

Pacific Financial Technical Assistance Centre (PFTAC)

DFAT Management Response to Partner-led Independent Evaluation

The Pacific Financial Technical Assistance Centre (PFTAC) is the membership-based, regional capacity-building arm of the International Monetary Fund (IMF) in the Pacific. PFTAC works with 16 Pacific Island countries (Federated States of Micronesia, Fiji, Kiribati, Nauru, Palau, Papua New Guinea, Republic of the Marshall Islands, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, Vanuatu, Cook Islands, Niue and Tokelau). Australia contributed \$12.6 million to PFTAC's fifth phase (July 2017 to April 2023), equivalent to approximately one quarter of PFTAC's budget for the period (USD39.7 million).

PFTAC assists member countries strengthen their management of macroeconomic, financial, and statistical policies and processes. The objectives of PFTAC's current, fifth phase are to: (1) strengthen the resilience of Pacific Island Country (PIC) economies and finances to volatility related to natural disasters and economic shocks; (2) ensure that public finances are sustainable over the medium and long-term to avoid fiscal or balance of payments crises; and (3) promote inclusive economic growth. Capacity building and training is delivered by seven in-house PFTAC advisors (30%); and short-term consultants (70%). These are backstopped for quality assurance by the International Monetary Fund Head Quarters staff. DFAT is a founding donor of PFTAC. Donors include New Zealand (approx. 31%), Australia (23%), EU (17%), Korea (6%), Canada (3%), USA (5%) and ADB (2%). PIC member countries contribute 10% and the IMF funds some overhead costs.

The terms and conditions governing the multi-donor trust fund for PFTAC require the IMF to carry out an independent evaluation of activities supported in the funding cycle "no later than 40 months after the activities have begun". The independent evaluation process commenced in July 2019. DFAT, alongside other development partners (MFAT and EU) were part of an evaluation sub-committee that provided feedback to the Terms of Reference, Inception Note and draft evaluation report. Universal Management Group was selected to carry out the evaluation. The evaluation was finalised in September 2021 and published in December 2021.

The evaluation aims to provide lessons learned and recommendations based on findings to improve the effectiveness of capacity development interventions as well as to guide the future strategic direction of the program. The findings will be used by the PFTAC Steering Committee and its member countries for oversight and accountability purposes, by PFTAC and development partners to improve capacity development interventions, and by IMF Institute for Capacity Development for sharing lessons learned among the IMF's Regional Technical Assistance Centers and IMF departments and divisions. The evaluation will also be used to inform the design of the next phase (Phase VI).

Overall, the review found that 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. However, competing priorities in countries frequently interrupted or delayed progress on PFTAC program targets. All stakeholders agreed that PFTAC provided excellent overall value for money, offering high-quality technical assistance (TA) and training in specialized topics on a cost-effective basis. PFTAC effectiveness varied considerably by

program area and jurisdiction. Across all programs, PFTAC capacity development 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. The review provided eight key recommendations.

DFAT's response to the Independent Evaluation: DFAT accepts the evaluation's findings and agrees or partially agrees with each of its eight recommendations. The IMF, in consultation with development partners and member countries, has developed an action plan that outlines steps to remedy program performance, and implement recommendations in the remainder of PFTAC's fifth phase (which runs to April 2023) and the design of Phase VI (commencing May 2023).

Recommendation	Response	Explanation	Action Plan	Timeframe
<p>1. The PFTAC Steering Committee (SC) should encourage and support member countries in playing a more active role in PFTAC governance (high priority).</p> <p>To strengthen member countries' engagement in the SC, the PFTAC Steering Committee, with the support of PFTAC, should:</p> <ul style="list-style-type: none"> • Establish an Executive Committee for the SC • Develop guiding documents • Conduct remote quarterly SC meetings • Support SC members to play a better role in program implementation 	Partially agree	DFAT agrees with the principle that PFTAC should foster the conditions for a more active role by member countries in PFTAC governance and decision making. However, changes to Steering Committee arrangements need to be made in close consultation with members.	<p>PFTAC will seek guidance from the SC on the proposal for an Executive Committee and has developed an operational guidance note for discussion by the SC on the role and tenure of the chair.</p> <p>Possible governance changes being explored include: (1) 2-3 year tenure for the Chair and a new Vice Chair position with clear succession expectations instead of annual rotation to host country; and (2) additional virtual SC meetings in addition to the annual meeting.</p>	Completed in Phase V to inform Phase VI
<p>2. In Phase VI, the IMF and PFTAC should consider adopting a hybrid in-person/remote model for PFTAC Technical assistance (TA) delivery as well other modalities and initiatives that will enhance member countries' engagement and role in Capacity Development (CD) delivery (high priority).</p> <p>IMF and PFTAC should:</p> <ul style="list-style-type: none"> • Develop a model for the use of the hybrid model of TA delivery 	Agree	DFAT agrees with this recommendation. The evaluation found that remote TA can be an effective and efficient complement to in-person TA. The evaluation also notes that a country-program approach - in accordance with the culture, operational capacity, and learning needs of each state - to prioritizing and sequencing of CD interventions is needed to make the most of country and PFTAC resources.	<p>The IMF is considering the future hybrid model through a Fund-wide working group, and IMF's CD Departments are undertaking pilot activities to examine best practices for CD activities in a hybrid model. Outcomes from this work will inform a hybrid model for PFTAC's future operations.</p> <p>PFTAC will incorporate greater use of peer-to-peer exchanges and attachments and develop a graduate internship program.</p>	Completed in Phase V to inform Phase VI

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<ul style="list-style-type: none"> Supplement field missions with additional pre and post mission virtual engagement Ensure timelines for CD are realistic Promote south-south, peer-to-peer learning Develop a manager's module to support engagement of senior country officials Provide training in the use of the manager's model. 		<p>PFTAC is yet to solidify a country-program approach to prioritizing and sequencing of CD interventions or develop a strategic position with regard to capacity supplementation in the program. The evaluation highlighted the need for individualised CD approaches.</p>	<p>PFTAC has agreed to further consider the proposal in relation to the managers module.</p>	
<p>3. PFTAC and the IMF should work together with development partners and other regional partners to develop long-term, sustainable, Pacific-centric solutions to pervasive gaps in states requiring capacity supplementation in PFTAC program areas (High Priority)</p> <p>PFTAC should:</p> <ul style="list-style-type: none"> Examine extent of capacity supplementation required for PFTAC members, TA programs and providers, and gaps between supply and demand Examine resources needed for addressing capacity gaps, including human resources needed of PFTAC member countries 	<p>Partially agree</p>	<p>The evaluation assessed that PFTAC and other regional partners are providing capacity supplementation in some areas, and there is a need to examine the resources needed for addressing the capacity gaps, including human resource needs.</p> <p>DFAT acknowledges that some capacity supplementation is being by PFTAC, and there is a scope for a clearer assessment of and strategy for addressing capacity gaps, and supplementing capacity where appropriate. However, developing long-term solutions across multiple member countries, and encouraging alignment by donors by the proposed timeline may be challenging in the current context of the COVID-19</p>	<p>PFTAC considers capacity gaps are primarily an issue in National Statistical Offices, particularly in fragile and small states. PFTAC will consider options to address this in phase Phase VI.</p> <p>DFAT will pursue discussions with PFTAC to explore PFTAC undertaking the review study/paper recommended by the evaluation.</p>	<p>Study completed in Phase V to inform Phase VI</p>

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<ul style="list-style-type: none"> Develop long-term, sustainable, Pacific-centric solutions to address the capacity gaps. 		<p>response, where many PFTAC member countries are focused on immediate response measures.</p>		
<p>4. PFTAC and the IMF should improve HR practices with respect to long term advisers (high priority)</p> <p>PFTAC and IMF Functional Departments should implement measures to ensure a well-planned recruitment of and smooth transition between advisers.</p> <ul style="list-style-type: none"> Develop HR plan for use of long term advisers in all programs for medium-term planning horizon Select replacements well in advance of the end of the incumbent's contract Ensure overlap period of at least two months Develop standardized transition procedures to maintain institutional knowledge Expand on-boarding training to close gaps in support for advisor transitions. 	Agree	<p>DFAT agrees with this recommendation. DFAT acknowledges that turnover of long-term advisers are stages in human resource management where PFTAC and member countries are at risk in terms of disruption of quality technical assistance.</p>	<p>PFTAC will adopt measures including:</p> <ul style="list-style-type: none"> longer handover between long term advisers; extension of on-boarding for advisers (especially those new to the IMF); and staggered replacement of staff for programs with two advisers. 	<p>Ongoing</p> <p>(HR plan developed after Phase VI design is approved)</p>
<p>5. PFTAC should improve its support to advisers from Centre staff (high priority)</p>	Agree	<p>DFAT agrees with this recommendation, supporting the improvement of capacity building to</p>	<p>PFTAC has advised they have improved support to advisers in Phase V including recruitment of an office manager and</p>	<p>Ongoing in Phase V</p>

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<p>PFTAC has improved its support to advisors in Phase V, and capacity building to deliver logistical support and administrative services to a quality standard should be continued in Phase VI. PFTAC should:</p> <ul style="list-style-type: none"> • Set service delivery standards for logistical and administrative support services, including lead time requirements for requests from advisors for support • Design and implement standardized training for support staff, which should include regular support and training from IMF HQ for HQ-owned systems and processes • Implement annual and mid-year performance reporting for support staff, including a formal learning plan, and 360- feedback • Establish back-up matrix for key support activities to ensure business continuity and mitigate risks of staff absences. 		<p>support staff to enhance delivery standards for logistical and administrative support services.</p>	<p>adding additional administration support staff. A local staff performance assessment system has been implemented.</p> <p>PFTAC further plan to implement IMF-wide staff performance assessment systems, expected to be completed in 2022; and role out fund-wide training to LTXs and local staff.</p> <p>DFAT will continue to liaise with PFTAC on additional areas recommended such as and implementation of a formal back-up matrix for all key administrative support service activities to ensure business continuity.</p>	<p>and Phase VI</p>
<p>6. PFTAC should improve its use of Results Based Management (RBM) in the design and delivery of CD to support a program-based approach to country prioritization of needs and resource use, and sequencing of CD</p>	<p>Agree</p>	<p>DFAT agrees that PFTAC and its advisers should engage member countries more directly on RBM. Setting commonly agreed strategic program objectives that are aligned with capacity development log frames</p>	<p>PFTAC will allocate a session during SC meetings to discuss work plans, logframes and RBM expectations with member countries at the strategic level, including the need to set commonly</p>	<p>Ongoing in Phase VI</p>

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<p>delivery to member countries within country programs (high priority)</p> <p>In Phase VI, PFTAC and its advisors should engage member countries more directly in the RBM approach and its potential benefits. PFTAC should:</p> <ul style="list-style-type: none"> • Deliver RBM training to SC members and country counterparts • Engage member countries in the design and use of RBM log frames and information • Leverage RBM to take a country-program approach to planning and resource use • Engage member countries in the elaboration of country charters/programs addressing their priorities for CD assistance and activities over medium-term period, with RBM measures and targets for improvements. 		<p>will encourage greater ownership and support development outcomes.</p>	<p>agreed strategic program objectives aligned with CD project log frames.</p> <p>At a broader level, the IMF continues to work on strengthening the logical frameworks and making the CD more impactful through results-based management approach. The IMF expect that the IMF's CD Management and Administration Program (CDMAP) tool will provide an opportunity to strengthen the framework in a harmonized way across the Fund and RCDCs.</p>	
<p>7. PFTAC and the IMF should better integrate priority thematic areas into PFTAC programs (medium priority)</p> <p>PFTAC and the IMF should:</p> <ul style="list-style-type: none"> • Prepare guidance on the mainstreaming of gender, climate change, and financial inclusion 	<p>Agree</p>	<p>DFAT agrees with this recommendation. PFTAC's work to integrate climate change as a cross cutting issue in Phase V has been impressive. However, PFTAC has made more limited progress in supporting integration of the other two Phase V priority areas, gender and social inclusion.</p>	<p>PFTAC has proposed to include a PFM and climate change expert in Phase VI.</p> <p>DFAT, in partnership with likeminded PFTAC members and donors, will seek to influence the design of Phase V to position PFTAC to integrate cross cutting issues of gender and social inclusion.</p>	<p>Ongoing</p>

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<p>thematic priorities in PFTAC activities</p> <ul style="list-style-type: none"> • Prepare guidance on the integration of thematic priorities into the CD design and implementation in each PFTAC program area • Incorporate elements relevant to gender, climate change, and financial inclusion in the IMF's RBM Catalogue • Include regional expertise in priority thematic areas in roster of STXs for use in program areas. 				
<p>8. PFTAC should allocate resources to develop regional expertise for engagement and use in the program</p> <p>The program has used local authorities as resource persons for regional workshops, which should be continued and expanded where possible. PFTAC should find opportunities to increase its use of local and regional experts in a strategic approach comprising focused efforts to develop promising staff from member country ministries and agencies for engagement as STXs. PFTAC should:</p> <ul style="list-style-type: none"> • Develop and resource a strategy for supporting development of local and regional expertise and use of 	Agree	DFAT agrees with this recommendation. There are opportunities for PFTAC to increase its support and engagement of local and regional experts in the program.	<p>PFTAC will adopt measures including:</p> <ul style="list-style-type: none"> • enhanced south-south and peer-to-peer capacity development; • subject to approval in the design, the scaling up of the intern program, with intern placements both within PFTAC and with cooperating government organizations in the region; • expanded cooperation with universities, including the University for the South Pacific. 	Phase VI

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<p>experts from the region in all PFTAC programs</p> <ul style="list-style-type: none"> • Develop a performance measurement framework for the strategy • Identify promising officials from member ministries as potential STXs and provide them opportunities to participate in missions as training opportunities • Support train-the-trainer, mentoring, and coaching of regional experts • Expand the use of regional counterparts as resource persons for training across all programs • Develop strategic partnerships to deliver training in foundational elements of PFM, Statistics and Macro programs, such as the use of Excel, economic forecasting principles, data analysis principles and integration in policy formulation. 				