	55,000	57,000	55,000	18,000		378,589
Short-Term Experts (STX)	1,027,998	401,524	100,000	334,722	140,000	75,000	90,000	2,169,244
Diagnostic Missions	150,000	50,000	-	-	-	-		200,000
Training/Seminars/Workshops	333,031	167,827	120,000	195,000	155,000	99,451		1,070,309
Backstopping/Project Management	42,844	79,232	-	74,415	73,842	22,967	12,962	306,262
Other Costs (Evaluation, misc, etc)	20,744	-	-		10,142	10,142	376,331	417,359
Total TA Provision/Delivery	2,174,617	1,480,298	626,790	1,003,220	758,173	333,623	479,293	6,856,014
Trust Fund Management Fee	152,223	103,621	43,875	70,225	53,072	23,354	33,551	479,921
Total Trust Charges	2,326,840	1,583,919	670,665	1,073,445	811,245	356,977	512,844	7,335,935

*Trust Fund Fee is 7 percent of funds utilized for TA delivery

REVENUE ADMINISTRATION

PFTAC's FY2022 CD strategy for revenue administration maintains a continuation of focus and TA activities working towards:

- Objective 1: Strengthened revenue administration management and governance arrangements; and
- Objective 2: Strengthened core tax administration functions.

Under the proposed FY2022 workplan, 84 missions/activities are planned versus an outturn of 54 missions in FY2021, a 55 percent increase, requiring an expected 1,313 TA field days (126 LTX and 1,187 STX), up 49 percent from 877 in FY2021 (64 LTX and 813 STX). The FY2022 missions include 10 missions (88 STX days) to assist with tax legislation in 7 countries. The increase in the very ambitious TA delivery plan for FY2022 is based on a second LTX being appointed to the Revenue Program by October 2021 (as endorsed by the PFTAC SC) to assist the current LTX to respond to the unmet demand for CD. The workplan is also based on the assumption that travel will resume before the end of calendar year 2021, but this may have to be revisited if further COVID-19 outbreaks occur or travel remains curtailed.

The scaling-up of the revenue program



will continue in FY2022. The CD delivered during FY2020 and FY 2021 reflected an upscaling of the Revenue Program over previous years that began in November 2018 so PFTAC could address a large unmet demand for TA. The fully expanded program will continue through FY2022 to the end of Phase V at the end of October 2022.

The countries facing the biggest impacts from the PACER Plus trade agreement will continue to receive assistance with tax policy and tax administration reforms. Support will be provided to **Samoa, Solomon Islands, Cook Islands, Tonga, Nauru, and Tuvalu** to increase

revenue and replace future losses from trade tax revenue. The TA include new or enhanced tax instruments, legislative changes, measures to overcome administrative constraints, and improvements to tax administration processes and procedures to improve efficiency and enable revenue mobilization.

PFTAC continues to promote the use of the International Survey of Revenue Administration (ISORA) and the Tax Administration Diagnostic Assessment Tool (TADAT), with both embedded into training workshops and CD missions. TADAT is a diagnostic tool that provides an objective and

standardized performance assessment of a country's system of tax administration. PFTAC also supports the development and implementation of a **Medium-Term Revenue Strategy (MTRS)** for countries considering substantive reforms. Taxation and tax administration capacity is required if the state is to fulfill its role in facilitating sustainable and inclusive growth. Taxation is thereby at the center of development policies with direct impact on overall prosperity. The MTRS starts from the formulation of a high-level road map of tax system reform in a country that will extend over 4 to 6 years. It is the sustained process of implementation of this tax system reform over time, which is of critical importance in view of the revenue collection challenges that countries face due to economic shocks caused by epidemics, pandemics, and natural disasters in the region.

AT THE REGIONAL LEVEL, delivery of the Revenue Administration program in FY2022 includes five regional workshops down from six in FY2021. The FY2022 workshops will be delivered in partnership with PITAA and cover the following topics:

- Strategic and operational management;
- Risk management and Data analysis;
- Leadership, integrity, and good governance;
- Workshop on Tax Investigations - VAT (jointly with OCO); and
- Effective taxpayer services and communication.

IN TERMS OF COUNTRY

ACTIVITIES, assistance in FY2022 entails TA delivery to PICs by two resident advisors with a substantially higher proportion provided by STX, managed, and backstopped by the two resident advisors and HQ staff. Key PFTAC assistance themes for the year include MTRS, tax legislation support, implementing LTOs or a focus on the large taxpayer segment, implementing Industry Partnership Strategies (IPS),

and refreshing Compliance Improvement Strategies (CIS).

The **Cook Islands** benefited from continued capacity building over the past two years. This will continue throughout FY2022 with seven missions to assist with implementation of a new functional structure, implementation of the new Tax Administration Act, improve management of tax return filing and tax arrears, tax audit skills development and strengthening the audit function, and development of standard operating procedures for core tax functions.

Fiji is a major beneficiary of PFTAC Revenue CD with eight missions planned for FY2021. Support will be provided to improve risk management and data analysis, enhance public and private rulings, implement industry partnership strategy; improve management of tax return filing and tax arrears, further improve taxpayer services, and continue with the tax audit skills development.

Kiribati will receive two missions to assist with audit skills development and a review of progress with tax administration reforms. This will complement stepped-up assistance being financed by the EU.

The **Marshall Islands** will receive assistance with the potential implementation of VAT (dependent on tax policy reforms going ahead), the management of tax arrears and returns, and strengthening the audit function with a focus on the cash economy.

Two missions are planned for **Nauru** with support to review and renew the compliance improvement strategy with a focus on large taxpayer segment and assistance with improving taxpayer services, debt and returns management, and the audit function.

Support to **PNG** will be increased as the MTRS implementation support project funded through the Revenue Mobilization Trust Fund and backstopped by FAD comes to an end. PFTAC will provide four missions to

assist with further development and introduction of a new organizational structure, refresh the ITAS project plan and assist with development and implementation of change management plan, support implementation of a taxpayer services strategy, and improve the integrity of the taxpayer register and introduce new business processes to ensure the register remains up to date.

The increased assistance to **Samoa** over the past year will continue with seven missions to renew the Corporate Strategy and Operational Plans, improve risk management and data analysis, enhance the industry partnership strategy, implement the taxpayer services and communication strategy, further strengthen debt and returns management, improve tax audit, optimize TIMS, and review progress with tax administration reforms.

The assistance to the **Solomon Islands** will continue with six missions planned to support the design and implementation of an MTRS as well as assistance with the implementation of VAT, full implementation of the new LTO, implementing the taxpayer service strategy, and strengthening the audit function.

The **Timor- Leste** diagnostic review has been carried over from FY2021 with two other missions covering implementation of VAT and a TADAT assessment.

After two years of extensive assistance and good progress being made, **Tonga** will receive slightly less assistance with five missions planned for FY2022. Support will be provided with the renewal of the Corporate Strategy and Operational plans, risk management and the CIS as well as strengthening core tax functions such as audit and the Point of Sale System as well as filing and tax arrears collections.

Tuvalu will receive three missions with assistance to review and enhance the CIS as well as improving taxpayer services, return filing and tax arrears management, and audit.

Assistance will be provided with seven missions to **Vanuatu** to provide TADAT training, review the IT Master Service Agreement, develop a taxpayer service strategy, review and enhance the CIS, strengthen audit, and improve the management of return filing and tax arrears.

Assistance with tax legislation will be provided to **the Cook Islands** on the finalization and assistance with implementation of a tax administration Act; **Fiji** with rewrite its tax administration act; **Kiribati** will receive support on tax legislation reforms with a focus on simplification for small taxpayers; Samoa on implementing

anti-BEPS (Base Erosion and Profit Shifting) provisions; and **Tonga** with the finalization of consumption tax rewrite. **Niue** will finalize renewal of their income tax and tax administration acts and **Palau** with complete regulations for the PGST and business profit tax.

TABLE 18. FY2022 WORK PROGRAM – REVENUE ADMINISTRATION

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
STRATEGIC OBJECTIVE 1: BETTER REVENUE ADMINISTRATION, MANAGEMENT AND GOVERNANCE ARRANGEMENTS					
Cook Islands	STX [Remote]	Implementation of organizational structure	Function based structure part of business case for modernization developed with PFTAC assistance and approved	Function based structure introduced by 12/31/2021	Economic impact of pandemic can impact on funding for new positions
Cook Islands	STX [Remote/ In-Country]	Assistance with implementation of Tax Admin Act, including development of project/implementation plan	Tax administration act close to finalization - no implementation plan in place	Tax administration act implemented by 4/30/22	Training to be included for implementation of tax administration act.
Cook Islands	LTX [In-Country]	Review reform progress	No review done by new LTX	Review overall reform progress and status of PFTAC recommendation - introduce new LTX	PFTAC has provided TA across objective 1 & 2 that needs to be reviewed
Cook Islands	STX [Remote]	Finalization and assistance with implementation of Tax Admin Act, including training	Legislation has to be finalized	Tax Administration Act finalized by 12/31/22	PFTAC supporting modernization of tax laws.
Fiji	STX [Remote]	Enhancing compliance improvement strategies, risk management and data analysis	CIS's due for renewal and data analysis to be enhanced	New CIS's implemented by 11/30/21	High-risk compliance can be improved through enhancing CIC's and data analysis.
Fiji	STX [Remote]	Enhance Public and Private Ruling Program	Work has commenced on the public and private ruling program put paused, additional technical assistance is needed to support implementation.	A public and private ruling process in place by 4/30/22.	Public and private rulings are important for self-assessment introduced by FRCS
Fiji	STX [Remote]	Further assistance with the Industry Partnership approach;	Industry partnership needs further enhancement and focus on high-risk industries	Industry partnership developed and implemented	Design industry partnership strategy to improve compliance in COVID-19 context
Fiji	LTX [In-Country]	Review reform progress	No review done by new LTX	Review overall reform progress and status of PFTAC recommendation - introduce new LTX	PFTAC has provided TA across objective 1 & 2 that needs to be reviewed
Fiji	STX [Remote]	Rewrite of the tax administration act	Legislation has to be finalized	Tax administration act implemented by 12/31/21	PFTAC supporting modernization of tax laws.
FSM	STX [In-Country]	Diagnostic review of the Tax Administration.	Diagnostic review carried over from FY 21 as requested, ideally should be in-country	Identify need for modernization and reform and agree on TA	Diagnostic review will determine TA to be delivered
FSM	STX [In-Country]	Modernization plan, CIS and strengthening core tax function	Outcome of diagnostic review will determine specific assistance required - outcome & activity may change	Develop modernization plan and assist with CIS and strengthening core tax functions.	To be finalized once diagnostic review has been completed

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
Kiribati	LTX [In-Country]	Review reform progress	No review done by new LTX	Review overall reform progress and status of PFTAC recommendation - introduce new LTX	PFTAC has provided TA across objective 1 & 2 that needs to be reviewed
Kiribati	STX [Remote]	Tax legislation reforms with focus on simplification for small taxpayers	Legislation to be finalized	Small taxpayer tax implemented 4/30/22	PFTAC supporting modernization of tax laws.
Marshall Islands	STX [In-Country]	Implementation of VAT	Decision still to be taken on implementation of VAT	VAT implementation readiness by 10/31/22	Political support for tax reform needed
Nauru	STX [In-Country]	Further assistance on CIS with focus on large taxpayer segment	CIS due for review and renewal	CIS facilitating high levels of compliance implemented by 12/31/21	CIS developed to improve monitoring and evaluation of compliance risk mitigation with focus on large taxpayer segment
Niue	STX [In-Country]	Finalization of income tax rewrite	Legislation to be finalized	Income tax rewrite finalized by 11/30/21	PFTAC supporting modernization of tax laws.
Palau	LTX/ STX [Remote/ In-Country]	Assist with implementation of Palau Goods and Services Tax (PGST) and Net Profit Tax (NPT)	Guidance and support provided to progress PGST and NPT through Congress	VAT implementation readiness by 12/31/22	Tax reform Bill to be approved by Congress
Palau	STX [Remote]	Regulations for the PGST and business profit tax	Regulations to be finalized	VAT implementation readiness by 12/31/22	Tax reform Bill to be approved by Congress
Papua New Guinea	STX [Remote/ In-Country]	Refresh the ITAS project plan and assist with development and implementation of change management plan	Key interdependencies and more breakdown elements to be included in ITAS project plan	ITAS project plan and change management plan implemented by 12/31/21	Funding required for new ITAS project
Papua New Guinea	STX [Remote]	Further development and introduction of new organizational structure	Initial work done on new organizational structure	New organizational structure implemented by 4/30/22	New structure should be used to introduce strategically focused practices and performance-based culture
Samoa	STX [Remote]	Improving risk management – development of framework and Improving data analysis	Risk management and data analysis need to be strengthened	Framework for improved management of compliance risk by 12/31/21	Risk management identified as a priority area for improvement
Samoa	STX [Remote]	Renewal of Corporate Strategy and Operational Plans	Strategic plan due for renewal in 2021	New Corporate strategic plan implemented by 10/31/21	New IT Strategy and TPS strategy to be incorporated into Corporate strategy
Samoa	STX [Remote]	Renewing of industry partnership for high risk industries	Industry partnership needs to be reviewed and renewed with a focus on high-risk industries	Industry partnership developed and implemented by 11/30/2021	High-risk compliance can be improved through industry partnerships.
Samoa	LTX [In-Country]	Review reform progress	No review done by new LTX	Review overall reform progress and status of PFTAC recommendation - introduce new LTX	PFTAC has provided TA across objective 1 & 2 that needs to be reviewed
Samoa	STX [Remote]	BEPS Implementation	Initial work done on BEPS by legal expert (STX)	Meeting BEPS requirements 10/31/22	Decisions to be taken on BEPS requirements
Solomon Islands	LTX [In-Country]	Assist with implementation of VAT	A decision to implement a VAT has been made with a request from the authorities to support implementation.	Implementation strategies and plans for VAT finalized by 12/31/21.	The COVID pandemic has impacted on plans to implement VAT
Solomon Islands	LTX/ HQ [Remote]	Design and implementation of MTRS	Carried over from FY 2021	MTRS implemented by 4/30/22	FAD led mission. Commitment required to be able to move forward with MTRS design

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
Solomon Islands	STX [Remote]	Assist with implementation of LTO	LTO established during FY 2021, additional staff to be recruited and trained, processes to be reviewed and adjusted	LTO fully implemented by 4/30/22	The COVID pandemic may impact on funding for new positions in LTO
Solomon Islands	LTX [In-Country]	Review reform progress	No review done by new LTX	Review overall reform progress and status of PFTAC recommendation - introduce new LTX	PFTAC has provided TA across objective 1 & 2 that needs to be reviewed
Timor-Leste	STX [In-Country]	Assist with implementation of VAT	A decision to implement a VAT has been made with a request from the authorities to support implementation.	Implementation strategies and plans for VAT finalized by 12/31/21.	Full political support needed for VAT
Timor-Leste	STX [In-Country]	Diagnostic review	Diagnostic review carried over from FY 21 as requested, ideally should be in-country	Identify needs for modernization and reforms, agree on CD	PFTAC not involved with TL for past years
Timor-Leste	STX [Remote]	TADAT Assessment	TADAT assessment requested by authorities	TADAT assessment completed by 12/31/21	Comprehensive information to be provided to enable a remote performance assessment
Tonga	STX [In-Country]	Improving Risk management and compliance improvement strategy;	PFTAC has assisted Tonga in the development of a CIS approach, now in its second year. A review will be carried out to measure its effectiveness and suggestions for its further improvement.	An effective CIS facilitating high levels of compliance implemented by 12/31/21.	A renewed CIS that takes into account the challenges presented by the COVID pandemic is critical to reinvigorate revenue collections and maintain compliance
Tonga	STX [Remote]	Renewal of MoRC Corporate Strategy and Operational Plans	Corporate strategic plan due for renewal	New Corporate strategic plan implemented	Corporate strategic plan to take into account the impact of COVID pandemic on revenue
Tonga	LTX [In-Country]	Review reform progress	No review done by new LTX	Review overall reform progress and status of PFTAC recommendation - introduce new LTX	PFTAC has provided TA across objective 1 & 2 that needs to be reviewed
Tonga	STX [Remote]	Finalization of consumption tax rewrite	Legislation has to be finalized	Consumption tax rewrite implemented by 12/31/21	PFTAC supporting modernization of tax laws.
Tuvalu	STX [Remote]	Review and enhance the CIS	Review of first CIS to inform wider scope CIS	New CIS implemented by 12/31/21	CIS is vital to increase voluntary compliance and to mobilize revenue
Tuvalu	LTX [In-Country]	Review reform progress	No review during past 3 years	Review overall reform progress and status of PFTAC recommendation	PFTAC has provided TA across objective 1 & 2 that needs to be reviewed
Vanuatu	STX [Remote]	Provide training to enable TADAT self-assessment	Training requested to perform a TADAT "self-assessment"	TADAT self-assessment completed by 11/30/21	Formal TADAT assessment at later stage
Vanuatu	STX [Remote]	Review RMS provider Master Service Agreement	Agreement signed in 2000, needs to be reviewed	RMS Master Service Agreement reviewed	The IT support needs to be improved
Vanuatu	STX [Remote]	Develop taxpayer service strategy	Taxpayer service strategy required	Taxpayer Service Strategy implemented by 12/31/22	Improve taxpayers services and communication.
Vanuatu	STX [In-Country]	Reviewing and enhancing the CIS's	Current CIS's due for renewal	An effective CIS facilitating high levels of compliance implemented by 12/31/21.	Review of existing CIS's and compliance risks leading to renewal of CIS's
Vanuatu	LTX [In-Country]	Review reform progress	No review done by new LTX	Review overall reform progress and status of PFTAC recommendation - introduce new LTX	PFTAC has provided TA across objective 1 & 2 that needs to be reviewed

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
Regional	LTX/ STX [Remote]	Strategic and operational management	Management capacity building required	Workshop on strategic planning delivered by 10/31/2021	As per PITAA training needs analysis priorities
Regional	LTX/ STX [Remote]	Risk management and Data analysis	Follow-up to workshop delivered during FY 20	Workshop on Risk Management delivered by 8/31/2021	As per PITAA training needs analysis priorities
Regional	LTX/ STX [In-Country]	Leadership, integrity and good governance	Leadership capacity building required	Workshop on leadership delivered by 1/31/2022	As per PITAA training needs analysis priorities
STRATEGIC OBJECTIVE 2: STRENGTHENED CORE FUNCTIONS EVIDENCED BY AN ACCURATE TAXPAYER BASE, TAXPAYER SERVICES SUPPORTING VOLUNTARY COMPLIANCE, IMPROVEMENTS IN FILING, PAYMENT AND AUDIT SERVICES					
Cook Islands	STX [Remote]	Strengthen Debt and Returns management	Further improvement required for management of outstanding returns and tax arrears	On-time filing and payments operating at improved efficiency levels by 31/12/2021 and measured against TADAT dimensions.	Assistance requested by the authorities to improve current returns and payment compliance levels.
Cook Islands	STX [Remote]	Developing Standard Operating procedures for core tax functions	RMD does not have standardized core tax procedures in place	SOP's approved and implemented	More efficient and effective processes required - vital for planned upgrade of IT system
Cook Islands	STX [Remote]	Audit skills development	Auditor skills level low	Audit skills development program completed	Tax avoidance and evasion requires high level of audit skills
Cook Islands	STX [In-Country]	Strengthen audit function	Improvements required for the audit function to meet the required standards	The audit function operating at improved efficiency levels by 30/4/2022 and measured against TADAT dimensions.	The authorities have requested TA to assist in building audit function and capability.
Fiji	STX [Remote]	Strengthen Debt and Returns management	Further improvement required for management of outstanding returns and tax arrears	On-time filing and payments operating at improved efficiency levels by 31/12/2021 and measured against TADAT dimensions.	TA assistance requested by the authorities to improve current returns and payment compliance levels.
Fiji	STX [In-Country]	Improving taxpayer services and communication	Taxpayer service and communication strategy to be implemented	Increase in voluntary compliance and decrease in number of taxpayer complaints	Taxpayer services and communication important in COVID-19 context and to improve voluntary compliance
Fiji	STX [In-Country]	Strengthening tax audit	Improvements required for the audit function to meet the required standards	Quality of audits improved	Audit case work to be improved as requested by authorities
Fiji	STX [Remote]	Developing tax audit skills	Skills level of auditors and investigators to be improved	Audit skills development program completed	Build on first audit skills development program delivered during FY 2021
Kiribati	STX [Remote]	Strengthening tax audit with focus on tax audit methods to detect undeclared income	Improvements required for the audit function to meet the required standards	Quality of audits improved	Auditing of cash based businesses with poor record keeping presents challenges
Marshall Islands	STX [Remote]	Improving tax arrears and returns management	Further improvement required for management of outstanding returns and tax arrears	Increase in voluntary compliance and decrease in number of taxpayer complaints	Capacity and capability present challenge and no IT tax system support
Marshall Islands	STX [In-Country]	Strengthen tax audit function (challenges posed by cash economy)	Improvements required for the audit function to meet the required standards	Quality of audits improved	Audit case work to be improved as requested by authorities

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
Nauru	STX [In-Country]	Improve taxpayer services, debt and returns management and audit function	Further improvement required for core tax functions	Taxpayer services, on-time filing and payments and audit operating at improved efficiency levels by 31/12/2021 and measured against TADAT dimensions.	Capacity and capability present challenges and no IT support
Niue	STX [Remote]	Improve taxpayer services, debt and returns management and audit function	Further improvement required for core tax functions	Taxpayer services, on-time filing and payments and audit operating at improved efficiency levels by 31/12/2021 and measured against TADAT dimensions.	Capacity and capability present challenges and no IT support
Palau	STX [Remote]	Improve taxpayer services, debt and returns management	Core tax functions to be strengthened	Taxpayer Services, on-time filing and payments operating at improved efficiency levels by 31/12/2021 and measured against TADAT dimensions.	Capacity and capability present challenges
Papua New Guinea	STX [In-Country]	Support implementation of taxpayer services strategy	Finalization, approval and implementation of taxpayer services strategy needed	Improved delivery of taxpayer services by 12/31/2021 and measured against TADAT dimensions.	Assistance with implementing taxpayer service strategy requested by authorities
Papua New Guinea	STX [In-Country]	Complete the cleansing of taxpayer register and introduce new business processes to ensure the register remains up to date	Work has commenced on cleansing the taxpayer register of ceased and inactive cases	More accurate and reliable taxpayer information held in centralized database by 10/31/22	Integrity and accuracy of taxpayer register vital
Samoa	STX [In-Country]	Assistance with implementation of the taxpayer service strategy	Taxpayer service strategy already developed, needs to be implemented	Improved delivery of taxpayer services by 12/31/2021 and measured against TADAT dimensions.	Taxpayer services and communication important in COVID-19 context and to improve voluntary compliance
Samoa	STX [In-Country]	Strengthening return filing and tax arrears management	On-time filing and on-time payment to be improved	On-time filing and payments operating at improved efficiency levels by 31/12/2021 and measured against TADAT dimensions.	Follow-up to assistance provided during FY 2021
Samoa	STX [Remote]	Strengthening audit and optimizing TIMS	Improvements required for the audit function to meet the required standards	The audit function operating at improved efficiency levels by 4/30/2022 and measured against TADAT dimensions.	Management of TIMS data and case selection key focus
Solomon Islands	STX [Remote]	Assistance with implementation of the taxpayer service strategy	Taxpayer service and communication strategy to be developed and implemented	Improved delivery of taxpayer services by 12/31/2021 and measured against TADAT dimensions.	Taxpayer services and communication important in COVID-19 context and to improve voluntary compliance
Solomon Islands	STX [Remote]	Strengthen tax audit function	Improvements required for the audit function to meet the required standards	The audit function operating at improved efficiency levels by 12/2/2021 and measured against TADAT dimensions.	Audit capability and capacity present challenges
Tonga	STX [In-Country]	Improving debt and returns management	On-time filing and on-time payment to be improved	On-time filing and payments operating at improved efficiency levels by 31/12/2021 and measured against TADAT dimensions.	Assistance requested to improve current returns and payment compliance levels.

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
Tonga	STX [In-Country]	Strengthen tax audit function and optimize VAT POS	Improvements required for the audit function to meet the required standards	The audit function operating at improved efficiency levels by 31/12/2021 and measured against TADAT dimensions.	Assistance with building audit function and capability requested
Tuvalu	STX [Remote]	Improve taxpayer services, return filing and tax arrears management and audit	Further improvement required for core tax functions	Core tax functions operating at improved efficiency levels by 4/30/2021 and measured against TADAT dimensions.	Capacity and IT support present challenges
Vanuatu	STX [Remote]	Strengthening audit and audit skills development	Improvements required for the audit function to meet the required standards	The audit function operating at improved efficiency levels by 31/12/2021 and measured against TADAT dimensions.	Audit capacity and capability present challenge
Vanuatu	STX [Remote]	Strengthening return filing and tax arrears management	Further improvement required for management of outstanding returns and tax arrears	On-time filing and payments operating at improved efficiency levels by 31/12/2021 and measured against TADAT dimensions.	Training for collectors to be part of TA
Regional	LTX/ STX [In-Country]	Workshop on Tax Investigations - VAT	Carried over from FY 2021	Workshop on VAT tax Investigations delivered by 2/28/22	Workshop delivered in terms of training needs identified and agreement with OCO
Regional	LTX/ STX [Remote]	Effective taxpayer services and communication	Taxpayer services and communication to be improved	Workshop on taxpayer services delivered by 4/30/21	As per PITAA training needs analysis priorities

PUBLIC FINANCIAL MANAGEMENT

In FY2022, PFM assistance and CD will continue in all topic objective areas, including the topic objective new to FY2022 – Public Investment Management (PIM).

Specifically, support will be provided on:

- Undertaking PEFA assessments, with a PEFA Climate Module planned for Fiji and Vanuatu, an 'Agile' PEFA and Gender Module for Nauru, and completing the Palau PEFA which was postponed from FY2021 due to the pandemic;
- Developing sequenced and prioritized PFM reform roadmaps, based on the results of PEFA assessments; and completing ongoing work on modernizing and updating legal frameworks;
- Strengthening transparency of budget documentation and budget credibility; improved budget execution; and stronger asset, liability, and risk management; and;
- Strengthening the quality of fiscal reporting as well as in-year and annual financial reporting, and accountability.

The FY2022 PFM work plan is an ambitious one, in the expectation that



travel to member countries will open up by the second half of the fiscal year with 32 missions planned, down from 35 missions originally planned for FY2021, but up from an updated plan of 23 missions and an actual outturn of 19 missions.

FY2022 sees a sharp increase in planned utilization of STX field days (607 up from 501 in the FY2021 workplan). This reflects a higher proportion of STX led missions relating to ongoing projects and the delivery of three PEFA's and one PIMA which are resource intensive.

PFTAC will continue its role in coordinating with other PFM TA providers to harmonize efforts and leverage synergies between partners.

AT THE REGIONAL LEVEL, 4 regional workshops are planned in FY2022:

- A PFM Symposium (in conjunction with PIFS) targeting financial secretaries/CEOs.
- A workshop on formulating sequenced and prioritized PFM reform roadmaps, based on issues highlighted in PEFA assessments.
- In conjunction with the PFTAC macro program, a workshop on fisheries revenue forecasting, (following a similar workshop delivered in FY2020); and
- A regional workshop on oversight

of State-Owned Enterprises (SOEs) fiscal risks and transparency, (postponed from FY2021).

IN TERMS OF COUNTRY

ACTIVITIES, planned delivery includes the following:

In the **Cook Islands**, the PFM Roadmap will be developed following the FY2021 Agile PEFA assessment to define actions to tackle issues identified in the assessment. Moreover, a PIMA will be conducted towards the end of FY2022.

In **Fiji** the second PEFA Climate assessment for the region is planned. Additionally, work will continue to reinforce risk-based internal audit practices, and further strengthen the oversight and management of fiscal risks.

To support the new FMIS being developed, assistance to **FSM** will focus on strengthening local capacity to produce timely and quality fiscal reports.

Support to **Kiribati** will include strengthening budget execution via the introduction of quarterly warranting and commitment controls and facilitating more effective utilization of cash resources through consolidation

of banking arrangements.

Further assistance will be provided to **RMI** to provide greater transparency in the presentation of the budget, including a breakdown by economic item, and a better integration of the capital and recurrent budget; Strengthening budget reporting via the design and implementation of a chart of accounts aligned to modern standards.

Continued support to **Nauru** includes building capability required for pursuing compliance with IPSAS cash standards. An Agile PEFA assessment including a gender responsive PFM review is also planned to take stock of PFM progress since the last self-assessment done in 2016.

Support will continue for **Niue** to update the PFM Act to support the reform initiatives.

Prepare and conduct an 'agile' PEFA assessment in **Palau**, which will then form the basis for designing the PFM reform roadmap.

Assist **PNG** strengthen its commitment and expenditure controls and integrate debt and cash management functions.

In **Samoa** work will continue on ongoing projects to implement internal

audit standards, strengthen warranting and cash management practices, and broaden the analysis and disclosure of fiscal risks.

In conjunction with FAD, advise **Timor-Leste** on strengthening the budget process by reflecting binding, medium-term ceilings in the budget documents; and formulating a prioritized and achievable PFM reform roadmap.

Support for **Tokelau** will target the need for an integrated, transparent, and accountable budget framework.

Support for **Tonga** will focus on building local capacity to implement the next stage of IPSAS cash reporting. Additionally, assistance will be provided to MOF to design and implement an asset management framework. As well, support will be directed at finalizing the modified PFMA.

Assist **Tuvalu** in implementing commitment controls and reporting of arrears; and deliver training on financial reporting and the chart of accounts.

Support to **Vanuatu** will continue to improve the reconciliation processes and tackling the issues raised in the audit.

TABLE 19. FY2022 WORK PROGRAM – PUBLIC FINANCIAL MANAGEMENT

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
STRATEGIC OBJECTIVE 1: IMPROVED LAWS AND EFFECTIVE PFM INSTITUTIONS					
Cook Islands	LTX/ STX [Remote]	Roadmap development	The Agile PEFA assessment in peer review stage, will identify the PFM areas that need attention which forms the core of the PFM Roadmap.	PFM Roadmap completed with clear actions for implementation.	The mission is proposed to be done in-country due to the lack of local capacity. If Covid travel restrictions continue it could delay implementation.
Fiji	LTX/ STX [In-Country]	PEFA Climate Assessment	Significant work undertaken to start addressing climate change, building resilience and management of natural disasters	PEFA climate assessment undertaken, and PFM systems made more responsive to climate change.	Fiji is currently grappling with an unexpected outbreak of COVID.
Nauru	LTX/ STX [In-Country]	Agile PEFA Assessment	The last self-assessment was conducted in 2016. The proposed Agile PEFA assessment will take stock of where PFM systems and processes are relative to five years ago. The assessment will define	The Agile PEFA assessment completed.	Prolonged pandemic and availability of local counterparts.

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
			the PFM issues for priority action.		
Niue	STX [Remote]	Updating the PFMA	A draft legislation has been submitted to the authorities for feedback.	An updated and modernized PFMA bill submitted to the authorities.	Delayed feedback from the authorities.
Palau	LTX/ STX [In-Country]	PEFA Assessment	Postponed from FY21 due to COVID-19.	Agile' PEFA undertaken findings used as foundation for the PFM reform roadmap.	Resource intensive activity which requires a return to travel.
Tonga	STX [Remote]	Review draft proposed legislation	The current PFMA legislation needs to be updated to support PFM reform initiatives.	A draft bill is provided to the government.	Delayed government feedback on the draft bill.
Timor-Leste	LTX/ STX [Remote]	Developing a PFM Roadmap	Roadmap been in development for some time	Prioritized and sequenced roadmap drafted and guiding PFM reforms	Potential risk of competing priorities - natural disaster on top of COVID-19
Regional	LTX/ STX [Remote]	PEFA and PFM Reform Prioritization Workshop	Reform roadmaps in region not adequately sequenced, prioritized and cognizant of capacity constraints	Workshop delivered and roadmaps made more achievable	Constant pressure to address all issues, and capacity limitations in some countries.
Regional	LTX [In-Country]	PFM Symposium	Annual activity supported by the FEMM	Symposium delivered and senior executives in consensus on priorities	To follow closely after the meeting of the FEMM - being undertaken in conjunction with PIFS.

STRATEGIC OBJECTIVE 2: STRENGTHEN BUDGET PREPARATION TOWARDS MORE COMPREHENSIVE, CREDIBLE & POLICY ORIENTED BUDGET

Marshall Islands	STX [Remote]	Increase transparency in the presentation of the budget	Budget presentation based on funds rather than GFS economic item	Budget presentation includes economic item classification	Risk of limited capacity and staffing changes impact implementation of reforms
Timor-Leste	LTX [Remote]	Strengthening Top-Down Approaches to Budgeting	2018 PEFA identified areas for strengthening medium term budgeting	Budget documents (including the Budget Strategy Paper) reflect binding ceilings over the medium term	Need for strong engagement
Tokelau	LTX [In-Country]	Review current budget process and basic elements of fiscal information to ensure quality control in spending	The Aide Memoire with Tokelau dated June 2019, identified the need for an integrated, transparent and accountable budget framework which forms the basis for the proposed support.	A credible and policy based budget framework completed.	Prolonged covid pandemic.
Regional	LTX [In-Country]	Fishing Revenue Workshop	Follow on from FY2020 workshop	Skills imparted and revenue forecasts made more reliable	Capacity issues in some countries impact skills retention

STRATEGIC OBJECTIVE 3: IMPROVED BUDGET EXECUTION AND CONTROL

Fiji	STX [In-Country]	Follow on work on implementing risk based auditing standards and practices	Internal Audit and Good Governance (IAGG) payroll and governance audits completed	Risk based audit standards implemented in accordance with the IIA	IAGG continues to progress well
Kiribati	STX [In-Country]	Implementing quarterly warranting system and strengthening commitment controls	Effective controls will be needed for the new FMIS	Design for quarterly warrant releases and commitment controls in the FMIS are agreed	Potential risk FMIS not configured as recommended
Papua New Guinea	STX [In-Country]	Arrears management and commitments controls, including the management of payroll expenses	Payroll arrears in Provinces. Obligations only recorded at invoicing stage not at commitment	Action plan developed for strengthening commitment and expenditure controls	Risk of low compliance by Province officials

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
Samoa	STX [In-Country]	Follow on work on implementing risk based auditing standards and practices	Risk based audits undertaken on procurement and payroll	Risk based audit standards implemented in accordance with the IIA	Next steps to consolidate government wide reports - IIAD rolling out training program to MDAs.
Tuvalu	STX [In-Country]	Implementing arrears management and commitment controls	Identified needs for strengthening commitment controls in FMIS	Design for commitment controls in FMIS agreed	Potential risk FMIS not configured as recommended
STRATEGIC OBJECTIVE 4: IMPROVE COVERAGE AND QUALITY OF FISCAL REPORTING					
FSM	LTX/ STX [In-Country]	Review of Reports	A new FMIS is being developed with donor support but need to strengthen local capacity to be able to produce timely and quality fiscal reports.	Training of local staff on improved fiscal reporting delivered.	Availability of local counterparts.
Nauru	STX [Remote]	Follow-up on IPSAS Cash Reporting	Strengthening capacity to comply with IPSAS cash and improved reporting in the financial statements are key factors in the quality of the audit opinion.	Advice on compliance with IPSAS cash is provided to authorities.	Capability and availability of local counterparts.
Marshall Islands	STX[Remote]	Strengthening financial reporting, including alignment of the Chart of Accounts to GFSM2014	Budget reports analyzed by fund rather than GFS economic item	Revised Chart of Accounts (CoA) implemented	Risk of limited capacity to implement CoA
Tonga	STX [Remote]	Review and implement improvements to the reconciliation process	Following earlier TA support, building local capacity to implement the next stage of IPSAS cash reporting was considered critical.	Advice on compliance with IPSAS cash provided to authorities.	Availability of local counterparts.
Tuvalu	STX [In-Country]	National training on financial reporting and chart of accounts	Agreement on strengthening cash accounting/reporting	Skills developed on financial reporting and role of CoA in their production	Risk of limited capacity to implement skills and improve the presentation of financial reports
Vanuatu	LTX/ STX [Remote]	Continue improvement on audit recommendations	Previous PFTAC TA support identified the need for improved reconciliation processes and addressing audit recommendations.	Advice on improving the reconciliation process provided to local counterparts.	Commitment of local counterparts.
STRATEGIC OBJECTIVE 5: IMPROVED ASSET AND LIABILITY MANAGEMENT					
Kiribati	STX [In-Country]	Consolidation and effective use of cash resources	Significant cash resources under-remunerated. No TSA	Inventory of bank accounts and plan for consolidating resources.	Risk that more effective utilization of cash resources not a priority
Papua New Guinea	LTX [In-Country]	Review of institutional arrangements for debt and cash management	Separate institutional arrangements for debt and cash management	TOR and action plan developed for an integrated Debt and Cash Management Department	Need for coordination and cooperation of units involved
Samoa	LTX [In-Country]	Cash Management/ Review progress and identify next steps	Quarterly warranting and commitment controls ready for operationalization	Quarterly warrants implemented. Plan for consolidation of bank accounts	Risk of competing priorities impinging on cash management activities.
Tonga	STX [Remote]	Implementation Plan for the Asset Management Framework	Support will be provided to MOF to design and implement an asset management framework.	The draft asset management framework is provided to authorities.	Local counterpart staff availability.
STRATEGIC OBJECTIVE 6: STRENGTHEN IDENTIFICATION, MONITORING, AND MANAGEMENT OF FISCAL RISKS					
Fiji	STX [Remote]	Continue improvement on fiscal risk analysis	Mission postponed from FY21 due to COVID-19.	Framework adopted for strengthening SOE oversight and monitoring of fiscal risks	SOE compliance on governance arrangements needs to be enforced
Samoa	STX [Remote]	Strengthen Risk Framework	Mission postponed from FY21 due to COVID-19.	Fisk risk framework and reporting process is	SOE compliance on governance

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
				adopted by MOE.	arrangements needs to be enforced
Regional	LTX [In-Country]	Fiscal Risk and Transparency	Postponed from FY21 due to COVID-19.	Workshop completed and skill developed	Risk that travel restrictions may dictate this is undertaken remotely
STRATEGIC OBJECTIVE 7: IMPROVE PUBLIC INVESTMENT MANAGEMENT					
Cook Islands	LTX/ STX [In-Country]	Conduct a PIMA	An active program of investments is being pursued by the government to diversify its economy and enhance growth opportunities.	PIMA undertaken and recommendations made for strengthening public investment	Prolonged covid pandemic could delay implementation.

MACROECONOMIC PROGRAMMING AND ANALYSIS

Under the macroeconomic programming and analysis FY2022 CD work program, efforts will contribute towards five outcomes:

- Outcome 1: Timely, high quality macroeconomic monitoring, analysis, and research available for policymaking.
- Outcome 2: Ready public access to key monetary, fiscal, and financial soundness information.
- Outcome 3: Sound medium-term macroeconomic framework.
- Outcome 4: Strong institutional structures for macroeconomic policy making.
- Outcome 5: Customer due diligence and compliance with Anti-Money Laundering/ Combating the Financing of Terrorism (AML/CFT) safeguards, remittance flows, and CBR.

Under the proposed FY2022 workplan, 17 missions/activities are planned versus an outturn of 8 missions, a more than 100 percent increase over FY2021, requiring an expected 177 TA field day (119 LTX and 58 STX), up 54 percent from 115 field days in FY2020 (103 LTX and 12 STX). This increase primarily arises from a greater expected use of STX in FY2022.



In addition to PFTAC's program for Macroeconomic Analysis and Programming, in FY2022, the IMF's Institute for Capacity Development (ICD) has launched a complementary but separately financed CD program for the development of macroeconomic frameworks, particularly in financial programming and forecasting and policy analysis systems. This ICD program will help policymakers better incorporate the relationships between fiscal policy, monetary policy, and exchange rate regimes into macroeconomic policy making. In FY2022 it is expected to assist the governments and central banks of **Papua New Guinea, Samoa, Solomon Islands, and Tonga.**

AT THE REGIONAL LEVEL, PFTAC will host a number of workshops and seminars:

- (1) A Webinar on the Fiscal policy and analysis delivered jointly with STI;
- (2) A Webinar on GDP forecasting delivered jointly with STI;
- (3) A webinar on Fisheries revenue forecasting delivered jointly with the PFM program; and
- (4) A webinar on Macro-fiscal analysis delivered jointly with STI.

IN TERMS OF COUNTRY

ACTIVITIES, TA and training in FY2022 will continue to develop and support the use of quantitative tools, particularly in relation to:

- (1) Macro-fiscal frameworks, including in **FSM; Kiribati; RMI; PNG; Samoa; Timor-Leste; Tonga;** and **Vanuatu;**
- (2) Inflation forecasting including in the **Solomon Islands;**
- (3) Fiscal policy analysis; and
- (4) Tax and non-tax revenue forecasting and analysis, including in **Fiji, Palau** and **Niue.**

Overall, the TA aims to strengthen PFTAC member countries ability to make informed macroeconomic as well as broader economic policy choices.

The **macro-fiscal** aspect of the Macroeconomic program's TA can be broadly divided into four steps, with assistance aimed at progressing along this path.

Basic budgeting

Ensuring the use of a basic budget execution model with relevant economic parameter inputs that includes forward estimates. National government and development budgets should (ideally) be integrated. It includes:

- (1) Expenditure and revenue forecasts;
- (2) Economic parameter forecasts;
- (3) Ideally on a GFS basis; and
- (4) Incorporation of the model into the budget process.

Medium Term Forecasting

- (1) Use of a fully integrated macro-fiscal model for medium to long run forecasting.

Scenario Analysis

- (1) Use of a macro-fiscal model to undertake shock and scenario analysis to aid understanding of the relationships between fiscal and other macroeconomic variables.

Fiscal Strategy

- (1) Countries devise, publish, and implement (including in legislation where appropriate) prudent fiscal frameworks.

Broader Macroeconomic Policy

- (1) Overall, incorporating the relationships between fiscal policy, monetary policy, and exchange rate regimes into macroeconomic policy making, that is critical for the promotion of stable economic growth and development.

The CBR project aims to support the ability of Pacific Islanders to send and receive financial remittances quickly, inexpensively, and securely.

It is also anticipated that the project will reduce pressure from 'de-risking' by regional banks to occur.

This will be supported through enhanced '*Know Your Customer*' facilities that provides regulatory certainty to financial institutions in relation to their compliance with AML/CFT obligations.

BOX 21. MACRO-FISCAL MODELLING

Macro-fiscal modelling seeks to answer key questions in relation to a country's economic and fiscal outlook. The key amongst these is whether or not a country's debt levels are sustainable under current fiscal policy settings or whether adjustment is needed in order to reduce the risk of runaway debt levels, or even a default. While economic models cannot be definitive about such questions, due to the strong influence of a range of additional qualitative factors, they can point country authorities in the right direction.

A further important task of macro-fiscal models is to undertake scenario analysis, particularly in relation to changes in government spending and taxation, other economic variables, or potentially to changes in interest rate

or exchange rate settings. For example, an important question asked by authorities in Fiji was 'what will the likely economic and fiscal outcomes look like over time, under different return of tourism assumptions?'

Working jointly with the authorities, these questions were able to be answered through the construction of a macro-fiscal model of the Fiji economy, including the government sector. A thorough understanding of the government's role in an economy is critical for understanding the outcomes of different scenarios. It is for this reason that the expenditure measure of GDP (GDP-E) readily lends itself to macro-fiscal modelling.

Yet another critical task of macro-fiscal models is to enable authorities to

understand the long run consequences of existing fiscal rules, including in relation to sovereign wealth funds, resource extraction, and medium term fiscal plans. Again, being able to easily vary the parameters in relation to these fiscal rules enables policy makers to get a clearer picture of their policy options.

PFTAC takes an approach of ensuring that models are 'fit for purpose'. This means that in some cases, particularly small countries with a limited number of relevant staff, more straightforward models will be constructed. In other cases, where countries are larger and more staff are available more sophisticated models may be built, including derivations of the IMF's Financial Programming model.

TABLE 20. FY2022 WORK PROGRAM – MACROECONOMIC PROGRAMMING AND ANALYSIS

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
STRATEGIC OBJECTIVE 1: WELL FUNCTIONING MACROECONOMIC POLICY AND INSTITUTIONS: IMPROVED MACROECONOMIC POLICY ADVICE TO GOVERNMENT AND CENTRAL BANK MANAGEMENT					
Fiji	LTX [In-Country]	Revenue Forecasting	Need stronger linkages between revenue forecasts and economic parameters	Improved revenue forecasts	This Mission would be appropriate for in person delivery
FSM	LTX [In-Country]	Macro-Fiscal Framework	Need for a sound macro-fiscal framework	Better understanding by FSM government of macro-fiscal outlook	
Kiribati	LTX [In-Country]	Macro-Fiscal Framework	Need for a sound macro-fiscal framework	Better understanding by Kiribati government of macro-fiscal outlook	
Niue	STX [Remote]	Non-tax revenue modelling	Niue Government has decided to review all non-tax revenues	Report with reform recommendations	Appropriate non-tax revenue shares of GDP to also be examined
Marshall Islands	LTX [Remote]	Support the use of the Marshall Islands Fiscal Model (MI_FM) preparations and policy analysis	Assistance requested on Budget forecasts	Economic and revenue forecasts for use in the RMI Budget	Completed
Palau	LTX/ STX [Remote]	Tax reform modelling	Analysis to support possible tax policy changes in Palau	Report with recommendations	
Papua New Guinea	LTX [Remote]	Macro-Fiscal Modelling (Financial Programming)	Financial programming mission requested by Central Bank	New Financial Programming Model for PNG	Joint Mission with Singapore Training Institute
Papua New Guinea	LTX [In-Country]	Macro-Fiscal Modelling (Financial Programming)	Follow up support to earlier FP Mission	Increased staff capacity	Joint Mission with Singapore Training Institute
Samoa	LTX [Remote]	Support the use of the Samoa Economic and Revenue Forecasting (SERF) Model	Support use of existing macro-fiscal model	Increased staff capacity	
Timor-Leste	LTX [In-Country]	Macro-fiscal framework	Build a new macro-fiscal model for Timor	Better understanding of macro-fiscal outlook	Oil revenue a key issue
Tonga	LTX [Remote]	Support the use of the Tonga macroeconomic programming framework in budget preparations	Support use of existing macro-fiscal model	Increased staff capacity	
Vanuatu	STX [In-Country]	GDP (I) Modelling, Revenue Forecasting, Macro Fiscal Framework	Support for economic forecasting	Improved economic and revenue forecasts	Multipart request
Regional	LTX [In-Country]	Fishing Revenue Workshop	Analysis of forecasting techniques	Improved revenue forecasts	Joint with PFM program
Regional	LTX [Remote]	GDP Forecasting/ Nowcasting Workshop	Analysis of forecasting techniques	Improved economic forecasting	Joint with Singapore Training Institute
Regional	LTX [Remote]	Inflation Forecasting Workshop	Analysis of forecasting techniques	Improved inflation forecasting	Joint with Singapore Training Institute
Regional	LTX [In-Country]	Macro-Fiscal Forecasting	Analysis of forecasting techniques	Improved macro-fiscal forecasting	Joint with Singapore Training Institute
Regional	LTX [Remote]	Establish a Regional Know Your Customer Facility (Correspondent Banking Relationships)	Threat to Correspondent Banking Relationships and high remittance costs	Establishment of a regional Know Your Customer Facility	Joint with regional Central Banks

Papua New Guinea	ICD	Macroeconomic Frameworks	Need for improved macroeconomic forecasts	Better understanding by government and central bank of macroeconomic outlook	
Samoa	ICD	Macroeconomic Frameworks	Need for improved macroeconomic forecasts	Better understanding by government and central bank of macroeconomic outlook	
Solomon Islands	ICD	Macroeconomic Frameworks	Need for improved macroeconomic forecasts	Better understanding by government and central bank of macroeconomic outlook	
Tonga	ICD	Macroeconomic Frameworks	Need for improved macroeconomic forecasts	Better understanding by government and central bank of macroeconomic outlook	

MACROECONOMIC STATISTICS

The macroeconomic statistics program that comprises sub-programs for GFS and RSS with a small component for External Sector Statistics (ESS) works towards one broad objective:

- Objective 1: Strengthen compilation and dissemination of data on macroeconomic and financial statistics for decision making according to the relevant internationally accepted statistical standards, including developing/improving statistical infrastructure, source data, serviceability and/or metadata.

GOVERNMENT FINANCE STATISTICS

After its final year of full funding, and following a short and final extension, the term of the resident GFS advisor will continue until August 31, 2021. The program will however continue through the end of Phase V in a reduced manner without a resident advisor. Through the end of August, the GFS advisor will continue to deliver CD and for the balance of Phase V overseen from Washington, on the same themes focusing on compilation and dissemination using appropriate statistical techniques, higher frequency data and concurrently expanding coverage; updating and releasing metadata; and developing customized solutions and methods for compilation



and dissemination guided by the internationally accepted statistical standard, the GFSM 2014.

The COVID-19 pandemic will move the GFS program focus on how to compile PSDS guided by the public-sector debt statistics guide for compilers and users 2013 (PSDSG 2013).

AT THE REGIONAL LEVEL, one closing wrap-up regional GFS training workshop is planned for FY2022. However, country-specific TA will still represent most of PFTAC's support with advisory in-country missions and remote support.

IN TERMS OF COUNTRY ACTIVITIES, bilateral missions and

workshops are planned to provide TA coverage to six member countries, namely **Fiji, FSM, Marshall Islands, Palau, Papua New Guinea, and Samoa**. Like the real sector and external sector statistics programs, the GFS program works to share effective, functional guidance on managing people and projects to increase the likelihood that technical developments come to timely fruition. These objectives and associated milestones related to planned missions and activities are summarized below and detailed in the FY2022 workplan.

Data are compiled and disseminated using the coverage and scope of the latest guidelines. The majority of PFTAC member countries that receive

bilateral assistance have adopted the internationally accepted statistical standard, the GFSM 2014 for compilation and dissemination of GFS. TA in FY2022 will continue to work with country counterparts to improve the standards and methodology implemented.

Data are compiled and disseminated using appropriate statistical techniques, including to deal with data sources, and/or assessment and validation of intermediate data and statistical outputs. Collaboration between various disciplines will assist in the financial programming framework as part of the macroeconomic and fiscal framework initiatives in the region. The framework adopts the GFS methodology which produces internationally comparable fiscal data and are particularly useful for debt sustainability analysis. Cross collaboration and technical support between the GFS and PFM programs will ensure that the national CoA and its linkages to the bridge tables derive appropriate GFS that can be used as input into the financial programming framework. These efforts in turn will improve and strengthen the compilation of budget documentation and medium-term fiscal frameworks aligned to the GFSM 2014 statistical or an equivalent standard.

GFS is compiled and disseminated for the BCG and GG and its subsectors with higher frequency, timeliness, and accuracy. Several PFTAC member countries have started the compilation of annual GG GFS. Assistance in FY2022 will continue to focus on improving the compilation and dissemination methods and processes to derive reconciled GFS time series for the GG. Member countries that may progress in their GG consolidation and dissemination are **Fiji, Samoa, FSM, Palau, and RMI**. Several member countries have not yet fully implemented the Classifications of the Functions of Government (CoFoG) that serves as a very important input and measure for GDP calculation to define government spending by purpose and social-economic activity. CoFoG requires focused attention to make progress in the near-to-medium

term. Assistance in expanding PSDS to include the scope of stocks of all debt liabilities of general government and public corporations and their classification aligned to the PSDSG 2013 will be provided.

Released metadata have been strengthened consistent with the dataset to enhance interpretation and analysis. Work with member countries to ensure that comprehensive sources and methods are documented, updated and disseminated regularly, inclusive of IMF guided dissemination standards, like special data dissemination standards (SDDS), general data dissemination system (GDDS) and enhanced general data dissemination system (e-GDDS). Five countries in the region are now participating to the e-GDDS initiative by releasing statistics through the National Summary Data Page (NSDP), **Fiji, FSM, Samoa, Timor-Leste and Vanuatu**.

REAL SECTOR STATISTICS

The real sector and external sector statistical CD needs vary significantly over the PFTAC member countries. While some small countries struggle to keep up regular work due to an insufficient number of staff, others are able to improve quality, scope, and timelines of their national accounts statistics. The RSS program tries to cover all such needs, from CD to limited capacity substitution.

AT THE REGIONAL LEVEL, one annual national accounts regional workshop is scheduled to train staff newly hired by statistical offices in order to build initial capacity.

More and more countries of the region intend to embark on QNA programs in order to improve the timeliness of their economic statistics. Therefore, a QNA course including seasonal adjustment methods is planned in FY2022 as in the previous year.

IN TERMS OF COUNTRY ACTIVITIES, in FY2022 the RSS program plans to deliver 18 TA missions to 14 member countries,

more than in FY2021 (16 missions to 8 countries).

The **Cook Islands** regularly publish QNA. The usefulness of these data can be improved by providing additional seasonally adjusted figures. Such data have been compiled by PFTAC in FY2021 and are currently available internally on an experimental basis only. PFTAC will provide CD in the form of a training workshop as well as through a TA mission to enable finalization and publication of these data. A second TA mission will assist with help with reducing the difference between GDP(P) and GDP(E).

After the finalization of experimental QNA data in **Fiji**, PFTAC will review the data, implement new annual benchmarks for 2020, update and

Country activities concentrate on increasing staff capacities, the release of metadata and the documentation of business processes, the use of up-to-date concepts, definitions and classifications, data coverage and scope, the use of adequate source data and the increase of timeliness.

extend quarters to 2022/Q1, and assist with publication of results.

PFTAC will provide training to local staff in **FSM** on GDP compilation and work on reviewing and updating the business process documentation in line with the latest system's operation.

For **Kiribati**, a remote mission is planned to evaluate and improve the usability of administrative data and to implement the latest HIES results for compiling a new vintage of national accounts data.

As staff capacity is still too low to independently compile GDP, PFTAC will support **Nauru and Niue** with a mission to assist the statistical offices with updating their GDP data.

Palau will be assisted with strengthening their capacity to independently compile GDP with one mission.

Papua New Guinea is planned to receive a TA mission to assess the quality of data sources to be used to compile financial and construction industry's output.

In **RMI**, a PFTAC TA mission will help the statistical office to compile national accounts independently from the US Graduate School. This year's mission will give training on compiling value-

added and production for non-market activities and to investigate the quality of tax data to be used for NA purposes.

A mission to the **Solomon Islands** will support the Central Bank with the implementation of an experimental QNA data program.

Likewise, for **Tonga** and **Vanuatu**

PFTAC missions on the implementation of experimental QNA programs will be provided.

As staff capacities in **Tuvalu** do not suffice to allow unassisted regular updates of annual results, two missions are scheduled. One will assist in analyzing source data and to update GDP and the other to update BoP data.

TABLE 21. FY2022 WORK PROGRAM – MACROECONOMIC STATISTICS (GOVERNMENT FINANCE STATISTICS)

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
STRATEGIC OBJECTIVE 1: STRENGTHEN MACROECONOMIC AND FINANCIAL STATISTICS COMPILATION AND DISSEMINATION					
Fiji	LTX [In-Country]	<p>Compile, review and disseminate data to the IMF Statistics Department.</p> <p>A comprehensive sources and methods document is disseminated and updated regularly</p> <p>Refine compilation techniques for using various administrative data sources to reduce statistical discrepancies</p>	<p>CoA and FMIS reforms are ongoing. Annual BCG data completed up to 2019. Unconsolidated GG data up to 2017. Expanding coverage to public sector initiated.</p>	<p>Submit PSDS to the World Bank for publication. GFS automated in the new FMIS to compile reports. Complete a consolidated GG time series. Business process documentation completed.</p>	<p>Given that source data is readily available. Better coordination between internal stakeholders needed. Staff capacities are adequate.</p>
FSM	STX [In-Country]	<p>Refine compilation techniques for using various administrative data sources to reduce statistical discrepancies</p> <p>Compile, review and disseminate data to the IMF Statistics Department.</p>	<p>GFS sustained by graduate school USA. Annual data for BCG and the four state governments up to FY 2019. Expanding coverage to the rest of the public sector. Ongoing reform of the CoA and FMIS</p>	<p>Submit PSDS to the World Bank for publication. GFS automated in the new FMIS to compile reports. Complete a consolidated GG time series. Continue with business process documentation</p>	<p>New staff needs to be fully trained.</p>
Marshall Islands	STX [In-Country]	<p>Refine compilation techniques for using various administrative data sources to reduce statistical discrepancies</p> <p>Compile, review and disseminate data to the IMF Statistics Department.</p>	<p>GFS sustained by graduate school USA. Annual BCG data up to FY 2019. Annual consolidated GG data up to FY 2018. Ongoing reform of the CoA and FMIS</p>	<p>Submit PSDS to the World Bank for publication. GFS automated in the new FMIS to compile reports.</p>	<p>Staff shortage generates risks for medium term</p>
Palau	STX [In-Country]	<p>Refine compilation techniques for using various administrative data sources to reduce statistical discrepancies</p> <p>Compile, review and disseminate data to the IMF Statistics Department.</p>	<p>GFS sustained by graduate school USA. Annual BCG data up to FY 2019. Annual consolidated GG data up to FY 2018.</p>	<p>Submit PSDS to the World Bank for publication. GFS automated in the new FMIS to compile reports.</p>	<p>Staff capacities are adequate. Staff turnover may pose a risk in the medium term.</p>
Papua New Guinea	LTX [Remote]	<p>Assist in the verification and revisions of the COA mapping and associated compilation procedures for quarterly reporting.</p> <p>Prepare a reconciliation and include data for the financial balance sheet and public sector data to the monetary statistics and balance of payments.</p> <p>Assist in the verification and revisions of data compiled for GFS.</p>	<p>Annual data for BCG up to FY 2019. Quarterly GFS submitted since 2019 Q1. Institutional unit classification started. Reconciliation for financial balance sheet initiated.</p>	<p>Complete the institutional unit classification. Complete balanced statement of operations with narrowing down the statistical discrepancies.</p>	<p>All the stakeholders need to provide the necessary data. Staff capacities are adequate.</p>

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
Samoa	LTX [Remote]	Compile, review and disseminate data to the IMF Statistics Department.	Annual consolidated data for GG up to FY 2019. Expanding coverage to public sector.	Submit PSDS to the World Bank for publication. Compile and disseminate quarterly GFS. Refine the compilation working files. Expand COFOG coverage	Staff capacities are adequate.
Regional	LTX/ HQ [Remote]	GFS and PSDS methodological training, practical workgroup exercises and country data compilation.		Assess progress made during the project. Identify data gaps and future needs for each country. Trained staff for improved GFS compilation and dissemination.	All PFTAC member countries will attend and be trained.

TABLE 22. FY2022 WORK PROGRAM – MACROECONOMIC STATISTICS (REAL SECTOR STATISTICS)

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
STRATEGIC OBJECTIVE 1: STRENGTHEN COMPILATION AND DISSEMINATION OF DATA ON MACROECONOMIC AND FINANCIAL STATISTICS					
Cook Islands	LTX/ STX [Remote]	Decrease discrepancy between GDP(P) and GDP(E) estimates and finalize and publish adjusted ESS estimates	Gap between GDP(P) and GDP(E) too big.	Better consistency of GDP(P) and GDP(E)	Source data quality too low to reduce.
Cook Islands	LTX [Remote]	Review seasonal adjusted GDP(P) and provide training on techniques.	Only unadjusted quarterly GDP data are available.	Publication of seasonal adjusted quarterly GDP data	Endorsement of the numbers by the authorities.
Fiji	LTX [In-Country]	Implementing new annual benchmarks in QNA	Current experimental quarterly GDP data cover periods only up to 2019Q4.	A new vintage of quarterly GDP data reaching up to 2021Q2 is published	Starting point of regular QNA publications
		Review of business process documentation	Business process documentation consists of only fragmented descriptions.	A business process documentation is an important means of reference and provides compilation instructions.	This part of the mission will take place only if there is time left otherwise will be covered by another mission.
FSM	LTX [In-Country]	Train local staff to produce independent estimates of GDP	GDP compilation is performed by the Graduate School US.	Staff is able to compile value-added for some market industries.	
		Review and update previous Business Process Documentation (BPD) in line with latest system's operation	BPD is outdated not covering latest innovations.	BPD is an important means of reference and provides compilation instructions.	The BPD will be provided for revision.
Kiribati	STX [Remote]	Evaluate the quality of last HIES, administrative and business survey data	New source data are available but not yet assessed for their usability in secondary statistics production.	If quality is regarded as sufficient, the survey data can serve as the new base year for GDP and CPI statistics.	If quality of the HIES is poor, these surveys cannot serve as the new basis for GDP calculation.
		Rebase and update NA according to controlled and adjusted source data	A new HIES is available, but not yet implemented into GDP compilation.	GDP is updated according to a new price base year.	GDP remains based on old price base year
Marshall Islands	LTX [Remote]	Provide training on the compilation of non-market value-added	GDP compilation is performed by the Graduate School US.	Compiler trained in deriving industries non-market output.	Compiler is engaged into many other statistics works.
		Quality control and data editing of tax data	Tax data not assessed for being used to produce secondary economic statistics.	Decision about the usability of tax data for NA purposes and recommendations for improvements are given.	Tax data not provided or quality insufficient.

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
Nauru	LTX [In-Country]	Update annual national accounts to 2018/19.	GDP is covering years up to 2017/18, only.	GDP updated to 2018/19.	Not sufficient source data provided.
Niue	STX [Remote]	Update annual national accounts to 2018	GDP is covering years up to 2017, only.	GDP updated to 2018/19.	
Palau	LTX [In-Country]	Assist independent GDP calculation	GDP compilation is performed by the Graduate School US.	Staff is able to compile value-added for some market industries.	
Papua New Guinea	LTX [In-Country]	Assessing quality of data sources to be used to compile financial and construction industry's output	Authorities requested an assessment of new data sources to be used to compile financial and construction industry's output	Quality of source data is assessed and recommendations about improvements were made.	No access to source data.
Samoa	LTX [Remote]	Review seasonal adjusted GDP(P) and provide training on techniques.	Only unadjusted quarterly GDP data available.	Publication of seasonal adjusted quarterly GDP data	Endorsement of the numbers by the authorities
Solomon Islands	LTX [In-Country]	Update extrapolation of QNA	Only some initial work on QNA has been done so far.	Work files are installed and value-added is compiled for many industries.	Not sufficient source data at a quarterly/monthly basis available.
		Provide training on QNA compilation	Currently, no CBSI staff is trained in QNA compilation.	Compiler is trained to maintain QNA work.	
Tonga	LTX [Remote]	Update extrapolation of QNA	Only some initial work on QNA has been done so far.	Work files are installed and value-added is compiled for many industries.	Not sufficient source data at a quarterly/monthly basis available.
		Provide training on QNA compilation	Currently, no TDoS staff is trained in QNA compilation.	Compiler is trained to maintain QNA work.	
Tuvalu	STX [Remote]	Analyze benchmark source data and update GDP	New survey data to be assessed before implementation.	New benchmark data is implemented in GDP and time series are extended.	GDP does not include latest benchmark survey data.
Tuvalu	STX [In-Country]	BoP mission work on updating ESS data	ESS data covers years up to 2017/18, only.	ESS data are extended up to 2018/19.	Access to data on the value of construction services undertaken by nonresident contractors
Vanuatu	LTX [In-Country]	Update extrapolation of QNA	Only some initial work on QNA has been done so far.	Work files are installed and value-added is compiled for many industries.	Annual GDP not rebased to 2019 HIES, not sufficient source data at a quarterly/monthly basis available.
		Provide training on QNA compilation	Currently, no VNSO staff is trained in QNA compilation.	Compiler is trained to maintain QNA work.	
Regional	LTX/ STX [Remote]	Regional workshop on QNA compilation	Countries planning to publish QNA need trained staff.	Capacities increased by training activities.	Connection problems during training.
Regional	LTX [In-Country]	Regional workshop on ANA compilation	Newly hired NA staff needs to be trained.	Capacities increased by training activities.	

FINANCIAL SECTOR SUPERVISION

The FSS CD work program for FY2022 will continue to focus on three core strands:

- Developing and implementing supervision framework enhancement strategies,
- Supporting and facilitating financial sector legislative reforms, and
- Upgrading prudential and risk management standards.

The CD programs will cover all major segments of the financial sector with the banking sector continuing to dominate TA activities in the region in proportion to its importance in the financial sector. Under the proposed FY2022 workplan, 42 missions/ activities are planned versus an outturn of 21 missions/activities in FY2021. The number of activities in FY2021 was impacted by travel restrictions with the authorities in some countries preoccupied with measures to mitigate the impact of COVID-19 on the financial sector. While the number of missions/ activities planned for FY2022 is large, it is a reasonable target with the program's expanded focus on cyber risk, progression of the insurance regulatory reform project, and the banking regulatory reform project concentrating on regulation drafting, which can rely on supervision expertise. Travel is also expected to re-open in the second half of FY2022.



At the regional level, PFTAC will continue to organize multi-topic workshops in FY2022; and support the AFSPC Annual Meeting to be held in PNG provided a resumption of travel is possible. The cyber risk project that was put on hold during FY2021 is expected to resume. This will include regional training to be delivered by the IMF's Cyber Risk Team from the MCM Department. A series of short Webinars will be delivered on COVID-19 related topics including unwinding the regulatory support measures taken by the authorities to mitigate the impact of COVID-19, introduction to Pillar 2, Basel III, and macro-prudential policies.

An overarching risk to the achievement of the work plan is the likelihood of authorities being pre-occupied with

asset quality concerns as the regulatory measures taken in the wake of COVID-19 are unwound and the COVID-related credit losses are reflected in the banks' financial statements.

Supervision Framework Enhancement Program

During FY2022, follow-up missions will assist **PNG, Solomon Islands, and Tuvalu** to finalize and embed the major components of SFEP (off-site and on-site supervision, on-site supervision frameworks, risk ratings and supervisory action planning for the banking sector). **Cook Islands** will be assisted to finalize the supervision manual drafted by the FSC. During the year, SFEP will be extended to **Palau, RMI and Tonga**.

Banking Regulatory Reform Project

The Banking Regulatory Reforms project initiated by PFTAC in 2018 seeks to assist the PICs to review their financial sector legislation and upgrade their prudential and risk management standards. From FY2021, this project has been expanded to include Pillar 1 of Basel III and some of the new elements of Basel III reforms package (Large Exposures, Liquidity Standards and monitoring tools, IRRBB)³.

FY2022 is expected to see RMI and Palau complete reviews of their banking sector legislation. **RMI, Palau,**

³ During the Phase VI program cycle starting November 2022, PFTAC intends to assist the PICs in aligning their prudential standards with Basel Core Principles and Basel III reforms package with appropriate adjustments commensurate with the size and complexity of their financial systems. This work will be completed in two phases – (i) *Phase 1*: Alignment with Basel III micro-prudential standards, and (ii) *Phase 2*: Alignment with Basel III macro-prudential standards. Given the large number of prudential standards comprising the micro-prudential set, various elements of micro-prudential standards will be added progressively to the prudential framework, taking account of the priorities of the individual PICs in consultation with the relevant authorities. Phase I can be divided into four distinct modules: (i) Upgrade of risk management standards (ii) Basel III (Pillar 1), (iii) Basel II (Pillar 2), and (iv) Basel III (Pillar 3).

PNG and Solomon Islands will also be assisted to finalize the upgrade of their prudential and risk management standards that began in 2018. These countries will be ready to embark on adoption of the remaining modules of Phase 1 to further align their prudential standards with the Basel Core Principles and Basel III Reforms.

During FY2022, **Tonga and Vanuatu** will commence Phase 1 of Banking Reforms and **Cook Islands** will initiate adoption of the remaining standards of Basel III Reforms package.

Insurance Regulatory Reforms Project

The FY2022 workplan includes follow-up missions to finalize the insurance regulatory reforms project in **Fiji and Samoa**. During the year, the project will be expanded to **Solomon Islands**, where the scope of the project will also include introduction of Financial Health and Soundness Indicators.

Pacific Cyber Risk Regulation and Supervision Capacity Development Project

Contingent upon the resumption of international travel, the on-site examination component of the Cyber Risk Regulation and Supervision

Capacity Development Project will be completed in the **Fiji, Samoa, PNG and Tonga**. An online regional training event on cyber security risk management has also been planned during FY 2022.

Other Financial Sector Reforms

Many PICs have indicated to PFTAC their priorities regarding other financial sector reforms covering other segments including non-banking financial companies, credit unions, payments systems, pension and provident funds, and credit information reporting. A few PICs have also expressed interest in seeking TA on financial crisis management. While some of these activities may be supported by PFTAC, others are expected to be aided by other TA providers active in the Pacific or external consultants from the private sector engaged by the authorities.

These projects may run in parallel with the banking and insurance sector reforms projects. PFTAC will continue to coordinate with other TA providers that are active in the region to ensure smooth implementation of the projects, avoid overlap with them, and advise authorities on appropriate prioritization of the reforms.

TABLE 23. FY2022 WORK PROGRAM – FINANCIAL SECTOR SUPERVISION

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
STRATEGIC OBJECTIVE 1: DEVELOP AND STRENGTHEN BANKING REGULATIONS IN LINE WITH INTERNATIONAL STANDARDS					
Cook Islands	LTX/ STX [In-Country]	Aligning Cook Island FSC's Regulation on Definition of Capital with Basel III Definition of Capital- Assisting authorities to draft revised capital adequacy regulation	The current definition of capital is based on Basel 1.	Definition of capital will be aligned to Basel III.	Minimal risk. Authorities are committed to reforms.
Cook Islands	LTX/ STX [In-Country]	Aligning Cook Island FSC's Regulation on Definition of Capital with Basel III Definition of Capital- Assisting authorities to finalize the draft revised capital adequacy regulation, conduct impact study and issue draft for industry consultation	The current definition of capital is based on Basel 1.	Definition of capital will be aligned to Basel III.	Minimal risk. Authorities are committed to reforms. The activities will be contingent upon timely completion of the previous step.
Kiribati	LTX [Remote]	Peer Review of MFAT Consultant's work- Draft financial sector legislation	The drafting by the consultant is to commence soon.	Financial sector regulatory regime in line with international standards.	May be delayed due to non-availability of legal experts to undertake drafting as planned.

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
Marshall Islands	LTX/ STX [Remote]	Follow-up mission - Assisting RMI BC in the finalization of prudential standards by reviewing the industry feedback on draft prudential standards	Draft regulations are under preparation.	Banking sector regulatory regime in line with international standards.	Minimal risk. Authorities are committed to reforms.
Palau	LTX/ STX [In-Country]	SFEP - Regulatory Framework - Prudential Standards - Assist Palau FIC develop comprehensive suite of prudential standards -Follow-up	Training on risk management undertaken by the authorities. Amendments to banking law are being finalized.	Banking sector regulatory regime in line with international standards.	Minimal risk. Authorities are committed to reforms.
Papua New Guinea	LTX/ STX [Remote]	SFEP - Regulatory Framework - Prudential Standards - Assist BPNG in finalizing comprehensive suite of prudential standards	Draft regulations are under preparation.	Financial sector regulatory regime in line with international standards.	Minimal risk. Authorities are committed to reforms. However, the timing of the mission will be contingent upon review of draft regulations created in the first mission by the authorities.
Samoa	LTX [Remote]	Training on business continuity management for banks	Background training material provided by PFTAC is being reviewed by the authorities.	Implementation of business continuity management regulation in line with international standards.	Minimal risk. Authorities are committed to reforms. However, the timing of the mission will be contingent upon review of the training material by the authorities.
Timor-Leste	LTX/ STX [In-Country]	Assist with Quantitative Impact Study (QIS) on IFRS 9 and finalization of credit risk management and IFRS 9 regulation	Draft regulation on credit risk management and IFRS-9 is being reviewed by the authorities.	Implementation of credit risk management regulation and IFRS-9 in line with international standards.	Considering the content of the topic, the authorities have preference for on-site mission. Will be contingent upon the reopening of international travel.
Timor-Leste	LTX/ STX [In-Country]	Training on IFRS 9	Draft regulation on credit risk management and IFRS-9 is being reviewed by the authorities.	Implementation of credit risk management regulation and IFRS-9 in line with international standards.	Considering the content of the topic, the authorities have preference for on-site mission. Will be contingent upon the reopening of international travel.
Tonga	LTX/ STX [Remote]	SFEP - Regulatory Framework - Prudential Standards - Assist NRBT in enhancement to prudential and risk management standards	The prudential standards for banks issued by NRBT need to be aligned with international standards.	Banking sector regulatory regime in line with international standards.	Minimal risk. Authorities are committed to reforms.
Tuvalu	LTX/ STX [In-Country]	SFEP - Regulatory Framework - Prudential Standards - Assist Tuvalu authorities in enhancement to prudential and risk management standards	The authorities are yet to issue prudential standards for banks.	Banking sector regulatory regime in line with international standards.	The Banking Commission may not have adequate staff to undertake the regulatory work. However, authorities are making efforts to recruit the staff.
Vanuatu	LTX/ STX [Remote]	SFEP - Regulatory Framework - Prudential Standards - Assist RBV develop comprehensive suite of prudential standards - industry and stakeholder consultation	The prudential standards for banks issued by RBV need to be aligned with international standards.	Banking sector regulatory regime in line with international standards.	Depends on the authorities' priorities which may change resulting in delay in executing the mission.
Regional	LTX/ STX [In-Country]	Pillar 2 (SREP, ICAAP, ILAAP) and Basel III	Many PICs will be ready to transition to Basel III and Pillar 2 of Basel II by the beginning of FY 2023.	Familiarization with the new set of reforms in preparation to their implementation.	PFTAC is ready to hold the Conference.
Regional	LTX/ STX [Remote]	Macro-prudential supervision and capital buffers	Some of the PICs will be ready to implement macro-prudential policies by the beginning of FY 2023.	Familiarization with macro-prudential policies in preparation to their	PFTAC is ready to hold the Conference.

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
				implementation.	
STRATEGIC OBJECTIVE 2: DEVELOP/ STRENGTHEN REGULATION OF INSURANCE COMPANIES (IC) AND RISK BASED SUPERVISION CAPABILITY OF THE INSURANCE SUPERVISOR (IS)					
Fiji	STX [Remote]	Finalization of draft insurance law - Review of comments received from industry on the draft law and standards	RBF is in the process of finalizing the amended draft legislation and making it ready for industry consultation.	Insurance sector regulatory regime in line with international standards.	Minimal risk. Authorities are committed to reforms.
Samoa	STX [Remote]	Finalization of draft insurance law and prudential standards- Impact study	CBS is in the process of finalizing the amended draft legislation and making it ready for industry consultation including impact study.	Insurance sector regulatory and supervisory regime in line with international standards.	Minimal risk. Authorities are committed to reforms.
Samoa	STX [In-Country]	Finalization of draft insurance law and prudential standards- Review of comments received from industry on the draft law and standards	CBS is in the process of finalizing the amended draft legislation and making it ready for industry consultation including impact study.	Insurance sector regulatory and supervisory regime in line with international standards.	Minimal risk. Authorities are committed to reforms.
Solomon Islands	STX [Remote]	FSI for insurance sector	CBSI intends to undertake comprehensive review of its insurance sector regulations, supervision and sectoral risk analysis framework.	Insurance sector regulatory and supervisory regime in line with international standards.	Minimal risk. Authorities are committed to reforms.
STRATEGIC OBJECTIVE 3: DEVELOP/ STRENGTHEN CYBERSECURITY REGULATIONS AND PRUDENTIAL NORMS					
Fiji	STX [Remote]	Cyber Risk Regulation and Supervision Project - Review and finalization of draft regulation prepared by RBF	Draft regulation on cyber risk management is under preparation.	Cyber risk management framework in line with international standards.	Minimal risk. Authorities are committed to reforms.
Fiji	STX [In-Country]	Cyber Risk Regulation and Supervision Project - third component - onsite examination	Draft regulation on cyber risk management is under preparation.	Cyber risk on supervision framework in line with international standards.	International travel may not re-open.
Papua New Guinea	STX [In-Country]	Cyber Risk Regulation and Supervision Project - third component - onsite examination	Draft regulation on cyber risk management is under preparation.	Cyber risk on supervision framework in line with international standards.	International travel may not re-open.
Samoa	STX [In-Country]	Cyber Risk Regulation and Supervision Project - third component - onsite examination	Regulation on cyber risk management has been issued.	Cyber risk on supervision framework in line with international standards.	International travel may not re-open.
Tonga	STX [In-Country]	Cyber Risk Regulation and Supervision Project - third component - onsite examination	Regulation on cyber risk management has been issued.	Cyber risk on supervision framework in line with international standards.	International travel may not re-open.
Regional	STX [Remote]	Cyber Risk Regulation and Supervision Project - Second component - online training by HQ	Regulations on cyber risk management have either been issued or under preparation.	Cyber risk on supervision framework in line with international standards.	PFTAC is ready to hold the Conference.
STRATEGIC OBJECTIVE 4: IMPLEMENT A RISK-BASED SUPERVISION (RBS) SYSTEM AND UPGRADE OTHER SUPERVISORY PROCESSES					
Cook Islands	LTX/ STX [Remote]	To review the draft supervisory manual prepared by the CI-FSC	The authorities have recently finalized the Off-site risk analysis and risk rating frameworks.	Updated supervisory manual aligned with upgraded prudential standards, off-site risk analysis and risk rating frameworks.	Minimal risk. Authorities are committed to reforms.

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
Kiribati	LTX/ STX [In-Country]	SFEP - Off-site financial risk analysis including training - Mission-1	Kiribati is currently undertaking a comprehensive review of its financial sector legislation and develop prudential standards, with the help of an externally appointed consultant.	Off-site financial risk analysis framework to complement the revised financial sector legislation and prudential standards.	The review/development of legislation and prudential standards may be delayed due to scarcity of experts
Palau	LTX/ STX [In-Country]	SFEP - Review of off-site financial risk analysis framework	Palau is currently reviewing amendments to the banking law suggested by the IMF. Also commencing review of banking prudential standards. To complement these regulatory initiatives, Palau will undertake upgrade of off-site supervision framework as well.	Off-site financial risk analysis framework to complement the revised financial sector legislation and prudential standards.	Minimal risk. Authorities are committed to reforms.
Papua New Guinea	LTX [Remote]	SFEP - Finalize off-site financial risk analysis reform	PNG is in the process of testing and embedding the off-site financial risk analysis reform	Off-site financial risk analysis framework aligned with international best practices and existing prudential standards	Minimal risk. Authorities are committed to reforms.
Papua New Guinea	LTX [Remote]	SFEP - Finalize market and liquidity risk examination reform	PNG is in the process of testing and embedding the reform	Market and liquidity risk examination reform	Minimal risk. Authorities are committed to reforms.
Marshall Islands	LTX/ STX [Remote]	SFEP - Off-site financial risk analysis including training - Mission-1	RMI is currently reviewing amendments to the banking law suggested by the IMF. Also commencing review of banking prudential standards. To complement these regulatory initiatives, RMI will undertake upgrade of off-site supervision framework as well.	Off-site financial risk analysis framework to complement the revised financial sector legislation and prudential standards.	Minimal risk. Authorities are committed to reforms.
Solomon Islands	LTX [Remote]	SFEP - Finalize off-site financial risk analysis reform	Solomon Islands is currently reviewing banking off-site supervision framework.	Off-site financial risk analysis framework to complement the revised financial sector legislation and prudential standards.	Minimal risk. Authorities are committed to reforms.
Solomon Islands	LTX/ STX [In-Country]	SFEP - Bank Risk Rating and Supervisory Action Planning - Mission 1	Solomon Islands is currently testing the risk rating framework reviewed by PFTAC in March 2020.	Bank risk framework aligned with best international practices.	Minimal risk. Authorities are committed to reforms.
Solomon Islands	LTX [In-Country]	Training in RBS and new prudential standards (IRRBB and Liquidity risk)	Solomon Islands is currently reviewing banking prudential standards and undertaking upgrade of off-site supervision framework as well.	Sound supervision of IRRBB and Liquidity risk	Minimal risk. Authorities are committed to reforms.
Tonga	LTX/ STX [Remote]	Diagnostic mission to identify enhancements to RBS	NRBT intends to undertake a comprehensive review of its banking sector regulations, supervision and risk rating frameworks.	An outline of enhancements to banking sector legislation, prudential standards and supervisory frameworks along with ab roadmap.	Minimal risk. Authorities are committed to reforms.
Tonga	LTX/ STX [Remote]	Review and strengthening on-site examination procedures -1	NRBT intends to undertake review and strengthening on-site examination procedures.	On-site examination framework aligned to best international practices.	Minimal risk. Authorities are committed to reforms.

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
Tuvalu	LTX [Remote]	SFEP - Review of off-site financial risk analysis framework- Mission 2	The authorities are testing and embedding the off-site supervision and risk analysis framework suggested by a 2019 PFTAC mission	Finalization of off-site supervision and risk analysis framework	Minimal risk. Authorities are committed to training the staff.
Regional	LTX/ STX [In-Country]	AFSPC Annual Workshop	Annual Workshop	Enhanced knowledge and experience sharing among the PICs and skill upgrade.	Minimal risk. If a physical meeting is not possible due to travel restrictions, a virtual meeting can be held.
PAYMENTS AND INFRASTRUCTURE: DEVELOP/ REFORM FINANCIAL MARKET INFRASTRUCTURE, INCLUDING PAYMENTS SYSTEM					
Fiji	MCM-PI [Remote]	Develop regulatory and supervisory framework for payment systems operators	RBF has recently enacted a Payments Systems law.	Regulatory and supervisory framework for payment systems operators	Authorities are committed to reforms in the Payments Systems, though the timing of the mission is a bit uncertain due to other pressing priorities of the authorities.
FINANCIAL CRISIS MANAGEMENT: IMPLEMENT A FRAMEWORK TO REDUCE PRIVATE DEBT OVERHANGS					
Vanuatu	MCM-FC [Remote]	To assist RBV in designing a framework for operation of distressed assets resolution companies (AMCs)	RBV intends to strengthen NPL resolution strategies in Vanuatu	A framework for operation of distressed assets resolution companies (AMCs)	A formal feasibility/appropriateness study for AMCs in Vanuatu is yet to be undertaken. AMCs may not be feasible in/appropriate for resolution of NPLs in Vanuatu.

G

PUBLIC DEBT
MANAGEMENT

The IMF in partnership with PFTAC is launching a three-year CD project in Debt Management (DM) for the Pacific region. The project, which is funded by the Government of Japan and to be implemented over FY2022–FY2024, will primarily assist PFTAC member countries to strengthen public debt management capacity.

To achieve the primary goal to strengthen public debt management capacity, efforts will focus on the following objectives in FY2022:

- Building capacity on debt related analyses, recording and reporting;
- Strengthening institutional arrangements for debt management;
- Building capacity to formulate and implement debt management strategy and manage debt portfolio risks; and
- Improving the functioning of domestic debt markets.

Given that the DM program at PFTAC, has recently commenced, country activities in FY2022 will be focused on strengthening institutional arrangements and debt reporting. Support in other areas including Debt Sustainability Analysis (DSA) and



Medium Term Debt Management Strategies (MTDS) formulation and implementation will then follow, subject to country demand. CD on domestic market development may also be possible in the most advanced countries. The FY2022 DM work program will target delivery of 10 country activities, however the program will be responsive to the requirements of member countries, should assistance be required.

In FY2022, a main objective of the FY2022 work program is to establish good relationships with country authorities and their debt management units. Work has commenced to establish a dialogue with the

authorities in PFTAC member countries to identify the unique challenges being faced and provide options for CD that addresses these challenges. Constructing a country CD plan will be undertaken following a programmatic approach, providing sequenced assistance beneficial to country authorities in building sustainable capacity.

The absorptive capacity and practical receptivity to virtual missions versus traditional methods has been identified as a key constraint in delivering CD to some PFTAC member countries. The development of the FY2022 work program and beyond will be cognizant of these constraints.

At the Regional level, PFTAC plans to organize two workshops in FY2022, focusing on Debt Recording,

Reporting, and Monitoring, and Medium-Term Debt Management Strategy. A training event will also be

held in conjunction with a High-Level Dialogue of Pacific policy in February 2022.

TABLE 24. FY2022 WORK PROGRAM – PUBLIC DEBT MANAGEMENT

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
STRATEGIC OBJECTIVE 1: DEVELOP AND STRENGTHEN PROCESSES FOR ACCURATE DEBT RECORDING, REPORTING, AND MONITORING					
3 PFTAC Members	LTX-STX [Remote/ In-Country]	Building capacity in debt recording, reporting and monitoring	Lack of efficient debt management recording system; requirement for enhanced reporting internally and externally; development of staff capacity in using debt management recording systems and production of effective reports	A functional operational framework for debt monitoring; Debt is being recorded with comprehensive coverage and on a timely basis; Debt is reported regularly to the public and relevant authority; Enhanced debt recording, reporting and monitoring; Improved back office processes for debt recording.	Political support; management support and technical staff commitment; resource adequacy; external climate and COVID-19 impact.
Regional	LTX-STX [Remote]	Workshop on Debt Transparency	Regional capacity development	Capacity development in use of debt recording and reporting tools; Understanding of requirements for good debt management transparency; Capacity development in the production of debt bulletins; Staff show competency in DRRM through presentations, discussions, or practical exercises.	Management support and technical staff commitment; resource adequacy; external climate and COVID-19 impact; connectivity.
STRATEGIC OBJECTIVE 2: ESTABLISH EFFICIENT INSTITUTIONAL FRAMEWORK FOR DEBT MANAGEMENT					
3 PFTAC Members	LTX-STX [Remote/ In-Country]	Strengthening the institutional arrangements for debt management	Fragmentation of debt management responsibilities; requirement for strengthening of policy, procedures and legal frameworks in debt management	Debt management legislation provides a framework for debt management; Improved capacity on debt management; Improved debt management audit; Improved fiscal policy coordination; Improved institutional structure for debt management; Improved monetary policy coordination; Improved operational risk management.	Political support; management support and technical staff commitment; resource adequacy; external climate and COVID-19 impact; cooperation of all agencies involved in debt management activities.
STRATEGIC OBJECTIVE 3: FORMULATE AND IMPLEMENT A MEDIUM-TERM DEBT MANAGEMENT STRATEGY (MTDS)					
2 PFTAC Members	LTX-STX [Remote/ In-Country]	Building capacity to formulate and implement debt management strategy and manage debt portfolio risks	Absence of a Medium-Term Debt Management Strategy (MTDS) or capacity development of staff in the use of the MTDS Framework and Analytical Tool (AT), and understanding of risk; requirement for capacity development in the production of a MTDS; requirement for an Annual Borrowing Plan (ABP) and capacity development of staff in the creation and implementation of ABP; requirement for capacity development in understanding fundamental risk management in a debt portfolio.	Enhanced capacity in MTDS formulation and implementation; MTDS developed, documented and published; An Annual Borrowing Plan (ABP) consistent with MTDS is published; An issuance calendar is produced and published regularly; Cash and debt management are integrated effectively; Staff can assess, negotiate and record loan contracts; Staff can use the MTDS AT effectively; Authorities can undertake liability management operations (LMOs); The debt management entity undertakes effective investor relations.	Political support; management support and technical staff commitment; resource adequacy; external climate and COVID-19 impact.
Regional	LTX-STX [Remote]	Workshop on MTDS	Regional capacity development	Enhanced capacity in MTDS AT use; Staff can assess and negotiate loan contracts; Enhanced capacity in MTDS formulation; Understanding of debt portfolio risk and analysis of debt portfolios.	Management support and technical staff commitment; resource adequacy; external climate and COVID-19 impact; connectivity.

Beneficiary	Mode	Activities	Current Position	Expected Outcomes	Comments/ Risk
STRATEGIC OBJECTIVE 4: DEVELOP MARKET INFRASTRUCTURE AND CAPACITY FOR COST EFFECTIVE FINANCING					
2 PFTAC Members	LTX-STX [Remote/ In-Country]	Development of domestic debt markets	Development of domestic debt market is fundamental to country development goals; sufficient capacity in debt management unit exists; macroeconomic and financial sector are stable; effective legal, tax and regulatory infrastructure are in place; liberalized financial system	An effective domestic money market; An effective primary market, with market-based issuance; An efficient secondary market for wholesale market participants; Derivative instruments in domestic currency are available; Enhanced capacity on domestic or international financing; Financing through market-based instruments; The government securities market is supported by primary dealers.	Political support; management support and technical staff commitment; resource adequacy; external climate and COVID-19 impact; international and domestic market stability.



PFTAC Director, Resident Advisors and Administrative Staff

SECTION IV

PFTAC STAFF

Director



David Kloeden

(Since February 2017)

David joined PFTAC in February 2017. David is an Australian national, and prior to coming to PFTAC served as Coordinator of CARTAC – the IMF’s Caribbean Regional Technical Assistance Center based in Barbados. With 20+ years as an IMF tax administration specialist, he has extensive Domestic Revenue Mobilization experience. He is a CPA, has an undergraduate degree in information technology and post graduate degrees respectively in financial management, tax law, and economics.

Resident Advisors

FISCAL AFFAIRS DEPARTMENT

REVENUE ADMINISTRATION



Georg Eysselein

(Since November 2018)

Georg joined PFTAC in November 2018 and is a South African National. Georg worked for the South African Revenue Service for more than 30 years in various senior positions. His international career started by working for the IMF and the European Delegation in Macedonia, followed by DFID, USAid and World Bank funded projects in Afghanistan and Somalia. Georg was closely involved with the implementation of the post-graduate Tax Professional Qualification in South Africa for tax practitioners in the private sector and taxation auditors working for the Revenue Service.

PUBLIC FINANCIAL MANAGEMENT



Richard Neves

(October 2016 – January 2021)

Richard joined PFTAC in October 2016. Richard is an Australian who has worked in the budget areas of the Australian Department of Finance and the ACT Treasury. Richard has also worked in Timor Leste for five years as the lead budget advisor and was the Cook Islands Financial Secretary from 2011 to 2015.



Iulai Lavea

(Since August 2020)

Iulai joined PFTAC in August 2020. Iulai is a Samoan national and brings a wealth of Pacific and Public Financial Management experience to PFTAC. He was the Chief Executive Officer for the Ministry of Finance of the Government of Samoa for nine years until December 2018. Prior to that, he was the Deputy Chief Executive Officer (Policy Management) for many years. He joined the World Bank Constituency Office representing the Pacific and was based in Washington DC as the Adviser to the Executive Director during 2006 to 2009. He also had a brief stint as the Planning Adviser to the Government of Nauru in 2005/06, and earlier in his career worked at the Pacific Islands Forum Secretariat in Suva during the period 1991 – 96.



Paul Seeds

(Since October 2020)

Paul joined PFTAC on October 1, 2020 from East AFRITAC, IMF’s technical assistance center for East Africa, where he has worked for the past five years. Starting his overseas career in Kiribati, he has worked extensively with many development partners covering 20 countries, in a career spanning nearly 40 years. Paul has a wealth of experience designing and implementing broad ranging PFM reforms, including the implementation of financial management information systems in several countries. Paul is a fellow of the Chartered Institute of Management Accountants and holds an MBA from the CASS Business School, City University of London.

ASIA PACIFIC DEPARTMENT

MACROECONOMIC PROGRAMMING AND ANALYSIS



Andrew Beaumont

(Since February 2020)

Andrew joined PFTAC in February 2020 and has 20 years of experience in macro-fiscal and broader macroeconomic analysis and forecasting including at the Australian Treasury where he worked on monetary and fiscal policy,

macroprudential regulation and the labor market. Additionally, Andrew has five years of experience in the Pacific region, having worked as an Australian Treasury embedded technical adviser in both PNG (macro-fiscal) and Solomon Islands (economic reform). Andrew was also previously the Senior Adviser G20 and International economy at the Australian Department of Prime Minister and Cabinet working on global debt sustainability and macroeconomic policy responses to the Global Financial Crisis. Most recently, he was the Executive Branch Manager responsible for economic and revenue forecasting, macroeconomic reporting, demographic projections, long term fiscal modelling and tax expenditure analysis for the ACT Treasury.

STATISTICS DEPARTMENT

REAL SECTOR STATISTICS



Marcus Scheiblecker

(Since October 2018)

Marcus joined PFTAC in October 2018. He is an Austrian national with extensive knowledge and expertise in Real Sector Statistics and experience in compilation of national accounts. Prior to coming to the Pacific, Mr. Scheiblecker held various positions including as deputy director at the Austrian Institute of Economic Research where he acted as an advisor to Eurostat for seasonal adjustment and on financial statistics and national accounts for Statistics Austria.

GOVERNMENT FINANCE STATISTICS



Luis Temes Castrillon

(Since April 2019)

Luis joined PFTAC in April 2019. He is a Spanish national with expertise in GFS and National Accounts. Before joining PFTAC he held various positions at the National Statistics Institute in Spain and worked as a seconded national expert on GFS quality management and Government accounting at EUROSTAT. He also worked as an advisor for the Minister of Employment and Social Security and as a senior analyst at the Independent Authority for Fiscal Responsibility (AIReF). He has undergraduate and postgraduate degrees in mathematics and statistics awarded from universities in Spain and the United Kingdom.

MONETARY AND CAPITAL MARKETS DEPARTMENT

FINANCIAL SECTOR SUPERVISION



Rajinder Kumar

(Since August 2020)

Rajinder joined PFTAC on August 1, 2020 as the Financial Sector Supervision (FSS) resident advisor. Before PFTAC, Rajinder completed a multi-topic three-year assignment as an IMF advisor on banking regulation, supervision, and financial stability with the Bank of Albania. He has extensive experience in financial sector regulation, banking supervision, and macro prudential policies, which he gained through his 28-year long career with Reserve Bank of India. Rajinder also worked for three years with the Bank for International Settlements at Basel where he supported Basel Committee's Regulatory Consistency Assessment Program and a few of Basel Committee's technical policy making groups. In Albania, Rajinder has helped Bank of Albania introduce Basel III reforms in the country and complete implementation of Pillar 2 of Basel capital adequacy framework. Rajinder holds an MBA in Financial Management and FRM certification from GARP.

PUBLIC DEBT MANAGEMENT



Briar Ferguson

(Since March 2021)

Briar joins PFTAC from the United Kingdom where she spent five years delivering technical assistance and capacity development to Commonwealth members as a Public Debt Management Advisor at the Commonwealth Secretariat. Prior to this she spent a decade at the New Zealand Debt Management Office in market facing and risk management roles. Briar holds a Masters in Applied Finance and brings with her a breadth of experience from both practitioner and advisory perspectives.

Administrative Staff



OFFICE MANAGER

Maria Nina Samuela



SENIOR ADMINISTRATIVE
ASSISTANT

Elenoa Bogiwalu



ADMINISTRATIVE
ASSISTANT

Kalara Raidruta



ADMINISTRATIVE
ASSISTANT

Pretti Lata



ECONOMIC ANALYST

Shane Prasad

ANNEX

ANNEX 1. MACROECONOMIC DEVELOPMENTS OF PFTAC MEMBER COUNTRIES

The COVID-19 pandemic led to severe economic contractions in many Pacific Island Countries (PICs) in 2020. Even though most PICs have managed to avoid a local outbreak, economic activity has been significantly disrupted by the pandemic. Unweighted average real GDP for the group contracted by an estimated 4.5 percent in 2020. The largest impact has been felt by tourism-dependent PICs such as Fiji, Palau, and Vanuatu. However, subdued commodity demand and lower commodity prices have also negatively impacted those islands dependent on commodity exports, such as Papua New Guinea and Solomon Islands. Nevertheless, for most Pacific Islands, the contraction in 2020 has turned out to be less severe than previously expected. Most governments enacted measures to mitigate the worst effects of the pandemic. The economic contraction in some of PICs' main trading partners (such as Australia and New Zealand) turned out to be less severe than expected. And remittances have held

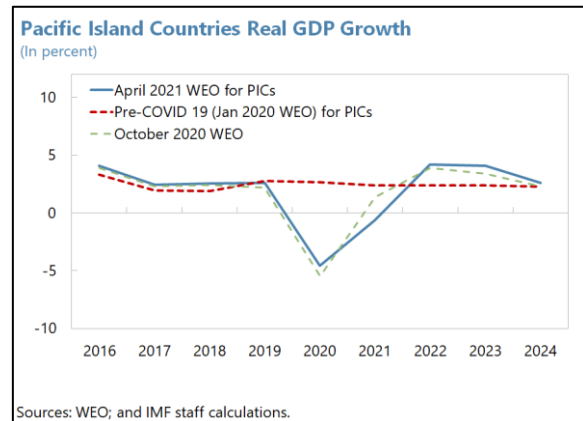
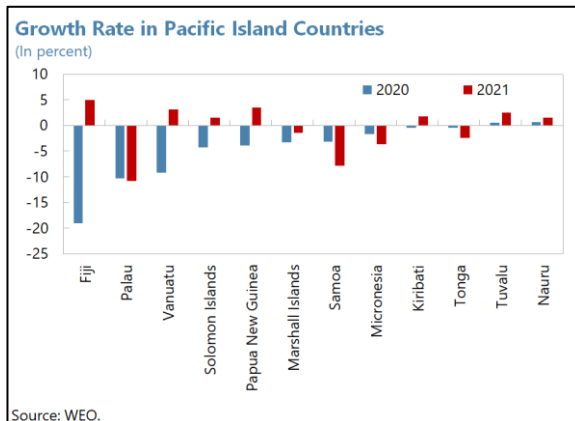
up relatively well. As expected, fiscal balances generally deteriorated, while current account balances improved for some PICs due to import contraction and substantial donor support.

The prospects for a rebound in 2021 vary among the islands. The PICs as a group are now projected to grow by an average of -0.6 percent in 2021 compared to a 1.4 percent expansion forecast in the October 2020 World Economic Outlook (WEO). The downward revision reflects, among other factors, slower-than expected vaccine availability, delays in border reopening, and slow resumption of tourism activity. Current account balances are projected to deteriorate for many PICs in 2021, as borders may remain closed for a substantial part of 2021 and the gradual recovery of commodity prices such as fuels will contribute to higher import bills for many PICs. Fiscal positions are expected to remain weak in 2021 through lower revenues and elevated COVID-related government spending.

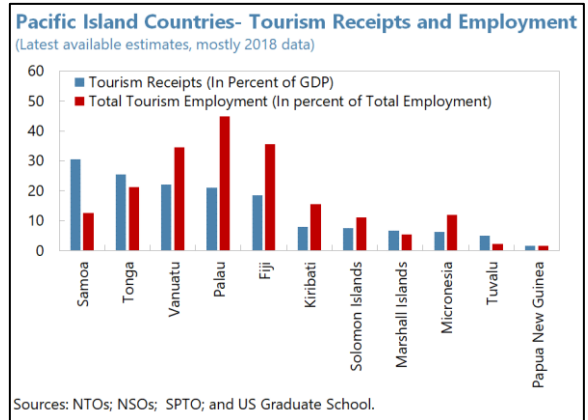
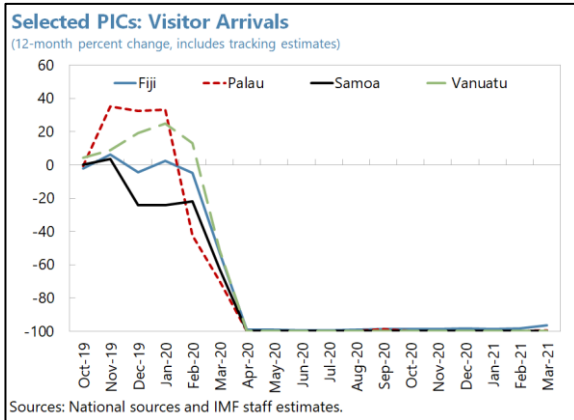
Weak fiscal positions are projected to lead to further increase in the average level of public debt.

Economic recovery will come in time, but the pandemic may leave an enduring impact. There is the risk that persistent scarring may lead to higher poverty, lower levels of employment in the formal sector, and higher levels of inequality. The reallocation of health resources for the pandemic could mean less resources available for non-communicable diseases, which have high incidence in some PICs. The full extent of the losses on bank loan portfolios is likely to be only exposed after the phaseout of debt service moratoriums and other forms of forbearance introduced by some countries to ease the burden on borrowers during the crisis. Closure of correspondent banking relationships for some banks in the region could also affect foreign exchange inflows (such as remittances) and bank profitability.

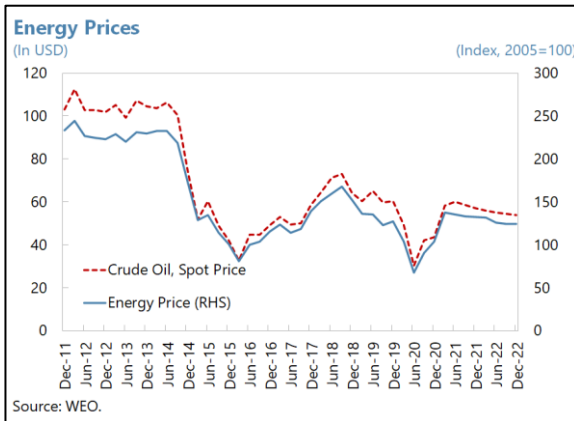
PICs have taken a major hit from the COVID-19 pandemic



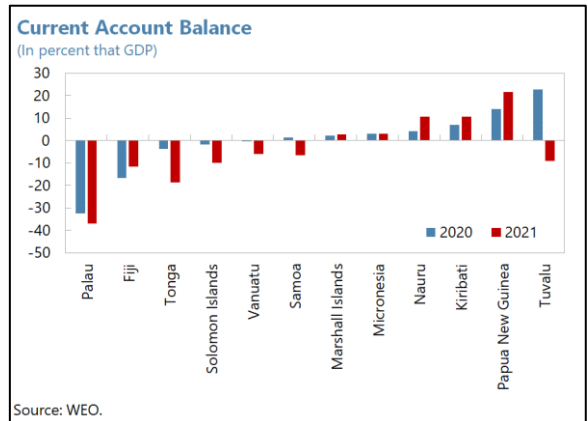
Tourist arrivals came to a virtual halt, hitting those relying on tourism



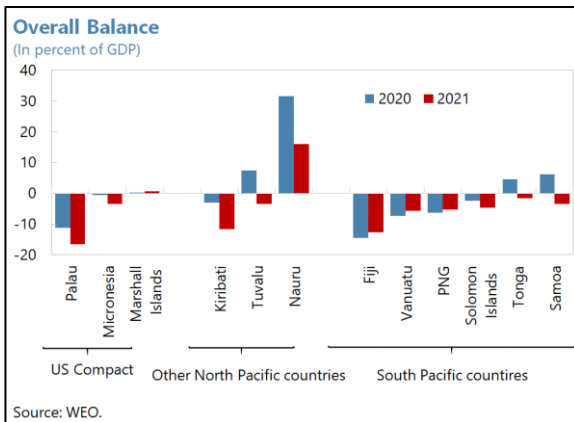
Energy prices have recovered somewhat



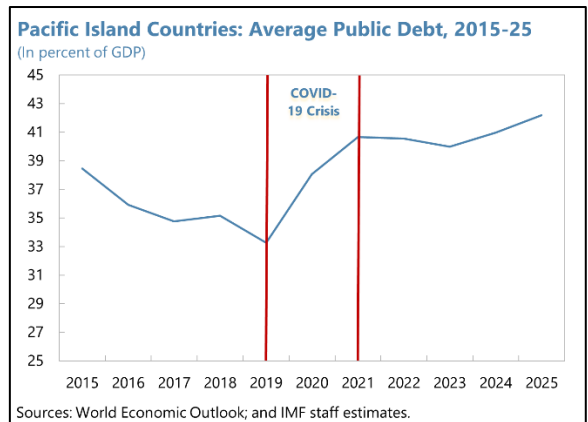
Current account balances are expected to weaken for many PICs in 2021



Fiscal positions are expected to remain weak



The growth shock and fiscal response have resulted in an increase in the level of public debt





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