

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

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

**PROJECT NUMBER:** OTM\_PFT\_2008\_01

**DURATION:** *36 Months*

**START DATE:** *May 1, 2008*

**ESTIMATED COST OF PROJECT:** *US\$ 10.5 millions*

**PROJECT SUMMARY:**

*The Pacific Financial Technical Assistance Center (PFTAC) was established in Fiji in 1993 to provide technical advice and capacity building to 15 Pacific island countries (PICs) in four key areas of economic and financial management. The Center is operated by the IMF in consultation with the governments of the PICs and the donors supporting it. At the September 2007 Tripartite Review Committee (TPRC) meeting it was agreed that a project document for a new three-year funding cycle covering May 1, 2008 to April 30, 2011 (i.e., FY09-11) should be prepared. This project document thus sets out the strategy and objectives of PFTAC for the next three years, incorporating the results of several evaluations and surveys of the Center in recent years.*

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

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

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## ACRONYMS

ADB	Asian Development Bank
APD	Asian and Pacific Department at the IMF
AML	Anti-Money Laundering
AFSPC	Association of Financial Supervisors of Pacific Countries
AusAID	Australian Agency for International Development
CFT	Combating of Financing of Terrorism
EU	European Union
FAD	Fiscal Affairs Department at the IMF
FEMM	Forum Economic Ministers' Meeting
FORSEC	Pacific Islands Forum Secretariat
FY	Fiscal Year
FSI	Financial Stability Institute of the Bank for International Settlements
GDDS	General Data Dissemination System
HQ	Headquarters
IMF	International Monetary Fund
LEG	Legal Department at the IMF
MCM	Monetary and Capital Markets Department at the IMF
MTFF	Medium-Term Financial Framework
NZAID	New Zealand Agency for International Development
OCO	Oceania Customs Organization
OFC	Offshore Financial Center
OTM	Office of Technical Assistance Management at the IMF
PICs	Pacific Island Countries
PIFMA	Pacific Islands' Financial Managers' Association
PITAA	Pacific Islands' Tax Administrators' Association
PRISM	Pacific Regional Information System
SPC	Secretariat of the Pacific Community
STA	Statistics Department at the IMF
TA	Technical Assistance
TAIMS	Technical Assistance Information Management System of OTM
TOR	Terms of Reference
TPRC	Tripartite Review Committee
USD	US Dollars
USP	University of the South Pacific

## I. BACKGROUND

**1. The Pacific Financial Technical Assistance Center (PFTAC) was established in Fiji in 1993 to provide technical advice and capacity building in four key areas of economic and financial management to 15 Pacific island countries (PICs).**<sup>1</sup> The Center is operated by the IMF, which is responsible for the strategy, priorities and substance of the work program, with input from the Tri-Partite Review (or Steering) Committee (TPRC), comprising the governments of the PICs and the donors supporting PFTAC. The current three-year financing cycle will end in April 2008. For the September 2007 TPRC meeting, PFTAC and the IMF prepared this project document for the three-year period FY 2009 – FY 2011.<sup>2</sup> This project document reflects survey results and discussions with PFTAC members and donors.

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

**3. The findings of previous reviews and evaluations, including the 2004 IMF Review of PFTAC,<sup>3</sup> IMF's Independent Evaluation Office (IEO) 2005 Review,<sup>4</sup> the 2005 IMF Review of all of its regional TA Centers,<sup>5</sup> the ADB's 2005 Review and Project Document,<sup>6</sup> and the FORSEC's 2007 Pre-Feasibility Study for regional TA delivery,<sup>7</sup> continue to indicate that PFTAC is viewed as a successful delivery mechanism for macroeconomic TA.** A recent survey conducted by PFTAC of its members and donors also affirms these evaluations. Across the various evaluations, the findings confirm repeatedly that PFTAC is appreciated by the member countries, regional bodies, donor agencies and other stakeholders. PFTAC is found to be well integrated within the region and filling a niche that cannot be filled by other projects. PFTAC's activities are assessed to be of high professional quality and are timely, appropriate and well executed, due in large part to PFTAC's small size, which enables flexibility and quick response to requests for assistance.

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

<sup>2</sup> The IMF fiscal year begins May 1 and ends April 30.

<sup>3</sup> <http://www.imf.org/external/np/pp/eng/2004/093004.htm>

<sup>4</sup> <http://www.imf.org/external/np/ieo/2005/ta/eng/pdf/013105a.pdf>

<sup>5</sup> <http://www.imf.org/external/np/pp/eng/2005/062805.pdf>

<sup>6</sup> <http://www.adb.org/Documents/TARs/REG/32459-REG-TAR.pdf>

<sup>7</sup> See Pacific Islands Forum Secretariat, PIFS (07) FEMP.05.

**4. The various evaluations have also recommended a number of further improvements in strategic planning, governance and reporting.** In particular, and as discussed at the March 2006 and September 2007 TPRC Meetings, donors and members feel that greater effort should be made to measure the outputs and impacts of PFTAC's interventions. This goal has been operationalized during 2006-07 with the introduction of TAIMS,<sup>8</sup> but will be more fully realized into the FY09-11 PFTAC Project Cycle as more data become available to prepare summary reports under the results-based reporting framework.

**5. Against this background, and within its area of expertise, PFTAC will in the new funding cycle continue to be a source of high quality assistance that is provided in a flexible and responsive manner that meets the most important needs of its members.** There continues to be a strong need and an equally strong demand for the activities and support provided by PFTAC. The focus of PFTAC's work should continue to be on building capacity, in collaboration with other technical assistance (TA) providers, in order to improve the skills and institutional capacities of members and strengthening the implementation of reform programs.

**6. Finally, during the forthcoming cycle, PFTAC will host a pilot project with the World Bank for enhanced donor collaboration.** While PFTAC necessarily needs to remain small and focused on its core areas of expertise to remain effective and efficient, there is increasing interest by donors and members to test a small expansion of service into the medium term. However, the size and scope of such an expansion will depend to a large extent on the funding capacity of donors and the absorptive capacity of member states. The broad terms of reference for this pilot are in the Addendum.

**7. The outline of the project document is as follows.** Section II provides a description of the objectives and strategy to be followed by PFTAC in the next funding cycle. Section III describes the project components, while section IV outlines governance and other administrative arrangements.

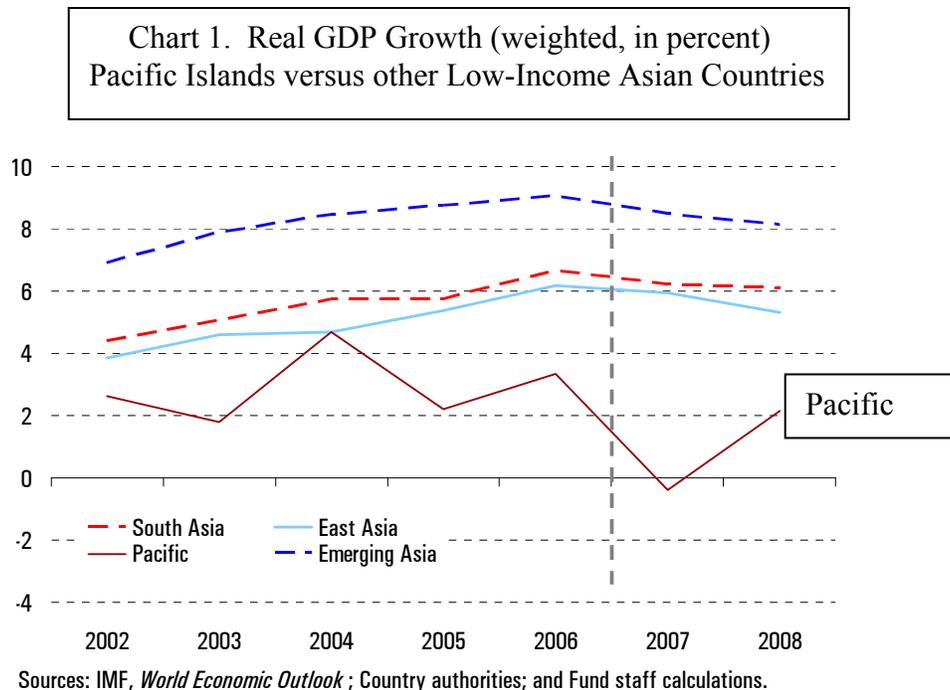
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<sup>8</sup> TAIMS, the TA Information Management System developed by the IMF's Office of TA Management and introduced in 2005-06 to the six IMF Regional TA Centers (RTACs), provides a results-based management system to track, through logical frameworks, the inputs and outputs/outcomes of the RTACs' TA interventions.

## II. OBJECTIVES AND STRATEGY

### A. Situation Analysis

8. **Although experience varies among countries, overall growth performance must be raised to provide better living standards as well as to provide employment for the relatively young populations and to combat rising poverty levels (Chart 1).**



9. **This performance partly reflects the inherent disadvantages faced by the PICs.** Their economies are small, have highly dispersed land areas and populations, are located a long way from major world markets, and have narrowly focused production bases. Their open economies are also vulnerable to external economic developments and natural disasters. These disadvantages are exacerbated by the difficulties they encounter in retaining their best educated, most skilled citizens in the face of emigration opportunities.

10. **However, inappropriate public sector policies and slow development of their private sectors have also slowed down economic growth.** Against this background, there is a broad consensus on the policies and institution-building that must be implemented to remedy this situation. These include, inter alia:

- The maintenance of economic stability through sound monetary and fiscal policies and development of good governance and sound institutions;
- Well targeted and controlled public expenditure policies that focus on essential social and capital needs without recourse to unsustainable public debt burdens;

- Clear and well designed treasury and budget systems, especially in a medium term framework, to provide greater transparency to public financial management;
- Simple, fair and transparent revenue systems that encourage high levels of compliance and buoyancy;
- Adherence to financial regulatory and supervisory regimes that ensure the soundness of bank and non-bank financial institutions;
- Modern statistical practices that provide timely, accurate and transparent information to government policy-makers and usefully monitor economic development.

**11. During the FY06-08 project cycle, PFTAC has actively pursued the attainment of these principles** (Box 1). The Center has done much work on diagnosing the challenges faced by PICs, documenting needs and developing reform strategies. It has also significantly increased its efforts to build capacity and skills both at the country and regional levels, and encouraging progress has been made in this regard in a number of areas:

- PFTAC has conducted its own training courses in the context of periodic workshops and thematic seminars in connection with meetings of PFTAC's three regional organizations (Box 2).
- PFTAC has arranged for numerous PIC officials to attend training at the IMF's Singapore Regional Training Institute, as well as to support financially the participation of PIC officials at other relevant training events regional and globally.
- PFTAC has helped to arrange short-term attachments to major institutions in Australia, Fiji and New Zealand for officials.
- In the context of the FY06-08 Project Document, PFTAC has initiated attachments from one Pacific Island to another, as well as attachments at the PFTAC offices, where attachees are given the opportunity to "job shadow" PFTAC advisors and accompany them on missions where feasible. PFTAC also hosted several USP graduate student interns and arranged professional internships at Statistics New Zealand. The PFTAC offices were refitted by the IMF in 2006 for this purpose, creating four permanent workstations to host such attachments. In all 24 such attachments have been arranged in the current project cycle, with 12 men and 12 women representing 13 of the 15 PFTAC member states (Box 3).

## **Box 1. Summary of PFTAC's Progress during FY06-08 and Plans for FY09-11**

### **1. Public Financial Management**

Key areas of technical assistance across the region include developing medium-term fiscal frameworks, performance budgeting, revenue estimation, supporting improved public budget preparation, developing financial instructions, improving cash management practices and forecasting, and assisting the development of GFS-based financial accounts presentation. Smaller PICs such as Kiribati and Tuvalu have received support via joint PFTAC missions with the ADB and other bilateral partners to strengthen fiscal governance as articulated in national development strategies. In February 2006, PFTAC helped member countries launch the Pacific Islands Financial Management Association (PIFMA), and serves as secretariat to this professional association, which holds regular workshops on topics such as medium-term fiscal frameworks (MTFFs). From these workshops, series of PFTAC handbooks for small island economies is being prepared. In the FY09-11 project cycle, themes for further technical assistance will include: cash versus accrual accounting in the public sector, medium term fiscal frameworks, forward estimates, the management of public trust fund arrangements, and better coordination of expenditure and revenue activities in the PICs.

### **2. Revenue Policy and Administration**

Recent focal areas include the design of large taxpayer units, case selection criteria for tax audit, development of VAT systems and administration, convergence of inland revenue and customs functions, revenue forecasting and assessing the revenue impacts of trade liberalization through the PICTA, PACER and WTO implementation in close association with the OCO. Among several examples of recent TA interventions, the large civil service wage increases in Tonga in 2005-06 called on substantial PFTAC revenue technical assistance to help the Ministry of Finance determine future revenue streams, alternative tax measures, and administrative improvements to finance the transition. The fourth annual Pacific Islands Tax Administrators Association (PITAA) meeting, for which PFTAC serves as secretariat, was held in the PNG in August 2007, and covered topics such as the development of presumptive tax measures, large taxpayer units and country case studies. In the coming project cycle, PFTAC technical assistance will focus on providing assistance on improving the effectiveness of tax and customs administration including via increased tax compliance, strengthened collection, audit, and taxpayer services and establishing special collection arrangements for larger business taxpayers.

### **3. Financial Sector Supervision**

Banking supervision remains the key activity in this sector, although insurance and public pension funds supervision are becoming key areas of concern for PICs. Due to the increased number of agencies engaged in AML/CFT capacity building, PFTAC has reduced its role in this area. The advisor liaises with these agencies and provides assistance to supervisory agencies in the conduct of AML/CFT on-site examinations and the role of the financial sector supervisor in AML/CFT. A few cases of bank failure or bad practices have required the PFTAC advisor to assist with onsite audits, problem bank resolution and training of the local bank examiners. The Association of Financial Supervisors of Pacific Countries (AFSPC), formed in 2002 by eight Heads of Supervision across the PICS, convenes an annual meeting as well as conducts six-monthly training workshop. In addition, the Advisor attends the South Pacific Central Bank Governors' meetings each December, and provides reports of the AFSPC's activities. Collaborative training events with the Reserve Bank of Australia, Reserve Bank of New Zealand, Australian Prudential Regulation Authority, the Office of the Superintendent of Financial Institutions, the Financial Stability Institute, the BIS and the Bank of England are being offered on topics including reserves management, financial soundness indicators, insurance supervision and central bank governance, and these are essential themes for the work program in the next 2-3 years.

### **4. Statistics**

National accounts and balance of payments statistical assistance continue to dominate the agenda of our Advisor in this area, in harmony with the survey and demography statistical work of the SPC. Increasingly, the PFTAC statistics advisor has been involved in monetary statistics improvement. Current regional projects to strengthen core abilities of statisticians have been funded by the Japan Special Account, and several attachments/interns from various PICs are being seconded to other PICs as well as to the PFTAC office in Suva to build capacity. The Statistics Advisor also helps to support training activities of the Statistics Degree Program at the University of the South Pacific, and recently hosted three student interns in the PFTAC offices. Common constraints to progress include shortage of counterparts allocated to economic statistics (in part due to emphasis on MDGs and social statistics generally), slow implementation of reforms and lack of coordination across agencies within countries' statistical systems.

Box 2. PFTAC-Supported Workshops and Seminars during FY06-08

<b>DATE</b>	<b>PFTAC SECTOR</b>	<b>EVENT</b>
August 2005	Tax Administration	Pacific Islands Tax Administrators Association (PITAA) Conf.
October 2005	Financial Sector Supervision	International Conference of Bank Supervisors (funded attendance of AFSPC representative)
October 2005	Financial Sector Supervision	AFSPC Regional Workshop on Bank, Insurance and Pension Fund Supervision and AFSPC annual meeting
December 2005	Central Banking	IMF/PFTAC Presentations at South Pacific Central Bank Govs. Mtg.
February 2006	Public Finance	Pacific Islands Financial Managers Association (PIFMA) Mtg.
February 2006	Macroeconomics	IMF/STI Regional Course on Financial Programming & Policies
February 2006	Monetary Operations	Central Banking Course by CCBS, Bank of England
June 2006	Financial Sector Supervision	AFSPC Regional Insurance Supervision Workshop
August 2006	Tax Administration	PITAA Conf, Audit case selection; Large taxpayer compliance
September 2006	Macroeconomics	Financial Programming Course for Tongan Government Officials
October 2006	Financial Sector Supervision	AFSPC Bank Supervision Workshop on Basel II and AFSPC Annual Meeting
October 2006	Statistics	National Accounts Course for FSM and RMI Officials
November 2006	Tax Administration	Designing VAT policy for developing PI countries
November 2006	Public Finance	PIFMA Medium Term Budget Framework Workshop
December 2006	Central Banking	IMF/PFTAC Presentations at South Pacific Central Bank Govs. Mtg.
March 2007	Statistics	Workshop on Foreign Remittances and Develop't in the Pacific
March 2007	Monetary Operations	Central Banking Course by CCBS, Bank of England
March 2007	Public Finance	PIFMA Seminar on Cash Management, Annual Meetings
April 2007	Statistics	UNSIAP Course on Integrated Economic Statistics, Manila
June 2007	Financial Sector Supervision	AFSPC Insurance Supervision Workshop
August 2007	Tax Administration	PITAA Conf; use of technology; Implementing revenue reform
September 2007	Macroeconomics	TPRC Seminar on Trust and Superannuation Funds
September 2007	Central Banking	IMF Workshop on Strategic Asset Allocation
October 2007	Financial Supervision	AFSPC Bank Supervision Workshop on Revised Basel Core Principles and Dealing with Problem Banks and AFSPC annual meeting
November 2007	Public Finance	PIFMA Workshop on Debt Management
December 2007	Central Banking	IMF/PFTAC Presentations at Pacific Reserve Bank Govs. Mtg.
February 2008	Monetary Operations	Central Banking Course by CCBS, Bank of England
March 2008	Public Finance	PIFMA Seminar on Capital Budgeting and Annual Mtgs.

**Box 3. Attachments, Secondments and Internships  
PFTAC Project FY06-08**

<b>Candidate/Country</b>	<b>Type of Arrangement/Date</b>	<b>Project</b>
James Luke/Vanuatu	Special Training August 2005	Funded participation at a SWIFT training course to strengthen RBV's foreign exchange trading capabilities
Ms. Bulai/Fiji Mr. Kalsakau/Vanuatu	Training attachments with Statistics New Zealand, December 2005	Balance of payments---sources and methods
Mr. Raikoti /Fiji Ms Ha'apio/Solomon Is. Mr. Niuatui/Tuvalu Ms Tutangata/Cook Islands	Training attachments with Statistics New Zealand, January-March 2006	Rebasing a consumer price index
Inia Niyaga/Fiji	Secondment to Tonga April 2006-June 2008	Acting Deputy Governor, National Reserve Bank of Tonga to assist corporate restructuring
Jemi Nashion/RMI	Attachment to MOF, Fiji 18 September – 17 October 2006	Job shadow PFTAC consultant on Performance Budgeting in MoF, Fiji
Ms. Fakaola Lemani/Tonga	Attachment to MOF, Fiji 2-13 October 2006	Job shadow with Budget Department, Fiji
Ms Alumecei Kaltongga/ Vanuatu	Attachment as BOP expert to SI February 2007	Improvements to Solomon Islands BOP
Ms. Kylie Coulson/AusAID	Attachment to PFTAC March 2007	Job Shadow PFM Advisor (including mission to Cook Islands) and Prepare PIFMA Conference
Ms E. Gima/PNG	Attachment to Cook Islands March 2007	Attachment to Financial Supervisory Commission of the Cook Islands to strengthen supervisory practices
Paul Kaun/Vanuatu	Attachment March 2007	Attachment to Bank of Papua New Guinea to develop RBV's financial markets capacity
Javan Tamakin/Nauru	Attachment 2-12 April 2007	Cash management, Scoping study on MT budgeting, debt management
Ms. Napa Ipave/ PNG	Attachment 10 April-3 May, 2007	PFM lectures in Tonga, paper on gender budgeting, benchmarking of PFM progress, Strategic planning
Resty Shotaro/FSM	Attachment to PFTAC 5-19, May 2007	Worked on budgeting, fiscal transparency, PFM reforms, FMIS
3 USP Statistics Students from Fiji (2)/ Kiribati (1)	Internships June-September 2007	1. Investigate impact of revised accounting standards on statistical collections. 2. Support national accounts compilation for Tuvalu.
Benjamin Sila/Samoa Ms Fonua/Tonga Ms Visia Alonz/Palau	Training attachments with Statistics New Zealand, April-May 2007	Data quality and editing strategies encompassing both business and household data, including statistical data collected from surveys and from administrative sources
Ms Velma Edwards/RMI	Attachment to Hawaii Late 2007	Attachment to Hawaiian Bank Supervisor to strengthen supervisory capacity in RMI
(Candidates/countries To be determined)	Training attachments with Statistics New Zealand, 2008	(Topic to be decided)
<b>TOTAL: 24 people</b>	<b>12 men/12 women</b>	<b>Representing 13 PFTAC Member Countries plus Australia</b>

- PFTAC staff, in the context of their mission work, have built at least one training/capacity building activity into every mission. The impacts of these activities are now evaluated through PFTAC/IMF Institute post-event surveys to capture the actual knowledge/skill acquisition of participants.
- Heeding demands by members and donors in the FY06-08 Project Cycle, the PFTAC Coordinator and Advisors have conducted numerous outreach presentations and economic analysis in the broader Asia/Pacific region. Academic and research connections have been forged between PFTAC and the Pacific Studies Center at the University of California at San Diego, the East-West Center and University of Hawaii, various Australian and New Zealand universities, the South-East Asian Center for Central Bank Training and Research (SEACEN), the Bank for International Settlements (Hong Kong Office), the Hong Kong Monetary Authority, the Center for Central Banking Studies at the Bank of England (which now provides gratis an annual course on Monetary Policy and Operations in the Pacific), and Asian universities.

**12. Building sustainably higher capacity remains an extremely difficult task, especially given the high demand for well-trained officials and retention problems more generally.** To this end, PFTAC has also worked with Pacific Government Institutions on the more subtle issues of change management, cross-training of staff, and human resources development as part of its overall mandate for improved governance and institutions.

**13. As prescribed in the FY06-08 Project Document, PFTAC has successfully collaborated with other donors in the region to achieve improved results.** Several joint missions have already taken place between the ADB and PFTAC, and PFTAC staff regularly attend joint donor/member meetings to work together on optimal delivery of capacity building as delineated in countries' national development strategies. PFTAC and the Forum Sec inaugurated together in 2006 the Pacific Economic Governance Agencies' Seminar Series (PEGASeS), a monthly forum in Suva. PFTAC, in the last three years, has been actively fulfilling the vision of the Paris Declaration and the Pacific Plan.

**14. Progress on policy reforms and capacity building in the region has, nevertheless, fallen short of many national development plans.** In part, it is clear that donors need to coordinate even more closely, under the leadership of PIC governments, to optimize TA inputs. However, at the same time, PFTAC and its donors have also understood that the focus of effort has been on inputs rather than outputs and outcomes. Toward that end, PFTAC was charged during FY06-08 to move to results-based management systems. In a nutshell: How can PFTAC and its members/donors measure effectively the outputs---and outcomes longer term---of its services? IMF TAIMS has been initiated to track progress, but as yet there remain insufficient data to present meaningful summary reports. Instead, for the moment, PFTAC Advisors have attempted to summarize initial outputs/outcomes (Annex I). The recent PFTAC members' survey also provides, from the members, their own view of progress across the various areas of capacity building (Annex II).

## B. Objectives

15. **Against this background, and within its areas of expertise, PFTAC will continue to provide capacity building directed at attaining movement toward the long term goals of the PICs as articulated in their National Development Strategies and in the Pacific Plan.** The TA will continue to be focused on the four key program areas of PFTAC's mandate, and PFTAC will work in a cooperative approach with other development partners' TA initiatives to achieve mutually beneficial solutions for member countries and the region at large.

16. **The emphasis of measuring effectiveness in obtaining PFTAC's objectives in the coming project cycle will be on assessing the results and outcomes of our activities, not only in terms of measuring national improvement in practices and institutions, but also in respect of meeting the actual goals of national development plans.** In respect of this goal, **Annex III** presents a Technical Assistance Framework that will drive the FY09-11 Project activities.

## C. Strategy

17. **In contributing to these objectives, PFTAC will pursue a strategy of assistance at both the national and regional levels and will work closely with national agencies and regional bodies and institutions.** The Center will deliver outputs and activities that support the national development plans and priorities of the requesting countries, thereby contributing to the attainment of their own goals. At the regional level, PFTAC will work with relevant partners in a cooperative approach, pursuing the goals articulated in the Pacific Plan and the Paris Declaration, to optimize resources and harmonize donor effectiveness on region-wide TA issues.

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

19. **PFTAC has, in the FY06-08 project cycle, addressed the weaknesses in its management identified in various evaluations and survey comments by donors.** Going forward, these improvements will be continued and enhanced. These include:

- Transparency in PFTAC's reporting, as evidenced by the distribution of "Reports to Donors" after each PFTAC TA intervention, regular communication with development partners on planned activities as embodied in the PFTAC 6-month rolling workplans, and jointly-prepared donor activity matrices for sectors in PFTAC's purview.

- Increased focus on measuring outputs and impacts on capacity, including deepening the use of the IMF TAIMS system to track results, using surveys and questionnaires to track the degree of capacity building from learning events, and use of Pacific Islands Government staff in cross-country attachments and secondments.
- Enhanced macroeconomic analysis of the region by both PFTAC and the IMF, via dissemination of regular economic reports of PICs and regional economic trends, seminars such as the PEGASeS series in Suva, and website features.

**20. As pledged in the last project cycle, PFTAC has prepared a Strategy Note for each member country, and continues to update these regularly.** These Strategy Notes, aligned to the IMF/APD Regional Strategy Note for the Pacific and PICs' national development plans, set out the main reform issues in each area of specialization, as identified by PFTAC, take note of proposed TA or that already underway by other providers in these priority areas, and provide an assessment of the role PFTAC can usefully play to support the member country. These Notes serve as a regular stocktake of progress in various macroeconomic sectors relevant to PFTAC; the next step in this stocktaking process is to harmonize as closely as possible with other Pacific development partners.

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

**22. PFTAC's focus on longer term reform strategies will continue to be closely linked to IMF macroeconomic surveillance and will be enhanced by stronger linkages, where feasible, to the strategies of other TA providers.** In the next funding cycle, in addition to continued work with IMF Article IV and TA missions to the region to improve the implementation and follow-up to recommendations provided by the IMF, PFTAC advisors will work with other donors and providers in joint assessments and formulation of reform programs where possible.

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

- Preparing project proposals that devise jointly agreed strategies and action plans upon which future PFTAC and donor TA can be based;

- Requiring an indication of strong governmental backing for a project that emphasizes that policy direction and project implementation will lie in the hands of country officials
- Seeking to establish an appropriate legal and administrative framework supporting changes to be made; and
- Developing human and institutional capacity to implement and maintain change.

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

**25. The main PFTAC drivers for these activities will be the four resident Advisors together with the guidance of the Coordinator.** Their work will be subjected to quality control through the IMF's vetting of the analysis and recommendations of the Advisors. Periodically the work of the Center's Advisors will be supplemented by visits by specialized experts fielded by the IMF.

**26. Given the success (according to PFTAC survey results) in the FY06-08 Project of arranging more short-term experts and secondments, the FY09-11 budget also includes an expanded allocation of structured resources for both international and regional (local Pacific Islands) experts hired by the Center for short-term or peripatetic (repeat) assignments.**

**27. In addition, the budget for the next three years foresees a continuation of internships and attachments for Pacific Islanders.** At the limit, the PFTAC office can now host up to four such candidates (i.e., an average of one per sector) to work with our Advisors during the year. Attachments from one Pacific Island to another are also feasible for particular skills acquisition. For example, the BOP Expert of the Reserve Bank of Vanuatu was deployed to the Solomon Islands recently to help the RBSI improve their BOP statistics.

### III. PROJECT COMPONENTS

#### A. Overview

**28. The ultimate objective of PFTAC during the new funding cycle is to assist the PICs in their efforts to achieve their long-term development goals, as articulated in the Technical Assistance Framework (see Annex III).** In contributing to these goals, PFTAC will assist with the development of skills and institutional capacity of PICs in the diagnosis, prioritization and implementation of appropriate policy, procedures and systems underpinning good practice in economic and financial management. It will do so in its traditional four Program Areas, and liaise closely with national governments and

development partners.

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

- High quality and timely technical missions by PFTAC Advisors and short-term international and regional experts to assess the adequacy of existing systems and practices both within each PIC and, where applicable, the region;
- As part of these missions, PFTAC will work with local counterparts to build institutional capacity to understand issues and own the reform initiatives and the associated recommended actions;
- Joint technical work with other development partners to optimize donor harmonization toward achievement of national development strategies; maintenance of matrices of donor contributions and expected outcomes in the areas relevant to PFTAC's four Program Areas;
- Organization of secondments and short-term attachments between PICs and relevant organizations and agencies; formal capacity development efforts undertaken or arranged by PFTAC either at the national or regional level, including the organization of regional fora, the conduct of targeted workshops and the development of selected training courses for specific public officials;
- Provision of secretariat functions, including webpages, for the three regional professional associations relevant to PFTAC's Program Areas, with the longer-term goal of making these associations actively run by the members themselves.
- Dissemination of relevant analysis, training materials and research on topics relevant to members' macroeconomic development.
- Quick response (ad hoc) advice to PICs on specific issues.

**30. In supporting the objectives of the PICs, PFTAC will be guided by its Mission, Vision, and Values Statement (Box 4).**

#### **Box 4. PFTAC's Mission, Vision and Values Statement**

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

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

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

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

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

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

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

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

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

31. **At the national level, PFTAC's four Program Areas will remain broadly unchanged and be dedicated primarily to longer-term TA priorities as reflected in national development strategies.** As needed, the Center will also continue to respond to formal requests from member countries.

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

## **Program Area 1. Public Financial Management (PFM)**

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

- In consultation with IMF/FAD, assist in the formulation, and/or review implementation, of individual PICs' strategies and action plans for public financial management reform and the sequencing of the reform activities, recognizing the pickup in demand for such activities since 2006;
- Provide specific TA and training relating to strengthening budget planning, preparation, execution and reporting, government accounting and debt management systems, and internal control and audit capacity; and,
- Maintain open communications with other in-country TA providers to improve coordination of policy advice and TA. In the area of PFM particularly, scope exists during the FY09-11 Project cycle for a pilot program of "enhanced cooperation" with the potential deployment of two World Bank experts (one in PEFA Assessments, another in the fiscal implications of SOEs) to Suva to work closely with the PFTAC and ADB teams.

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

- Sponsoring, in the PFTAC Office, an Enhanced TA Coordination Pilot, in collaboration with the World Bank, in areas related to public financial management. The broad terms of reference for this pilot appear in the **Addendum**.
- Delineation of the fiscal reforms associated with regional integration and the establishment of free trade. This effort began in the FY06-08 Project document with a proposal to undertake a study on Medium Term Fiscal Frameworks (MTFFs); this has been realized in the first of the "PFTAC Handbooks," published in 2007.
- Assisting countries with developing capacities for undertaking macroeconomic projections and policy analysis in the context of PFM frameworks. Again, this effort began in the FY06-08 Project cycle with the commencement of peripatetic expert missions around the region on macro- and revenue-forecasting methods; this work is forthcoming in the "PFTAC Handbook" series.
- Promotion of good governance and accountability, consistent with the Forum's *Eight Principles of Accountability*<sup>9</sup> and the IMF's 2007 *Manual of Fiscal Transparency*.<sup>10</sup> Activities in this area will be designed to support the FEMM's commitment to the adoption of the principles and the biennial stocktakes in this area, and will explore synergies to move forward the Pacific Plan action item on a regional public audit function; and,

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<sup>9</sup> See, for example: <http://www.forumsec.org/pages.cfm/speeches-2006/sg-pftac.html>

<sup>10</sup> See: <http://www.imf.org/external/np/pp/2007/eng/051507m.pdf>

- Sound debt management as a key component of a holistic approach to improved fiscal management. PFTAC will work with the IMF's Asia Pacific Department (APD), the World Bank, the Commonwealth Secretariat and other donor agencies to assist authorities develop reliable and up-to-date public debt profiles and ensure that both the level and rate of growth of public debt is sustainable and is serviceable under a wide range of circumstances. (PFTAC will not, however, undertake debt sustainability analyses.)

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

- The continuation and deepening of the PIFMA as a regional practitioner's forum, where the most relevant public financial management issues in the PICs, including those related to FEMM, can be discussed, experiences can be shared, and international standards of good practice promoted via the PIFMA website established and maintained by PFTAC and PIFMA members; and,
- The development of training materials, and the conduct of training programs, which are relevant to the region as a whole. For example, PFTAC is developing a module-based public financial management training course for budget practitioners. The course—which builds on, and complements, PFTAC's earlier work on a public expenditure management course curriculum used by the USP—is designed specifically for officials working in budget and treasury functions and focuses on building their skills and capacities to understand and meet good practice.

**Program Area 2. Revenue policy and administration**

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

- Assist members in the diagnosis/development of their revenue policies and administrations, and in the implementation of strategic reform and modernization plans. In doing so PFTAC will work closely with IMF/FAD to ensure that revenue policy advice conforms with established IMF policies and that technical assistance is delivered in accordance with IMF standards. PFTAC will also coordinate with donors and other agencies assisting the PICs, to ensure that advice is coordinated and implementation can be well targeted;
- In close consultation with IMF/FAD, assess existing indirect taxes, corporate and personal taxes, payroll and social security contributions, property taxes and tariff policies, and advise on planned reforms of those taxes;
- Provide assistance on improving the effectiveness of tax and customs administration including via increased tax compliance, strengthened collection, audit, and taxpayer services, establishing special collection arrangements for larger business taxpayers, and modernizing customs procedures;

- Advise on implementing new taxes, and introducing measures to bring medium and small taxpayers into the tax net; and,
- Arrange peripatetic TA on specialty areas such as tax legislative drafting, large taxpayer units, and other niche areas of expertise.

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

- Support to the Pacific Islands Tax Administrators Association (PITAA) will be continued. PFTAC acts as secretariat for the association, convening and funding annual conferences and workshops, as well as maintaining a website;
- With support from FAD, PFTAC will work closely with Pacific development partners on matters of broad regional interest: for example, with PIFS on the possible regional customs function referred to in the Pacific Plan and with the OCO on technical customs issues of region-wide application, such as valuation and auditing procedures;
- Development of selected training seminars and materials. Planned products include a “PFTAC Handbook” on the case selection procedures for tax audit, another on large taxpayers units, and a set of templates for taxpayer services units to disseminate tax instructions.

**Program Area 3. Financial Sector Supervision and Regulation**

**38. PFTAC and the Financial Sector Supervision Advisor will continue to expand prudential supervision activities to include not only banks but also non-bank financial institutions (e.g., insurance and superannuation funds).** In responding to the TA needs of the member countries in financial supervision and regulation, PFTAC will work closely with the IMF’s MCM and LEG to ensure that national supervisory agencies have the appropriate framework and expertise for effective supervision and regulation. Given the proliferation of development partners in the Pacific providing assistance on AML/CFT issues (e.g., AMLAT, PALP), PFTAC's Advisor will work in areas of AML/CFT that have a direct linkage to financial supervision

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

- Advise on reform of bank and non-bank laws and regulations, and the organization of the financial supervision function;
- Strengthen supervisory policies and processes, in the areas of licensing, on-site examination and off-site surveillance;

- Promote the adoption of adequate capital standards and effective risk management practices;
- Promote closer cooperation and coordinate information sharing on financial regulation and supervision;
- Assist with the implementation of supervisory norms to prevent financial crime;
- Help with the development of financial soundness indicators (FSIs) and the streamlining of reporting systems to facilitate the collection and analysis of financial and prudential data from financial institutions.

**40. PFTAC will also undertake a number of regional activities, including:**

- Prepare, in conjunction with MCM, a summary paper on current financial supervision arrangements within the region as prescribed by the Pacific Plan. A draft paper has already been presented on this topic at the 2007 FEMM in Koror. PFTAC will be available to support appropriate follow-up action at the national level in conjunction with MCM and other donors;
- PFTAC will continue to act as secretariat for the Association of Financial Supervisors of Pacific Countries (AFSPC) and will arrange an annual meeting for members to network and exchange experiences. PFTAC will continue to assist the PICs in engaging the Basel Committee on Banking Supervision in a dialogue on its development of new international standards. In addition, PFTAC will coordinate with the Financial Stability Institute (FSI) and other partners to conduct an annual workshop for PICs on selected supervisory topics; and,
- PFTAC will continue to assist, on an ad hoc basis, with related areas of monetary operations and governance as they arise for members, and seek support from MCM and large central banks in the Oceania region to provide tailored solutions.

**Program Area 4. Economic and Financial Statistics**

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

- Advise on the regular and timely collection, compilation, analysis and dissemination of economic and financial statistics on the basis of international standards for consistency, definitions, coverage and accuracy drawing on the GDDS framework;
- Assist with the development of national statistical policies and strategies including the delineation of the legal framework and institutional responsibilities for the collection and compilation of economic and financial statistics and assessment of the necessary resource allocations for an appropriate statistical system; and

- Assist in the development of a sufficient supply of qualified officials who understand, and are capable of implementing the institutional and procedural reforms, as well as the methodological and systems improvements described above, both at the management and operational levels.

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

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

- Working in conjunction with the IMF’s Statistics Department (STA), PFTAC will prepare an updated account of the status of national statistical policies in the Pacific and a strategy to be followed for improving the statistical systems, particularly in national accounts and balance of payments statistics;
- Coordinating with the PFTAC PFM and Revenue Advisors on improving Government Financial Statistics (GFS) and debt data for member countries.
- Coordinating with the PFTAC Financial Supervision Advisor on developing and interpreting Financial Soundness Indicators (FSIs) for member countries.
- Coordinating with IMF Article IV and other economic surveillance missions to PFTAC member countries to improve and harmonize statistics of the region.
- Paying special attention to improving dissemination and usage of statistics in the region. This will include assistance in maintaining and enhancing existing regional databases, such as Pacific Regional Information System (PRISM), which is managed by the SPC;
- The Advisor will participate as a resource person in regional workshops and seminars organized by other institutions, and will actively help to develop the capacity of the Statistics Masters Program at the USP, including the hosting of interns from that program, occasional lecturing, and providing training materials.

## **IV. GOVERNANCE AND OTHER ADMINISTRATIVE ARRANGEMENTS**

### **A. Governance Arrangements**

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

- Assign a Coordinator-Economist to the Center from the IMF permanent staff;
- Select the Center's resident Advisors and assist with the hiring of short-term and peripatetic experts for the Center based on standard IMF selection criteria;
- Provide supervision, logistics and backstopping services to the Advisors;
- Provide administrative support and office facilities in Suva;
- Implement and steer, from the Office of TA Management (OTM) at IMF HQ, the TAIMS for results-based management of the Center's activities; and,
- Manage the cost-sharing contributions of donors and the financial operations of the Center through the IMF's OTM.

45. **The strategic direction and approach of the Center will be guided—within the framework of the present project document—by the TPRC, which consists of representatives of the IMF, the funding agencies, and the PFTAC member countries.** Meetings of the TPRC will continue to take place every 18 months, with informal intervening meetings as necessary.

46. **The chairman of the TPRC will be the Governor of the Reserve Bank of Fiji, while the PFTAC Coordinator will serve as Secretary, with the Center providing secretariat support.**

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

48. **The IMF will be responsible to select and contract with the PFTAC resident Advisors.** Advisors will prepare regular reports to HQ to ensure adequate oversight of their activities. The IMF is responsible for all substantive technical support and backstopping of the Center's long-term Advisors. PFTAC will continue to receive assistance from IMF departments to identify and backstop available experts for short-term and peripatetic assignments, and to have access to the IMF's roster of qualified experts while also being able to propose new experts. Where the relevant skills are available within the PICs, it will endeavor to use experts from within the region. National authorities may be asked to nominate possible officials who could be seconded for short-

term assignments with PFTAC.

### **B. Service Delivery Arrangements**

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

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

**50. To maintain strategic direction, as well as to ensure quality and coherence in advice, PFTAC will consult with IMF Senior Staff and Mission Chiefs in IMF/APD as well as the backstopping technical departments (e.g., FAD, MCM and STA) at IMF HQ on matters of substance.** These include, in particular, TA requests with significant policy or strategic implications for PICs.

**51. At the end of each mission, a written report will be provided to the authorities, with an expurgated version provided to donors.** All reports will show clearly the recommended actions required of the authorities and indicate a work plan for the implementation of those recommendations, including any actions understood to be taken by other donor partners. The Advisor will explain that the report (“Aide-Memoire”) is subject to review by the respective functional department at IMF HQ and indicate an approximate date for delivery of the final report. The reports are confidential to the authorities and IMF staff. The PFTAC Coordinator will normally request that they make available the full reports to other TA providers, although the choice to do so rests with the authorities. A separate report, devoid of sensitive material, will be shared on a timely basis with PFTAC donors.

**52. As part of PFTAC’s quality control procedures, member countries and donors will be asked to complete periodic user satisfaction surveys and questionnaires following learning events.** In addition, the advisors will prepare a back-to-office report after each mission. The purpose of these back-to-office reports, which will be confidential to the IMF, is to provide the information required for IMF HQ to backstop and supervise the work of the Center.

**53. Training organized in the form of regional seminars and workshops will be designed to ensure that theoretical knowledge is applied to real life situations. In**

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

**54. Professional attachments of PFTAC member country staff to other organizations will be structured to ensure participants are exposed to valuable learning experiences.** This will be monitored by requiring reports from each participant (after the attachment is completed) outlining what skills and knowledge have been acquired.

### **C. Reporting Obligations**

**55. PFTAC will retain its strong commitment to transparency and accountability as a basis for an ongoing evaluation of the appropriateness and effectiveness of its activities.** Consistent with the recommendations of previous PFTAC evaluations, the Coordinator will continue to prepare a six-monthly update report on the inputs, operation and achievements of the Center, as well as promulgate a six-month rolling workplan for upcoming activities on the PFTAC website. All training materials and documents of relevance to member countries will also continue to be posted on the website. Members and donors can also, at any time, request information on the Center's use of resources and delivered outputs. As the TAIMS becomes better populated with activity data, summary reports will be compiled and distributed to the TPRC membership. As in the past, the TPRC will at its regular meetings review PFTAC's activities and the performance against its objectives.

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

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

**57. The IMF will continue to manage all financial arrangements.** This includes the contracting of Advisors and Experts, payment of travel expenses, seminar costs, lease of office space and utilities, provision of the Coordinator, and liaison with IMF HQ. For each activity the following information will be furnished: (a) the client, activity, and

timetable; (b) PFTAC's contribution in terms of resources allocated; (c) the Coordinator's assessment of outcomes relative to original expectations. The information shown under (c) would draw on the information collected from user satisfaction surveys.

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

**58. This document in support of the continued operations of the PFTAC shall be the instrument referred to as the *Project Document* in the context of the cost-sharing agreements.** The Addendum, setting out the broad terms of reference for the pilot of enhanced donor collaboration with the World Bank, stands as a separate legal and financial arrangement.

### **F. Budget**

**59. The three-year budget estimates for FY09-11 are presented in Annex IV.** The broad budget lines appear in Table 1, while the detailed anticipated resource needs for each of the four PFTAC sectors appear in Table 2. The budget increase against the previous three year budget reflects inflation since the last Project cycle, as well as increased resources to support more intensive TA activities, locally recruited consultants, short-term experts and attachments/interns as outlined in Section III. Learning events, which are playing an important role in regional capacity building, will continue primarily as part of PFTAC associations' activities.

**60. Following the TPRC and stakeholders' broad agreement on the proposed work program for FY09-11, the IMF/OTM will commence the fund-raising to finance the FY09-11 PFTAC Project Cycle, and approach all interested donors, both existing and new.**

**61. Over a three-year period, the needs of the PICs could change, resulting in changes to the work plan. The primary method of adapting to these changes would be through a reprioritization of the work plan within the approved budget envelope.** In exceptional cases, an augmentation of the PFTAC budget through ad hoc donor increments may be considered. The augmentation, which could be through additional contributions from existing donors, or through entirely new donors, would require a formal amendment to the project document and budget. The amended project document would need to be cleared by IMF/APD and then by the TPRC, possibly on an *ad referendum* basis.

**62. In-kind contributions to the Project, including staff and space resources, should be first monetized and presented for consideration.**

#### **ATTACHMENTS:**

**ANNEX I: PFTAC Country Results Sheets**

**ANNEX II: PFTAC Members' Survey Results**

**ANNEX III: PFTAC Technical Assistance Framework**

**ANNEX IV: PFTAC Proposed Budget FY09-11 (Table 1); Budget Detail (Table 2)**

**ADDENDUM on Enhanced Cooperation Pilot**