

## Overview

- 1. Despite the challenges of COVID, PFTAC operations have continued without interruption to serve the needs of our members.** From late March 2020, the entire PFTAC team switched to remote work-from-home operations, both in Fiji and for five of the team of seven advisors and the coordinator in our places of relocation. The office in Fiji has now reopened, with the coordinator and two newly appointed advisors having returned or arrived and the rest to follow in the coming months. Two of the PFTAC advisors left since June for new IMF assignments and a third will follow shortly. Their three successors have all been appointed, two recently relocated from Europe, and one is from the region, namely former Samoan Finance Ministry CEO, Iulai Lavea.
- 2. PFTAC governance and reporting commitments have adapted to the changing circumstances.** With travel curtailed in March, the annual Steering Committee meeting in Niue had to be cancelled. However, two virtual briefing sessions for Steering Committee members and observers were convened, the first in late April to present FY2020 results and initial workplans for FY2021. The draft 2020 Annual Report was circulated in late April with projected outturn that ultimately fell short given disruptions in March and April. The Annual Report was subsequently disseminated in early September ([link here](#)) with actual outturn that came in around 75 percent of plans and budget versus pre-COVID expectations of closer to 90 percent. The external evaluation at the mid-point of Phase V is underway with the Canadian evaluators well advanced in surveying and interviewing stakeholders, replacing field visits in the absence of travel. Their initial findings are anticipated before the end of the year and will be important considerations in planning for Phase VI that is currently due to start in May 2022, less than 18 months from now.
- 3. The FY2021 workplans are ambitious.** They were originally formulated and endorsed for a pre-COVID world of trouble-free travel and in-person delivery of most technical assistance and training. Given this is not the current reality, they have been updated to better reflect the changing priorities of the clients, our initial experience with remote delivery as well as how well member countries adapted to this approach, and the efforts and priorities of our partners.
- 4. During June and July, the PFTAC team consulted widely, very much with the counterparts in the institutions we serve.** We held Video Conferences with the Pacific mission chiefs and teams in the IMF's Asia Pacific Department to understand the priorities they were observing through their engagement with policy makers. Wherever possible, we have actively engaged with partners, either across the region or in more country specific circumstances.
- 5. Our plans going forward remain optimistic based on recent experience but will be reviewed again before December.** While it is risky to foresee the future, we are hoping for some resumption of travel in late 2020 and a gradual easing in early 2021, even if limited within the region. We have accordingly retained and where necessary deferred in-person TA and training to the second half of the fiscal year. If this rosy scenario emerges, a few in-person training events may restart in early 2021, but

conversely if these optimistic expectations do not look like materializing, the next update may need to assume only remote delivery for the balance of the year.

6. **Our remote TA delivery experience has been mostly positive.** This is a credit both to our experts and our counterparts who have demonstrated great adaptability and determination to tackle the challenges at hand. This has necessitated changes in work practices. Some remote missions can emulate in-country missions and be delivered over a traditional period of a week or two. This is highly dependent on country specific circumstances. More typically, remote missions are spread out over a longer period, often twice as long as normal or even longer, with perhaps a few hours spent each day or several days per week. Protracted remote mission delivery makes it possible for both resident and short-term experts to undertake concurrent missions. While the resident advisors are busy delivering their programs, larger workplans like Revenue and PFM continue to remain heavily reliant on short-term experts. Time zone challenges arise for remote TA delivery for experts located outside the Pacific.

7. **Many lessons are being learned of what works well, as well as what has proven more challenging.** Good experiences are usually associated with reasonable connectivity, a trusted working relationship between the experts and country authorities, and adaptability to doing things differently. More effort is needed when relationships need to be forged, so we ask for your patience and support as the new advisors settle into their jobs, although early indications from them is very positive and accommodating. New workstreams, or diagnostic evaluations may be trickier to undertake remotely, like diagnostic missions to develop Medium Term Revenue Strategies or to undertake a PEFA assessment, but we are nevertheless being innovative to ensure these important deliverables occur.

8. **So, what have we been doing over the past six months or so?** Excluding the 11 remote missions between February and April, we will have delivered a total of 54 missions or training events remotely in the first half of FY2020 between May and October covering 14 countries across all PFTAC programs. All training and peer-learning events have moved on-line, with a range of short, focused webinars delivered on financial sector issues, macroeconomic modeling of the impact of the COVID crisis, and protecting tax compliance in tourism economies. Two innovative hybrid training events have been held with both in-person participation in Fiji, linking up across the region remotely. Training on critically important Quarterly National Accounts was delivered regionally with the Fiji Bureau of Statistics, and a joint PFM workshop with the UNDP leveraged off the USP campus network.

9. **But, how is our work related to the COVID crisis?** To respond to this important question, we developed a simple 4-scale system to rank our activities from being predominantly related to responding to COVID priorities, through moderately and indirectly related to unrelated. While there is a degree of subjectivity in these classifications, it is an informative exercise that helps focus attention on tackling the highest needs first that are within our expertise and reflect the demands of the members. For the recently updated workplans, more than three quarters has a COVID dimension with almost half being predominantly or moderately COVID related.

10. **Much of our work is of a project nature, entailing inputs over several years, with improvements and changes building on past investments.** Caution is therefore wise to safeguard these investments, but ensure there is space, resources, and capacity to tackle the highest COVID priorities.

There are a range of examples where pre-existing efforts have become even more important in the current climate, such as effective cash management, securing taxpayer compliance in challenging times, safeguarding against cyber risks that are elevated since the crisis, and ensuring models and forecasts reflect COVID realities and draw upon timely and frequent data.

**11. The Fiscal Affairs Department recently completed a review of efforts and progress achieved against the PFM Roadmap for Forum Island Countries that PFTAC was tasked to take leadership from the decision of the 2009 FEMM.** The findings have been recently published in an IMF Working Paper that noted the PEFA framework has underpinned the measurement and monitoring of PFM systems in the Pacific with more than 30 assessments completed in the past decade, utilizing three different versions of the framework. They noted mixed progress, between some improvements, through some reversals. The reviewers concluded that PFM Roadmaps have often been too ambitious and unrealistic, and insufficiently accounted for very small and constrained administrations. PFM deficiencies and challenges in the Pacific are now well known, so efforts now need to be directed to addressing the highest priority issues, with less resources devoted to diagnostics, that when necessary, should be done less frequently, or using more streamlined approaches.

**12. Notwithstanding these findings, PFTAC has been at the forefront of several PEFA initiatives.** To address the resource intensity of the PEFA process, PFTAC has helped pilot the streamlined agile methodology in Tonga. New PEFA modules are being developed that can be undertaken in a stand-alone mode. For example, Tonga benefited from an assessment under the Gender Responsive PFM module that was positively acclaimed. And a new Climate Responsive PFM module will have its first pilot testing in Samoa this month led by PFTAC in collaboration with various partners including PIFS under a 2019 FEMM mandate.

**13. As we emerge from the COVID crisis we need to look to the future and deal with the crisis consequences and new priorities.** First, the IMF has recently concluded an arrangement with the Japanese government for a Debt Management Capacity Development program over the next three years that will be co-located and closely integrated with PFTAC but subject to separate reporting and governance arrangements. A resident advisor is now being recruited to launch the program in the near future.

**14. Finally, the US government recently announced they will be contributing USD 2 million to PFTAC** coming in as our seventh donor in addition to Canada who joined last year. Depending on outstanding member contributions, and the possibility of underspending this year, along with this US contribution, there may be sufficient funds for a modest extension of Phase V by several months that would provide some extra time to develop the strategy and priorities for Phase VI that will need to be launched in 2021

#### **Real Sector Statistics (RSS) Program Update**

**15. The Real Sector Statistics program targets the extension of the set of national accounts statistics and the improvement of its quality.** Capacity development is based on technical assistance as well as on training activities. For small member countries with very limited staff, capacity

supplementation is provided in the last years, as well.

16. Before the mission work was impaired by the onset of the COVID-19 pandemic with subsequent travel restrictions from February 2020, technical assistance missions to **Vanuatu** and **Tonga** were provided. These missions analyzed the existing preconditions and necessary data improvements for the introduction of quarterly national accounts programs.

17. In February, a mission to the **Cook Islands** took place but another to **FSM** was interrupted by a flight cancellation in transit in PNG, and assistance was provided to **PNG**, instead.

18. Henceforth, in-person assistance could be provided only to **Fiji**, where the current implementation work of a quarterly national accounts program is supported by PFTAC.

19. Further activities provided remotely in this year:

- Seasonal adjustment of quarterly national accounts data for **Samoa** and the **Cook Islands**.
- Remote training on rebasing and benchmarking for the **Solomon Islands**.
- Remote NA technical assistance mission to the **RMI**.
- **Online training course of QNA and seasonal adjustment** with the participation of 5 countries' statistical offices and reserve banks (Cook Islands, Samoa, Vanuatu, Solomon Islands and Tonga).
- **Implementing experimental Q-GDP programs** for Tonga, Vanuatu and the Solomon Islands.

20. For the coming year, a training workshop on national accounts focusing on new hired staff in the region is scheduled for February. In the same month, a mission for reviewing and improving the newly compiled GDP(E) data set of Samoa will take place.

21. In the course of next year, the **implementation of HIES results for rebasing the GDP numbers of Vanuatu, the Solomon Islands and Nauru** is part of PFTAC's workplan. Furthermore, **Niue, the FSM and Tuvalu** will be assisted in updating their regular GDP numbers.

22. For **Fiji**, seasonal adjustment of Fiji's new QNA numbers and drafting a documentation about used sources and methods is necessary. In **Kiribati**, the quality of the HIES results and administrative data sources used in national accounts has to be evaluated.

### **Government Finance Statistics (GFS) Program Update**

23. **The Government Finance Statistics (GFS) program entered its final year in FY2020**, and is currently due to conclude April 30, 2021, although a short extension is being explored to compensate for

the challenges arising from the COVID crisis.

24. The program has adapted to the challenging and unprecedented times and technical assistance (TA) is being delivered through remote modalities with the resident adviser working remotely from Madrid (Spain), where he is currently under voluntary evacuation. TA delivery is through various communication channels, prevailing WebEx meetings.

25. Communication during delivered TA between PFTAC and counterparts has been fluid and precise in all the cases. All the countries understood the meetings to be the equivalent of in-country regular TA missions. WebEx meetings have been generally successful, although they do not facilitate in-depth discussion on specific issues.

26. Since the beginning of FY2021, four remote TA missions have been delivered:

- **Cook Islands:** Assisted in the compilation of general government (GG) GFS for FY2019 and compiled for the first time a quarterly GFS time series 2014Q1-2020Q2.
- **Marshall Islands:** Compiled a consolidated GG GFS time series FY2008-18 and prepared detailed guidelines for the consolidation process. In the absence of audited financial statements (delayed due to Covid-19), compiled a draft budgetary central government (BCG) GFS for FY 2019
- **Palau:** Compiled a consolidated GG GFS time series FY2008-18 and prepared detailed guidelines for the consolidation process. In the absence of audited financial statements (delayed due to Covid-19), compiled a draft budgetary central government (BCG) GFS for FY 2019
- **Federated States of Micronesia:** Remote training on basic GFS concepts, definitions and principles. Compiled a Public corporations GFS time series FY 2008-18. Prepared detailed guidelines for the compilation of extrabudgetary units, social security funds and public corporations GFS.

27. Before the calendar year ends, two more remote TA missions are scheduled to assist **Timor-Leste** and **Nauru** in the compilation, dissemination and submission of the BCG GFS to the IMF Statistics Department.

28. The GFS program outlook for 2021 includes 5 missions:

- **Vanuatu:** Assist to develop GFS report using the financial information system and make progress in GG GFS consolidation.
- **Samoa:** Work on expanding coverage towards public sector, with the compilation of a GFS time series for the public corporations, and assist in the compilation of classification of the functions of government (COFOG).
- **Tonga:** Further investigate the best data sources for GFS compilation and refine the compilation process
- **Fiji:** Assist in the GG consolidation, the GFS mapping in the new Chart of Accounts and FMIS and refine the BCG GFS time series.

- **Solomon Islands:** Expand coverage towards GG and the rest of the public sector.

29. During 2021 the GFS program also plans a final wrap-up workshop desirably with the participation of all PFTAC countries. Ideally this meeting will be face-to-face but PFTAC will adapt under the pandemic circumstances and it may be virtual.