



Performance Evaluation Report

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Technical Assistance Performance Evaluation Report
May 2006

Technical Assistance in Support of the Pacific Financial Technical Assistance Centre in the Pacific Island Countries

Operations Evaluation Department

Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
AFSPC	–	Association of Financial Supervisors of Pacific Countries
AML	–	anti-money laundering
AusAID	–	Australian Agency for International Development
CFT	–	combating the financing of terrorism
FSM	–	Federated States of Micronesia
GDDS	–	general data dissemination system
IMF	–	International Monetary Fund
NZAID	–	New Zealand International Aid and Development Agency
OEM	–	operations evaluation mission
PFTAC	–	Pacific Financial Technical Assistance Centre
PIC	–	Pacific island country
PITAA	–	Pacific Islands Tax Administrators Association
RMI	–	Republic of Marshall Islands
TA	–	technical assistance
TPRC	–	Tripartite Review Committee
UNDP	–	United Nations Development Programme
US	–	United States
USP	–	University of the South Pacific
VAT	–	value-added tax

NOTES

- (i) The fiscal year (FY) of IMF ends on 30 April. FY before a calendar year denotes the year in which the fiscal year starts, e.g., FY2004 began on 1 May 2004 and ended on 30 April 2005.
- (ii) In this report, “\$” refers to US dollars.

Director General	B. Murray, Operations Evaluation Department (OED)
Director	R. K. Leonard, Operations Evaluation Division 1, OED
Team leader	C. Amerling, Principal Evaluation Specialist, Operations Evaluation Division 1, OED
Team members	O. Nuestro, Evaluation Officer, Operations Evaluation Division 1, OED A. Alba, Operations Evaluation Assistant, Operations Evaluation Division 1, OED

Operations Evaluation Department, TE-54

CONTENTS

	Page
BASIC DATA	iii
EXECUTIVE SUMMARY	vii
I. INTRODUCTION	1
A. Evaluation Purpose	1
B. Technical Assistance Objectives	1
C. Approach and Methodology of Evaluation	2
II. DESIGN AND IMPLEMENTATION	3
A. Rationale	3
B. Formulation	4
C. Outcomes	5
D. Outputs	7
E. Design Changes	10
F. Cost Financing, Executing Arrangements, and Consultant Selection	11
G. Technical Assistance Scheduling	13
III. PERFORMANCE ASSESSMENT	13
A. Overall Assessment	13
B. Relevance	14
C. Effectiveness	15
D. Efficiency	17
E. Sustainability	18
IV. OTHER ASSESSMENTS	19
A. Asian Development Bank Performance	19
B. Executing Agency Performance (International Monetary Fund)	19
C. Funding Agency Coordination and Partnership	21
V. ISSUES, LESSONS, AND RECOMMENDATIONS	21
A. Issues	21
B. Lessons	22
C. Recommendations	22

The guidelines formally adopted by the Operations Evaluation Department (OED) on avoiding conflict of interest in its independent evaluations were observed in the preparation of this report. To the knowledge of the management of OED, there were no conflicts of interest of the persons preparing, reviewing, or approving this report.

APPENDIXES

1.	Principal Areas of Technical Assistance and Resident Advisor Terms of Reference	26
2.	Pacific Financial Technical Assistance Centre Activities by Country and Output	28
3.	Asian Development Bank Assistance Program for Pacific Island Countries in Economic and Financial Management	29
4.	International Monetary Fund Short- and Long-Term Technical Assistance to the Pacific Island Countries	35
5.	Australian Agency for International Development Technical Assistance in Economic, Financial, and Related Areas	38

Attachment: Management Response on the Technical Assistance Performance Evaluation Report for Technical Assistance in Support of the Pacific Financial Technical Assistance Centre in the Pacific Island Countries.

BASIC DATA

TA 5604-REG: Training Assistance with the IMF/UNDP Pacific Financial Technical Assistance Centre

Cost Financed by ADB (\$'000)	Estimated	Actual
Foreign exchange cost	—	
Local cost	—	
Total	300.0	300.0
Executing Agency: International Monetary Fund		
Milestones		Date
President's/Board Approval		1 December 1994
Signing of TA Agreement		21 March 1995
Fielding of Consultants		—
TA Completion:	Expected	30 September 1995
	Actual	31 October 1997
TCR Circulation		22 September 1998

— = not available, ADB = Asian Development Bank, TA = technical assistance, TCR = technical assistance completion report.

TA 5672-REG: Pacific Financial Technical Assistance Centre

Cost Financed by ADB (\$'000)	Estimated	Actual
Foreign exchange cost	—	
Local cost	—	
Total	1,135.6	1,135.6
Executing Agency: International Monetary Fund		
Milestones		Date
President's/Board Approval		6 February 1996
Signing of TA Agreement		23 April 1996
Fielding of Consultants		—
TA Completion:	Expected	31 December 1998
	Actual	28 February 1998
TCR Circulation		8 June 1998

— = not available, ADB = Asian Development Bank, TA = technical assistance, TCR = technical assistance completion report.

TA 5817-REG: Pacific Financial Technical Assistance Centre

Cost Financed by ADB (\$'000)	Estimated	Actual
Foreign exchange cost	—	
Local cost	—	
Total	433.0	433.0
Executing Agency: International Monetary Fund		
Milestones		Date
President's/Board Approval		10 December 1998
Signing of TA Agreement		5 March 1999
Fielding of Consultants		—
TA Completion:	Expected	31 December 1999
	Actual	31 May 2002
TCR Circulation		31 May 2002

— = not available, ADB = Asian Development Bank, TA = technical assistance, TCR = technical assistance completion report.

**TA 6003-REG: Pacific Financial Technical Assistance Centre
1999–2001 Second Tranche**

Cost Financed by ADB (\$'000)	Estimated	Actual
Foreign exchange cost	—	
Local cost	—	
Total	433.0	433.0
Person-Months (consultants)	—	
Executing Agency: International Monetary Fund		
Milestones		Date
President's/Board Approval		22 October 2001
Signing of TA Agreement		26 October 2001
Fielding of Consultants		—
TA Completion:	Expected	31 December 2001
	Actual	31 December 2001
TCR Circulation		30 May 2002

— = not available, ADB = Asian Development Bank, TA = technical assistance, TCR = technical assistance completion report.

TA 6049-REG: Pacific Financial Technical Assistance Centre 2002 Third Tranche

Cost Financed by ADB (\$'000)	Estimated	Actual
Foreign exchange cost	—	
Local cost	—	
Total	433.0	433.0
Executing Agency: Pacific Financial Technical Assistance Centre		
Milestones		Date
President's/Board Approval		12 September 2002
Signing of TA Agreement		29 October 2002
Fielding of Consultants		—
TA Completion: Expected		31 December 2002
Actual		12 November 2002
TCR Circulation		28 March 2003

— = not available, ADB = Asian Development Bank, TA = technical assistance, TCR = technical assistance completion report.

TA 6129-REG: Pacific Financial Technical Assistance Centre 2003

Cost Financed by ADB (\$'000)	Estimated	Actual
Foreign exchange cost	—	
Local cost	—	
Total	433.0	433.0
Executing Agency: Pacific Financial Technical Assistance Centre		
Milestones		Date
President's/Board Approval		30 October 2003
Signing of TA Agreement		10 November 2003
Fielding of Consultants		—
TA Completion: Expected		31 December 2003
Actual		11 March 2004
TCR Circulation		

— = not available, ADB = Asian Development Bank, TA = technical assistance, TCR = technical assistance completion report.

TA 6206-REG: Pacific Financial Technical Assistance Centre 2004

Cost Financed by ADB (\$'000)	Estimated	Actual
Foreign exchange cost	—	
Local cost	—	
Total	433.0	433.0
Executing Agency: Pacific Financial Technical Assistance Centre		
Milestones		Date
President's/Board Approval		8 December 2004
Signing of TA Agreement		14 March 2005
Fielding of Consultants		—
TA Completion: Expected		31 December 2004
Actual		30 June 2005
TCR Circulation		

— = not available, ADB = Asian Development Bank, TA = technical assistance, TCR = technical assistance completion report.

EXECUTIVE SUMMARY

Between December 1994 and December 2004, the Asian Development Bank (ADB) approved seven technical assistance (TA) grants totaling \$3.6 million to support the operation of the Pacific Financial Technical Assistance Centre (PFTAC). The International Monetary Fund (IMF) administers PFTAC, a regional project based in the Fiji Islands that provides services to 15 Pacific island countries (PIC). A group of multilateral and bilateral funding agencies have funded PFTAC: ADB, Australian Agency for International Development, IMF, Japan, New Zealand Agency for International Development, Republic of Korea, and United Nations Development Programme (ceased funding in 2001). The funding agency community contributed \$21.4 million to PFTAC during 1993–2005, with ADB's TAs accounting for 17% of the total. While this evaluation focuses on the effectiveness of the ADB's TA support, it also covers the general operations of PFTAC.

The objectives of PFTAC were based on an analysis of the development experiences in the PICs, which lack the institutional capacity to implement effective policies. Their generally small size and remoteness from major markets are important handicaps that cannot be overcome easily. Despite substantial external financial assistance, the growth of PICs has remained disappointing. Their lack of technical skills and institutional capacity to formulate and implement appropriate economic and financial policies has constrained their development. Although TA has been available, its effectiveness has been limited by difficulties in organizing a systematic and sustained approach for a large group of PICs. Their dispersion was another problem. In response, IMF and the United Nations Development Programme created in 1993 a regional facility to implement the Fiscal and Monetary Reform and Statistical Improvement project, which became known as PFTAC.

The original mission of the center was to “build technical and institutional capacity for effective financial management, which can be sustained at the national level. It will do this by providing advisory and training services, with emphasis on the latter, to strengthen the capacity of participating governments to design and implement appropriate economic and financial reforms.” Four functional areas of specialization—each covered by a long-term advisor based in the Fiji Islands—were selected to deliver technical advice and training: (i) public financial management, (ii) tax administration and policy, (iii) banking regulation and supervision, and (iv) macroeconomic and financial statistics.

PFTAC's decision to adopt a regional approach to the delivery of TA to the PICs was unique and experimental. The rationale was based on anticipated gains from economies of scale and externalities arising from dealing with a number of similar countries. Another factor was the ability to provide a more flexible assistance program, including the (i) potential to develop regional programs from a structured knowledge base that could improve efficiency in delivery of similar services across a group of countries; (ii) development of a regional knowledge base that could provide an important resource to be distributed to clients directly or via the Internet; (iii) ability to institutionalize the liaison of training facilities; (iv) provision of ongoing, intermittent, and long-term TA without encouraging recipient country dependence on resident advisors; (v) flexible and quick delivery of support according to country needs; and (vi) potential to deliver services to smaller states that otherwise would not receive high-quality assistance.

PFTAC has provided a variety of assistance, including (i) short-term missions by PFTAC's Fiji Islands-based advisors; (ii) short-term missions provided by outside consultants, or peripatetic advisors; (iii) training provided through regional seminars, country workshops, attachments in country, and development of university courses; (iv) secretariat functions to

regional associations (including the Association of Financial Supervisors of Pacific Countries and Pacific Islands Tax Administrators Association) supported by PFTAC; (v) funding agency coordination and consultation with TA design; (vi) facilitation of requests for TA from the PICs, and identification of suitable funding agency partners; and (vii) regional resource center of information in PFTAC's areas of specialization.

PFTAC advisors undertook 558 advisory missions over 12 years, averaging 51 missions per year or one mission per Fiji Islands-based advisor per month. Training courses and seminars attracted 477 regional participants. PFTAC has supported 47 short-term consultancies (four per year) and 126 secondments with regional institutions. Specific examples of PFTAC's outputs include enhancing awareness and adoption of IMF's Code of Good Practices on Fiscal Transparency, and championing and acting as the regional coordinator for the general data dissemination system. PFTAC has facilitated the development of PC Trade, a computerized tool for customs declaration, clearance, and administration appropriate to small nations. In financial supervision, PFTAC helped established the Association of Financial Supervisors of Pacific Countries.

The performance of PFTAC has been rated by relevance, effectiveness, efficiency, and sustainability over the four main areas of service delivery. Overall PFTAC is assessed as being successful (highly successful, successful, partly successful, and unsuccessful are the four rankings). PFTAC's work on bank supervision was found to be the most successful element. However, rated together with the public finance and tax and customs areas, it was assessed as successful. Statistics was ranked as partly successful. The objectives of PFTAC were found to be highly relevant, and the anticipated gains from a regional design were realized. However, PFTAC did not provide technical support for the development of macroeconomic capability, a weakness in its scope of services. In the Operations Evaluation Mission's (OEM) view, such services clearly are needed in the Pacific region. PFTAC was assessed as effective, although the lack of available performance measures to monitor its activities made rigorous assessment problematic. The operation of PFTAC was rated as efficient, reflecting the regional approach in service delivery. However, additional gains in efficiency and reductions in unit cost could be achieved by increasing the use of hands-on, short-term, or peripatetic advisors. Capacity building in the Pacific region is known to be difficult due to the narrow human resource base and ease of migration. However, capacity building has progressed in most of PFTAC's areas of activity. The OEM concluded that the operations of PFTAC are likely to be sustained.

Two major lessons can be drawn from the PFTAC experience. First, the lack of any outcome or performance measures has made evaluation problematic. PFTAC operates on a demand-driven system that responds to client requests, and outcomes are shared with many funding agencies operating in the region. While these features make development of outcome measures difficult, rigorous evaluation cannot proceed without them. Second, the PFTAC experiment—a regional approach to TA delivery—was found to be effective and efficient. Support to PFTAC has enabled ADB to leverage a greater result than likely would have been achieved had the funds been allocated piecemeal for activities in the financial and economic areas in separate countries.

The PFTAC evaluation resulted in several recommendations. First, a macroeconomist should be included on the team. The OEM found a lack of capacity to formulate sound economic policies. Such an additional Fiji Islands-based advisor would emphasize the technical aspects of macroeconomic work: preparation of economic forecasts, aiding the PICs in the preparation of macroeconomic frameworks, and financial programming. Second, to improve efficiency in service delivery, greater resources should be provided for short-term and

peripatetic hands-on assistance. This would support the Fiji Islands-based advisors, whose main focus has been on advisory work and regional activities. The Caribbean Regional Technical Assistance Center, which plays a role similar to PFTAC's, employs a macroeconomist and has a larger budget for training and peripatetics advisors. Although additional funding would be required for the extended services, bilateral funding agencies have indicated their support for such an expansion. ADB could enhance its effectiveness in the Pacific region through closer cooperation with PFTAC in its country programming. At the present time, the PICs make no financial contribution to PFTAC, which would increase resources and encourage accountability and greater ownership. It is recommended that the ADB continue funding a 3-year cycle to aid planning and avoid repetitive TA processing.

Bruce Murray
Director General
Operations Evaluation Department

I. INTRODUCTION

A. Evaluation Purpose

1. Between December 1994 and December 2004, the Asian Development Bank (ADB) approved seven technical assistance (TA) grants totaling \$3.6 million to support the operation of the Pacific Financial Technical Assistance Centre (PFTAC).¹ Based in the Fiji Islands, PFTAC provides services to 15 Pacific island countries (PIC).² A group of multilateral and bilateral funding agencies have funded the project: ADB, Australian Agency for International Development (AusAID), International Monetary Fund (IMF), Japan, New Zealand Agency for International Development (NZ Aid), and United Nations Development Programme (UNDP).³ ADB's first three TAs were targeted at special functions⁴ within PFTAC's operations. Subsequent funding provided general support for PFTAC operations. While TA completion reports were prepared for five of the seven TAs, ADB has not undertaken an independent review during the 12 years that PFTAC has existed. Methodologically, separating the impact and effectiveness of ADB's assistance from that of PFTAC is impossible. Thus, this evaluation covers the general operations of PFTAC from its inception in 1993, and looks for opportunities to comment on the effectiveness of ADB's TA support. With preparation continuing on the next PFTAC project document, which seeks funds and development assistance partner support for an additional 3 years, this is an opportune time for ADB to examine the contribution and value added of PFTAC's operations.

2. The evaluation also will serve as a case study for a larger evaluation of the effectiveness of ADB's partnering approaches that will begin this year. ADB's formal partnership policies include cofinancing, cooperation arrangements with international and bilateral organizations, and promotion of cooperation with nongovernment organizations. An effective partnership with each developing member country is essential to the country strategy and program process. The global demand for more effective partnerships among stakeholders in development and poverty reduction has increased.

B. Technical Assistance Objectives

3. PFTAC's objectives were based on an analysis of the development experience in the PICs, which lack the institutional capacity to implement effective policies.⁵ The PICs are scattered across a large expanse of the Pacific Ocean. Their generally small size and long distance from major markets are development constraints that are not overcome easily. In addition, the PICs have been susceptible to natural disasters. Despite substantial external financial assistance, their growth performance on the whole has been disappointing. Their lack

¹ ADB. 1994. *Technical Assistance for Training Assistance with the IMF/UNDP Pacific Financial Technical Assistance Centre*. Manila (TA 5604-REG); ADB. 1996. *Technical Assistance for the Pacific Financial Technical Assistance Centre*. Manila (TA 5672-REG); ADB. 1998. *Technical Assistance for the Pacific Financial Technical Assistance Centre*. Manila. (TA 5817-REG); ADB. 2001. *Technical Assistance for the Pacific Financial Technical Assistance Centre 1999–2001 – Second Tranche*. Manila (TA 6003-REG); ADB. 2002. *Technical Assistance for Pacific Financial Technical Assistance Centre 2002*. Manila (TA 6049-REG); ADB. 2003. *Technical Assistance for the Pacific Financial Technical Assistance Centre 2003*. Manila (TA 6129-REG); ADB. 2004. *Technical Assistance for the Pacific Financial Technical Assistance Centre 2004*. Manila (TA 6206-REG).

² Cook Islands, Fiji Islands, Kiribati, Republic of Marshall Islands (RMI), Federated States of Micronesia (FSM), Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, and Vanuatu.

³ UNDP terminated its partnership in 2002.

⁴ TA 5604-REG provided funding for training and workshops; TAs 5672-REG and 5817-REG supported the PFTAC resident financial sector specialist and short-term consultancies.

⁵ PFTAC. 2005. *Project Document for the Period July 2002–June 2005*. Suva.

of technical skills and institutional capacity to formulate and implement appropriate economic and financial policies also has constrained development. Although TA has been available, its effectiveness has been limited by difficulties in organizing a systematic and sustained approach for a large group of PICs. Their dispersion was another problem. In response, IMF and UNDP in 1993 created a regional facility to implement the Fiscal and Monetary Reform and Statistical Improvement⁶ project.

4. The original mission of PFTAC was to “build technical and institutional capacity for effective financial management, which can be sustained at the national level. It will do this by providing advisory and training services, with emphasis on the latter, to strengthen the capacity of participating governments to design and implement appropriate economic and financial reforms” (footnote 6). Four functional areas of specialization for the delivery of technical advice and training were selected: (i) public financial management, (ii) tax administration and policy, (iii) banking regulation and supervision, and (iv) macroeconomic and financial statistics. While the scope of services in these four areas has deepened over time, the functional areas covered have not changed.

C. Approach and Methodology of Evaluation

5. Representatives of IMF, funding agencies, and PICs evaluated PFTAC in 1997 and 2004.⁷ The findings were presented to the PFTAC Tripartite Review Committee (TPRC). While the methodology in this evaluation followed the standard Operations Evaluation Department approach,⁸ consistency with the earlier PFTAC evaluations was adopted where possible to provide continuity and comparability. The main activities of the Operations Evaluation Mission (OEM) were:

- (i) A review of PFTAC documents: project documents (PFTAC project documents provide the basic framework for future operations), six-monthly reports, quarterly rolling work plans, Web site, and TPRC/steering committee minutes.
- (ii) A review of PFTAC resident advisor reports: end of assignment reports, mission reports, back-to-office reports, quarterly reports to IMF, advisor terms of reference, and occasional papers.
- (iii) Field trips and discussions with officials from the Fiji Islands, Vanuatu, Tonga, Samoa, Federated States of Micronesia (FSM), and Republic of Marshall Islands (RMI). Countries, representing a range of clients, were selected from each of the three major groupings: Melanesia, Polynesia, and Micronesia. The sample did not include very small island states, such as Niue, Nauru, or Tokelau.
- (iv) Interviews with funding agencies and regional institutions: AusAID, Forum Secretariat, NZAID, United Nations Economic and Social Commission for Asia and the Pacific, United States (US), University of the South Pacific (USP), and World Bank.
- (v) Interviews with the PFTAC project coordinator and four resident advisors, and IMF advisors in-country and IMF staff in Washington.

⁶ United Nations. 1993. *Fiscal and Monetary Management Reform and Statistical Improvement (EFMAR—Module 1)*. Project document.

⁷ (i) Kamikamica, Josevata, T. King, J. Stanley, and A. Wright. 1997. *Regional Project for Pacific Island Countries, Pacific Financial Technical Assistance Centre*, RAS/92/330 and RAS/95/330; (ii) Bucknal, James, P. Allen, and K. Vaai. 2004. *Evaluation of Pacific Financial Technical Assistance Centre*. Suva.

⁸ Refer to guidelines available at <http://www.adb.org/evaluation>.

6. The lack of project performance monitoring criteria has been a major concern during PFTAC's 11 years of operation. A set of quantifiable outcome measures and associated benchmarks, which would enable an evaluation of performance, has not been developed. While the nature of PFTAC operations makes performance evaluation problematic (para. 12), a rigorous and objective evaluation is difficult without these indicators. In the absence of criteria against which to assess performance, this review has relied on a general and unavoidably subjective discussion of the broad outcomes in building capacity in the four areas of economic and financial management. This was based on interviews with the PICs, funding agencies, and PFTAC staff.

II. DESIGN AND IMPLEMENTATION

A. Rationale

7. The decision of PFTAC's founding partners (IMF and UNDP) to adopt a regional approach in the delivery of TA in the PICs was unique. The approach was chosen because the PICs face similar constraints and difficulties in delivering cost-effective TA. The rationale for adopting a regional approach was based on anticipated gains from economies of scale and externalities arising from dealing with a number of similar countries. Another factor was the ability to provide a more flexible program of assistance:

- (i) **Commonality of needs and issues among the PICs.** Regional programs have the potential to develop a structured knowledge base that can make the delivery of similar services across a group of countries more efficient. Examples include developing an appropriate and simplified manual for tax reforms or bank supervision, and approaches across a group of nations tailored to the PICs with similar banking institutions, etc.
- (ii) **Distribution of information and expertise.** The structured development of a collection and database of expertise and materials provides an important resource base that can be distributed to clients directly or through the Internet. An important feature of PFTAC has been its ability to share its experiences with countries facing similar situations. Although only recently established, the PFTAC Web site provides useful materials.
- (iii) **Facilitation of secondments, workshops, and seminars.** Regional institutions provide the ability to institutionalize the liaison of training facilities over the longer term with different organizations and countries. PFTAC provides the secretariat for the Association of Financial Supervisors of Pacific Countries (AFSPC) and Pacific Islands Tax Administrators Association (PITAA), along with the development of regional training courses at USP. PFTAC also organizes many seminars and workshops.
- (iv) **Timely TA delivery, ongoing and long-term.** Various forms of TA delivery have been established. The two major forms that ADB and others have adopted are long-term resident advisors and short-term interventions. The structure of PFTAC provides a third category: ongoing and long-term, yet intermittent, support. This form of TA has strengths and weaknesses. It avoids recipient country dependence on resident advisors, thus encouraging local capacity building, and provides for the development of a longer-term relationship required for successful TA delivery. The main weakness in the case of PFTAC is the limited possible duration and coverage of assignments when four advisors provide services to 15 countries.

- (v) **Flexibility and quick response in TA delivery according to country needs.** The regional approach permits flexibility in TA delivery, catering to the needs of host country requirements and the ability to direct interventions to the countries with greatest need and commitment to reform. The capability of ensuring a quick response to country requests is a particular advantage of this modality, compared with the long gestation periods required for ADB TA processing and fielding of consultants.
- (vi) **Provision of services to smaller states that otherwise would not receive high-quality assistance.** PFTAC's clients are some of the smallest countries in the world. Normally, some would not be eligible or likely to receive high-quality TA.

8. The appropriate modality and delivery of ADB's TA in the Pacific island region has been a long-standing issue. At inception, the PFTAC approach was considered experimental, because it had not been used widely before in the Pacific region. However, the Secretariat of the Pacific Community and Economic and Social Commission for Asia and the Pacific Operations Center has provided TA to the PICs on a regional basis. The rationale for a regional approach appeared strong, and was expected to provide a firm basis for the delivery of specific assistance that addressed country needs and ADB's country strategies at the time. This rationale remains equally valid today. The success of the approach is reflected in the creation of similar centers in the Caribbean, Middle East, and Africa.⁹

B. Formulation

9. PFTAC was designed to provide services in four main areas (footnote 6; Appendix 1 for the principal activities and objectives of the four areas). These areas are:

- (i) **Public financial management.** This component aimed to enhance the public expenditure capability of governments in the region, positioning them to (a) prepare timely, realistic, and economically meaningful current and capital budget estimates, and be able to link the recurrent cost implications of capital projects; (b) implement budget plans with due regard to macroeconomic conditions, and control public spending (in terms of commitments and cash) in light of the evolution of these conditions; (c) account for, and monitor in a timely way, all relevant public spending, including that originating from external disbursements and the operations of public enterprises; (d) monitor cash flows, project cash needs and receipts from domestic and foreign sources, and determine public sector requirements; and (e) maintain an up-to-date debt register for domestic and foreign government debt, as well as for the governments' contingent liabilities, and be in a position to project and discharge debt service commitments in a timely manner.
- (ii) **Tax and customs policy and administration.** This component aimed to provide to the PIC governments TA on tax administration, primarily value-added tax (VAT), customs, and excise areas, to help generate revenue for the budget. Substantial progress was to be sought in tax administration through (a) design of proper collection procedures and reduction of collection lags, (b) improvement and efficient targeting of audit procedures, (c) development of strengthened procedures to address cases of noncompliance, (d) training of staff in the tax

⁹ Caribbean Regional Technical Assistance Center, Africa Regional Technical Assistance Centers (East and West), and Middle East Technical Assistance Center.

departments, and (e) help in designing appropriate computerization of operations.

- (iii) **Banking regulation and supervision.** This component sought to assess the needs for improving the effectiveness of bank supervision and regulation policies and procedures in the PICs, and recommend measures to strengthen supervision that are appropriate for the different authorities with bank supervision responsibilities (mainly central banks).
- (iv) **Economic and financial statistics.** In selected countries, this component aimed to help the national authorities compile comprehensive balance of payments statistics on a regular and timely basis. Time permitting, it also sought to assist in the development of national accounts statistics. This was expected to involve reviewing existing systems and designing new systems, as necessary, to collect balance of payments data. Further, this entailed the provision of TA and training to local staff on the compilation of balance of payments statistics.

10. The selection of the four functional areas of PFTAC reflects the maintenance of a sound financial system. This can be illustrated through a description of the monetary system expressing the supply of money, M2:

$$M2 = DCg + DCp + R + OIN$$

where DCg is domestic credit to government (net), DCp is domestic credit to the private sector, R is the level of foreign reserves, and OIN is other items net, mainly capital of the banking system.

11. Through the selection of the four functional areas and four corresponding advisors, PFTAC was structured to assist the PICs in maintaining sound financial management. Sound revenue and expenditure policies (DCg) support stability in domestic credit to government. A better supervised financial system was to support the protection of depositors (M2), maintenance of prudential levels of domestic credit (DCp), and capital adequacy (OIN). Movements in net foreign assets, which are the outcome of the balance of payments, affect changes in money supply. These highlight the need for the last advisor, who was assigned to help improve the statistical compilation of the balance of payments. The four advisors were selected to provide technical advice on the stability of the financial system. The formulation of PFTAC did not include development of capacity to prepare a macroeconomic framework, financial programming, and a medium-term financial framework. However, these are integral to the maintenance of financial stability (para. 10). Support for the operation of the region's central banks was not provided, although peripatetic¹⁰ IMF advisors supported this element.

C. Outcomes

12. The original project document, Economic Financial Management and Reform (EFMAR) 1993 (footnote 6), provided sets of outputs and activities. However, it did not include any logframe or criteria through which the performance of PFTAC could be evaluated—a situation that has remained throughout the 12 years of the center. The failure to provide any evaluation or outcome measures, which was recorded in the minutes of first steering committee in March 1996, has been a long-standing issue. The project coordinator at the time discussed the potential for establishing benchmarks, as well as sets of outputs and objectives for the project.

¹⁰ Peripatetic advisors are short-term, roving advisers, often involved in repeat missions. For example, one advisor might visit Tonga, FSM, and RMI to assist with on-site banking supervision with repeat follow-up missions.

He stated this method of evaluation would be unrealistic for PFTAC due to the changing needs of the participating countries. This issue was raised in the two evaluations of PFTAC, in many of the TPRC meetings, and in the recent proposed project document for 2005–2008.

13. PFTAC's performance could be measured at two basic levels. First, PFTAC's success in fulfilling its basic mission of capacity building can be assessed, specifically whether the PICs developed greater capacity to undertake the functions in the four areas of PFTAC activity. IMF has developed a Code of Good Practices on Fiscal Transparency,¹¹ and guidelines for the establishment of standards for statistics through the General Data Dissemination System (GDDS).¹² These documents and others for banking supervision, as well as tax administration and policy, could be used to evaluate the basic mission of PFTAC if suitably adapted and simplified for the PICs. However, while such indicators would be useful to assess PIC performance, PFTAC is only one of many agencies and factors affecting the progress—or lack thereof—in these areas. Many other funding agencies operate in the PFTAC area of competence, contributing to the overall effort. Clearly, PIC commitment and political will are also key ingredients in building the required capacity. Further, developing basic skills and retaining them are critical to success. This type of evaluation of PFTAC would require attribution to different causes, which could be problematic. Still, a broad indication of progress, even if the analysis is insufficient to evaluate the performance of PFTAC, would be desirable.

14. The second potential measure of performance could be established through a lower level of evaluation of accomplishments. This would involve assessing whether (i) policy recommendations of PFTAC were implemented, (ii) training courses on balance of payments resulted in PIC statistical offices conducting surveys, or (iii) recommendations for the introduction of a VAT were implemented. While an assessment of whether PFTAC's outputs produced outcomes is possible, the argument of the initial project coordinator would have to be recognized. The mode of operation of PFTAC—where the delivery of outputs is not known beforehand, thus making preparation of a well-defined logical framework impossible—places special constraints on the establishment of evaluation benchmarks. Evaluation would need to proceed afterward, with outcomes identified only after the outputs have been delivered.

15. The methodological limitations on the development of performance measures need to be recognized. However, the development of some indicators would be desirable at (i) the higher level to assess whether progress is being made in achieving the capacity building mission of PFTAC, and (ii) the lower level to assess whether outputs have resulted in outcomes. PFTAC has existed for more than 12 years, and this long-standing unresolved issue needs to be redressed. Progress might appear self-evident to those directly involved. However, this might not be the case, and objective measures would provide a useful management tool to guide future operations. Other observers and funding agencies less familiar with the daily routine need an objective indication of the value added provided by PFTAC. In line with the 1997 evaluation recommendations, an entity outside of PFTAC should design the benchmarks (higher level) to ensure objectivity and to avoid the cost being borne by PFTAC's clients. As was proposed in the draft 2005–2008 project guidelines, IMF headquarters could undertake this task. The lower order assessment can be achieved through addition of an extra column to the Summary of Activities Matrix,¹³ which records the status of PIC implementation of PFTAC proposals.

¹¹ Available: <http://www.imf.org/external/np/fad/trans/code.htm>.

¹² IMF. 2004. *Guide to the General Data Dissemination System (GDDS)*. Washington DC.

¹³ PFTAC prepares the matrix to summarize its TA activities.

D. Outputs

16. The outputs of PFTAC have come in a variety of forms:

- (i) **Short-term resident advisor missions.** These missions can be divided into (a) diagnostic, policy-orientated advisory, and strategic missions—often referred to as “upstream” missions; and (b) hands-on or “downstream” visits, providing direct assistance to PIC officials for the development of in-house systems.
- (ii) **Short-term missions provided by consultants or short-term advisors.** These missions are longer and might require repeat visits. This type of TA is more suited to downstream assistance.
- (iii) **Development of courses.** Training provided through regional seminars, country workshops, secondments in country, and development of courses at USP. For example, PFTAC has developed a public expenditure management module for a master’s program, and assisted in gaining accreditation for it as part of a USP degree in statistics.
- (iv) **Regional secretariat.** PFTAC acts as the secretariat for AFSPC and PITAA.
- (v) **Funding agency coordination.** PFTAC coordinates with funding agencies in the region, and consults on the design of TA packages.
- (vi) **Facilitation.** PFTAC plays an important role in facilitating requests for TA from the PICs, and identifying suitable funding agencies.
- (vii) **Knowledge base.** PFTAC provides a regional resource center for information in its areas of specialization. The knowledge base can be accessed through the center’s Web site, or through the resident advisors by fax and e-mail. IMF headquarters staff backstops the local knowledge base in areas where PFTAC requires specialist information.

17. Table 1 and Appendix 2 show the delivery of outputs by major activities, function, and country since the establishment of PFTAC in 1993. PFTAC fielded 558 advisory missions in 11 years, approximately 51 missions a year or one mission per month per advisor. Seminars attracted 477 participants, training an average of 43 PIC nationals each year through PFTAC. The center arranged 126 secondments, an average of 11 per year, with other institutions. These impressive figures indicate that PFTAC has supported a large number of advisory missions, and that the resident advisors have traveled extensively. Further, the data suggest that PFTAC has made a substantial effort to build capacity in training and facilitation of secondments. However, short-term consultancy missions have been less extensive. PFTAC funded only 47 such missions to the PICs, or an annual average of four consultants per year. This was intended to be a major component in the modality of TA delivery.

Table 1: Distribution of Assistance by Country and Activity (1993–2004)^a

Country	Advisory Mission		Seminar Participants		Short-Term Consultants		Secondments	
	No.	%	No.	%	No.	%	No.	%
Cook Islands	29	5.2	47	9.9	1	2.1	1	0.8
Fiji Islands	85	15.2	55	11.5	13	27.7	15	11.9
Kiribati	26	4.7	22	4.6	6	12.8	7	5.6
Marshall Islands, Republic of the	46	8.2	14	2.9	1	2.1	5	4.0
Micronesia, Federated States of	51	9.1	26	5.5	5	10.6	5	4.0

Country	Advisory Mission		Seminar Participants		Short-Term Consultants		Secondments	
	No.	%	No.	%	No.	%	No.	%
Nauru	6	1.1	3	0.6	0	0.0	0	0.0
Niue	17	3.0	15	3.1	2	4.3	0	0.0
Palau	25	4.5	25	5.2	0	0.0	10	7.9
Papua New Guinea	23	4.1	43	9.0	0	0.0	0	0.0
Samoa	54	9.7	47	9.9	6	12.8	19	15.1
Solomon Islands	28	5.0	42	8.8	3	6.4	15	11.9
Tokelau	1	0.2	2	0.4	0	0.0	0	0.0
Tonga	91	16.3	72	15.1	3	6.4	7	5.6
Tuvalu	18	3.2	16	3.4	4	8.5	30	23.8
Vanuatu	58	10.4	48	10.1	3	6.4	12	9.5
Total	558	100.0	477	100.0	47	100.0	126	100.0

No. = number.

^a As Table 1 does not include information on the duration of missions, it might not provide an accurate indication of the distribution of assistance.

Source: Pacific Financial Technical Assistance Centre.

18. In the distribution of services among PFTAC's clients, Fiji Islands, Tonga, and Vanuatu—the countries closest to Suva—received 42% of the advisory missions. FSM, RMI, and Samoa received a further 27%. Thus, 40% of PFTAC's clients (six countries) received nearly 70% of PFTAC's advisory services. The small and more remote PICs—Nauru, Niue, Tokelau, and Tuvalu—received the least service at 7% of the total. At each of the four functional levels (Appendix 2), the distribution of services also was concentrated, with one third of PFTAC's clients receiving between 60%–70% of services. In seminar participation, the larger countries sponsored more participants, which could be expected given the relative size of their public services. Facilitation of secondments and short-term consultancies similarly were concentrated, with one-third of the countries receiving more than 70% of the services. However, the concentration reflected a different country mix in each case. A correlation with population or gross domestic product was not found. However, the Fiji Islands receives a high proportion of services, and benefits significantly from being the host nation. In advisory missions, seminars, and short-term consultancies, the Fiji Islands ranked first or second in terms of the percentage of services received. The countries receiving the least service were the small and more remote nations: Nauru, Niue, Tokelau, and Tuvalu. This group received 8% of advisory services (an equal share would be 27%), sent 8% of seminar participants, and received 13% of short-term consultants. The remote group received an equal share only in secondments.

19. The list of outputs in Table 1 does not provide information on the nature of the missions in each functional area, short-term consultancies, or the type of seminars conducted or secondments facilitated. PFTAC does not provide this type of summary information, although the six-monthly reports provide greater detail on the activities. One example of the type of work PFTAC engages in is provided from each function. In public financial management, PFTAC was instrumental in enhancing awareness and facilitating PIC adoption of IMF's Code of Good Practices on Fiscal Transparency. Although a Report on the Observation of Standards and Codes has been undertaken only for three nations (Fiji Islands, Papua New Guinea, and Samoa), PFTAC has provided the vehicle to enhance new procedures and standards in the Pacific. In the tax area, PFTAC has facilitated the transformation of PC Trade from a computerized trade statistics system to a tool for customs declaration, clearance, and administration that is appropriate to small nations. PC Trade has been implemented in FSM and Kiribati, and has been selected for implementation in the Solomon Islands, Palau, and Tonga. In

financial supervision, PFTAC helped established the AFSPC, which holds an annual meeting where supervisors from the region discuss matters of mutual interest. To help minimize costs, this meeting usually is held back to back with a training seminar. In statistics, PFTAC has championed the GDDS, which commits adopting nations to maintenance of certain standards in the provision of economic and social statistics. Fiji Islands, Kiribati, and Vanuatu have published metadata on the IMF Web site.

20. PFTAC was established to allow demand-driven delivery of outputs, based on requests from recipient countries. However, a purely demand- or request-driven system has several weaknesses. The distribution of outputs described in para. 18 would indicate that the selection process is far from even, and potentially inequitable given the concentration of services in a core group of countries close to PFTAC. Countries that are familiar with PFTACs services and good at developing requests will tend to receive the benefits—to the disadvantage of PICs that are unaware of what is on offer or ill-equipped to generate requests. The 1997 evaluation addressed this situation by recommending that PFTAC conduct country programming missions to ensure a more transparent and effective procedure for allocating resources. However, representatives of ADB, AusAID, and Pacific Islands Forum Secretariat, and the PFTAC project coordinator, rejected this recommendation during the 1997 TPRC. They argued that to encourage PFTAC to be more proactive would (i) result in specific, rigid, and predetermined country programs; (ii) misallocate scarce resources of the technical advisors; and (iii) lose the flexibility that was an essential hallmark of PFTAC's modus operandi.

21. However, the representatives of the TPRC recognized the weaknesses in the prevailing system, and proposed a more transparent and priority-setting approach. In its 1999 meeting, TPRC indicated the following broad criteria for setting priorities and guiding the selection of areas for PFTAC assistance:

- (i) respond with priority to requests from countries with a solid reform agenda and a demonstrated commitment;
- (ii) identify countries with specific and immediate needs;
- (iii) respond to spontaneous requests for urgent help; and
- (iv) launch or support, where appropriate, regional initiatives that will benefit all or most PICs.

22. The lack of structure in the allocation of PFTAC's resources, resulting from a demand-based system, was an important issue considered during the 2004 review. However, rather than propose a more structured or programming approach, the evaluators suggested that PFTAC classify its assistance into three main categories: (i) ad hoc, (ii) reform, and (iii) capacity building. These criteria could be used to determine how much of the PFTAC staff's time would be allocated for each activity, which then presumably could be used to guide future operations. The project document for 2005–2008 proposes that PFTAC address this weakness in management by concentrating resources on reform and capacity building, and by limiting ad hoc assistance to areas of high national priority. Under this proposal, PFTAC is to (i) prepare country strategy notes setting out the major reform initiatives, (ii) take note of continuing funding agency initiatives, and (iii) provide an assessment of the role for PFTAC. While not a formal country programming system, this proposal should provide greater structure and focus to PFTAC's operations, and help to ensure more effective and equitable use of funds. The idea is to adapt such a system without adding significant overhead to PFTAC's lean operations.

23. Another weakness of the demand-driven and reactive nature of PFTAC is that not all of the center's clients are well versed and aware of the services available. While the project coordinator is required to visit the clients and make first contact, the resident advisors are reactive, responding only to client requests. However, once contact has been established, resident advisors actively participate in the development of the work program. The disadvantage of this setup is that the advisor might have an insufficient amount of work in the early period of his or her tenure. Once an advisor has established contact and is up to speed, however, he or she tends not to extend the area of operation to a wider a group of countries.

24. The intended technical nature of PFTAC's operations was a final, but significant, aspect of the original project design and output delivery. The original project document states that PFTAC is "intended to provide technical advice and training in fiscal, monetary, and related statistical areas to the PICs" (footnote 6). Thus, PFTAC's mission was intended to focus on technical issues rather than policy advice. The background material makes clear that advisors were to concentrate on the technical aspects of the work, and that major policy questions were to be referred to IMF headquarters. However, the dividing line between technical and policy issues is narrow. Much of the work in the fiscal area, public expenditure management, and taxation incurs policy advice. To be useful, the more recent direction of PFTAC's work to support reform initiatives in the PICs must be policy focused. While IMF wishes to ensure the highest quality of policy advice, the staff of PFTAC are the best placed to do so in many instances. To abstain from providing such policy assistance would encourage the formulation and implementation of policy based on other less well-informed sources.

E. Design Changes

25. While the original concentration of PFTAC in the four functional areas has not changed, the orientation of the work has been extended and substantially refocused. In the latter part of the 1990s, many of the PICs became involved in reforming their economies. ADB frequently supported these efforts through program loans. Since these efforts were focused largely on reforming the public sector, the work of the two PFTAC fiscal advisors supported them. In the early 2000s, IMF promoted an initiative for the adoption of good practices, and the development of standards and codes for assessing country performance. In line with that initiative, PFTAC pioneered work in the fiscal area through the Code of Good Practices in Fiscal Transparency, and in the statistics area through the GDDS. PFTAC's emphasis on the adoption of good practices in fiscal policy has waned somewhat due the large resource commitment required by the PICs and other pressing needs. However, the promotion of the GDDS has become a guiding feature of the statistical advisor's work.

26. The work program of the public financial management specialist (formally public expenditure management specialist) has changed the least among the four specialists, although the focus is now more on formulating reform strategies. Involvement in the IMF's Article IV missions has been a major new orientation, with the objective of providing follow-up support for the implementation of the resulting recommendations. In the tax and revenue area, the work has remained focused on tax and customs reform (including adoption of VAT). However, the work now emphasizes the implementation of reforms that are consistent with regional trade arrangements, such as the Pacific Island Countries Trade Agreement, Pacific Agreement on Closer Economic Relations, and accession to the World Trade Organization. Assistance with the introduction of PC Trade is another priority. The work of the bank supervision advisor, now the financial sector supervision advisor, has been extended to include other financial intermediaries, insurance companies, and superannuation and provident funds. This work also now addresses anti-money laundering and combating the financing of terrorism (AML/CFT). The role of the

statistics advisor, who had been responsible primarily for balance of payments, has been extended to include all major economic statistics: national accounts, government finance, monetary, and consumer prices. This enlarged work program is to be undertaken under a GDDS framework, emphasizing nations that have formally adopted the GDDS. PFTAC is the regional coordinator for the GDDS.

27. The 2005–2008 project document proposes further extensions to the work program, including preparation of country strategy notes that set out the main reform issues in each of the four areas, indicate related funding agency effort, and provide a framework for future guidance of the country work program of PFTAC. The project document proposes (i) the preparation of a paper analyzing the impact of the new trade arrangements on fiscal policy with appropriate reform measures, (ii) establishment of an association for finance officers (similar to the secretariat support PFTAC provides to PITAA and AFSPC), and (iii) development of a budget training module. Clearly, the work program of PFTAC has expanded significantly since its inception. PFTAC likely will have difficulty providing the proposed range of services across 15 countries without compromising its original mandate to build technical and institutional capacity.

F. Cost Financing, Executing Arrangements, and Consultant Selection

28. Table 2 provides details of the source of funds of PFTAC during FY2003–FY2005.¹⁴ The major contributors (in order of their level of funding) were Japan, ADB, Australia, IMF, and New Zealand. With 22.6% of the total contribution in this period, ADB was the second largest funding agency after Japan. Table 3 indicates the cost of operating PFTAC over the same period, broken down by major cost category. The average annual cost is approximately \$2 million. The major item is the payroll of the project coordinator and technical advisors, representing nearly 60% of the total. IMF overhead and short-term consultants each account for 9%, while training through professional attachments and seminars accounted for 8%.

Table 2: Pacific Financial Technical Assistance Centre Source of Funds, FY 2003–FY2005
(\$'000)

Source	FY2003	FY2004	FY2005	Total (2003–2005)
Asian Development Bank	433	433	433	1,299
Australia	446	653	— ^a	1,099
Japan	527	741	668	1,935
International Monetary Fund	169	391	405	965
New Zealand	214	109	119	442
Total	1,790	2,327	1,625	5,740

— = not available. FY = fiscal year.

^a Australian funding was unknown at the time of evaluation.

Source: Bucknal, James, P. Allan, and K. Vaai. 2004. *Evaluation of Pacific Financial Technical Assistance Centre*. Suva.

¹⁴ Before 2003, UNDP handled the accounting of PFTAC finances. As such, obtaining a profile of the costs of the center since inception in 1993 was impossible. From summary information supplied by IMF, PFTAC's cost of operations was \$1.8 million during the UNDP period of accounting, 1993–2002.

**Table 3: Pacific Financial Technical Assistance Centre Expenditures,
FY 2003–FY2005**
(\$'000)

Expenditures	FY2003	FY2004	FY2005	Total
PFTAC Core Expenditures				
Project Coordinator	290	279	302	871
Resident Technical Advisors	780	841	901	2,523
Regional Travel	37	90	213	340
Administrative Support	27	46	44	117
Office Costs	49	80	114	243
IMF Backstop and Support	127	176	227	530
PFTAC Professional Support				
Consultants	46	263	222	531
Professional Attachments	24	22	119	165
Seminar Participants	76	96	114	286
Governance				
TPRC Meetings and Evaluation	0	26	124	149
Total	1,456	1,919	2,380	5,755

FY = fiscal year, IMF = International Monetary Fund, PFTAC = Pacific Financial Technical Assistance Centre, TPRC = Tripartite Review Committee.

Source: Asian Development Bank internal databases.

29. The following description, extracted from the 2005–2008 project document, provides a concise description of the executing arrangements and governance of PFTAC:

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:

- (i) Assign a project coordinator;
- (ii) Select the resident advisors and assist with the hiring of short-term experts;
- (iii) Provide supervision and backstopping services to the resident advisors;
- (iv) Provide administrative support in Suva as well as at IMF headquarters; and
- (v) Manage the cost-sharing contributions of donors and the financial operations of PFTAC.

The strategic direction and approach of the Center will be guided—within the framework of the present project document—by the TPRC, which consists of representatives of the IMF, the funding agencies, and the participating countries. Meetings of the TPRC will take place every 12–18 months. The chairman of the TPRC will be the Governor of the Reserve Bank of Fiji, while the Project Coordinator will serve as secretary with the Center providing secretariat support.

The Project Coordinator will work within the strategic direction and periodic advice provided by the TPRC. The Project Coordinator will be responsible for the day-to-day management of the Center and its operations. In this regard, the

Coordinator will liaise closely with bilateral and multilateral funding agencies to ensure effective coordination and complementarities among TA programs.

The IMF will select from its panels of experts the Center's resident advisors. Advisors will prepare regular reports to HQ to ensure adequate oversight of their activities. The IMF is responsible for all substantive technical support and backstopping of the Center's long-term advisors. PFTAC will develop and maintain a database of available experts for short-term and peripatetic tasks (footnote 5).

30. In line with the conclusions of the two PFTAC evaluations, representatives of the PICs, and the funding agency community, the OEM found that IMF has been effective as the Executing Agency. In general, the recruitment of the project director from within IMF's staff, and the selection of the resident advisors, and short-term and peripatetic advisors from IMF's panel of experts, has ensured high technical quality. An essential characteristic of PFTAC has been IMF's role in maintaining quality, consistency, and objectivity. In some cases, PFTAC has been seen as an external arbitrator and authority in disputes over technical issues. While this key characteristic confers excellence, it also has certain implications. The creation of a regional organization to replace PFTAC, which would represent a graduation from a project to an independent body, would result in different management and probably the loss of IMF as the Executing Agency. This would alter the nature of PFTAC radically, and likely result in its demise. Thus, placing PFTAC under alternative executing arrangements is considered inadvisable, as is the extension of its functions to areas outside of IMF's domain of competence. Unquestionably, the staff of PFTAC has been of high technical caliber. However, some members of the PICs have expressed concern about a lack of cultural sensitivity of some PFTAC staff. These criticisms generally have not been widespread.

G. Technical Assistance Scheduling

31. ADB has contributed \$3.6 million to PFTAC through seven TAs. The first of these TAs lasted 2 years and provided funds specifically for training. The second lasted 3 years and focused on public expenditure management. The last five TAs were provided annually for general budget support, with no restrictions on the use of the funds. Processing separate TAs each year is costly and time consuming for the ADB, and creates unnecessary uncertainty for PFTAC in its strategic planning.

III. PERFORMANCE ASSESSMENT

A. Overall Assessment

32. The performance of PFTAC has been assessed for the four main areas of PFTAC service delivery, including macroeconomic support and regional approach (Table 4). The total shows the average of the four ranking criteria in each service area. In the case of efficiency, the overall score is based on an average of the four existing functions (weighted 0.5) and overall regional approach (weighted 0.5, see para. 48 for further explanation.) Overall, PFTAC is assessed as successful.¹⁵ Individually, the financial sector supervision component was found to be highly successful, while public financial management and tax and customs were rated as successful. Statistics was assessed as partly successful. The justification for these scores is provided in the following four sections.

¹⁵ Highly successful >2.7, successful 1.6<=S<=2.7, partly successful 0.8<=PS<1.6, unsuccessful <0.8.

Table 4: Performance Assessment of Pacific Financial Technical Assistance Centre

Item	Public Finance Management	Tax and Customs	Financial Sector Supervision	Statistics	Overall
Relevance	3.0	3.0	3.0	3.0	2.4
Effectiveness	1.5	2.0	2.5	1.0	1.8
Efficiency	2.0	1.5	2.5	1.0	1.9
Sustainability	2.0	2.0	2.5	1.0	1.9
Total	2.1	2.1	2.6	1.5	2.0

Source: Operations Evaluation Mission calculation.

B. Relevance

33. PFTAC was assessed as relevant, the second highest rating. Without question, the TA in the four areas supplied by PFTAC was highly relevant to the needs of the PICs. At the start of PFTAC in 1993, capacity in financial and economic management—and in all four areas—was weak. At appraisal, this weakness was identified correctly as a constraint on PIC development and economic growth. However, some areas and countries have improved significantly. Meanwhile, new needs have emerged, creating additional demand for TA. Thus, PFTAC remains as relevant today as it was in 1993. PFTAC operates in areas that closely align with, and complement, ADB's individual country strategies. Appendix 3 shows ADB TA and loan programs in related areas, and demonstrates the closeness of the relationship. The OEM did not find any specific cases of duplication of ADB assistance with PFTAC services, or any obvious instances where TA could have been channeled more effectively through PFTAC. However, this precludes future possibilities where PFTAC might be the preferred channel for assistance (e.g., implementation of taxation and customs reform programs).

34. When PFTAC began operating in 1993, its regional design was experimental. This approach was expected to achieve many gains and economies of scale. This evaluation suggests that the regional design was appropriate for the delivery of advisory economic management services in this group of small and widely dispersed countries. The experiment has been successful. For ADB, the provision of similar TA through alternative means would have been less effective, and would not have reaped the gains from the high quality that IMF ensured. ADB has leveraged a substantial project with significant impact at low cost in an area closely allied to ADB's regional strategy.

35. In discussions with PIC officials in the north and south Pacific, the OEM found strong support and endorsement for PFTAC. Some countries might demonstrate a weak commitment to reform and implementation of some of the PFTAC recommendations. However, the officials that work with PFTAC unquestionably have a high regard for the quality of the professional services delivered. All PICs expressed concern should PFTAC be disbanded. The programs and activities of the major bilateral funding agencies in the south Pacific—AusAID and NZAID—are aligned closely and complement PFTAC's outputs. Both funding agencies regard PFTAC highly and support its continuation. Further, Australia indicated that additional funding would be available upon identification of how the funds might be applied. Countries in the north Pacific were less aware of the functions of PFTAC, although the implementation needs of the amended Compact of Free Association and the programs of the US Office of Insular Affairs of the Department of Interior overlap substantially. While the programs of the funding agencies and PFTAC are complementary, funding agency coordination generally is weak.

36. At the functional level of PFTAC's four areas of engagement, the relevance of the project was ranked the highest. However, at the broader mission level of PFTAC's mandate to provide technical advice and capacity building in economic and financial management, the project was found lacking. The selection of PFTAC's areas of specialization did not include support to the PICs for the development of macroeconomic frameworks over the short to medium term to assist the implementation of sound economic management and maintenance of financial stability.¹⁶ PFTAC also did not provide support or assistance for the implementation of monetary policy, or for central bank operational matters. These functions are as essential as the other four to the soundness of financial systems, as represented in the framework outlined in para. 10. While PFTAC does not support these areas, IMF provides assistance for monetary operations and policy through short-term consultancies and peripatetic advisors. As shown in Appendix 4, IMF supported 69 short-term missions concerning monetary operations and policy during 1993–2005, equivalent to 4.3 person-years of input. IMF also provided long-term support for economic advisors attached to the central banks, though the last of these positions was phased out in 1997.

37. IMF undertakes annual or biannual Article IV missions over a 2-week period, though these missions are not designed to support capacity creation in macroeconomic techniques that form the heart of the discussions. ADB prepares a country performance assessment, which is a broad assessment of economic policy. It also publishes Pacific Island Economic Reports, which include an analysis of macroeconomic performance. However, neither of these exercises contributes to the development of technical and quantitative capacity in the PICs. The macroeconomic function is forward looking, and relates to the creation of a framework or basis on which sound financial and economic management can be implemented. ADB's economic reports are policy assessments. The overall score for relevance was reduced after taking into account the absence of the macroeconomic function.¹⁷

C. Effectiveness

38. PFTAC was assessed as effective. However, the lack of defined measures to monitor its effectiveness made evaluation problematic. In the absence of such indicators, the performance assessment was general and unavoidably subjective, based on the broad outcomes in building capacity in the four areas of economic and financial management. The assessment was relied on interviews with the PICs, funding agencies, and PFTAC. A second approach, similar to that used in the 1997 evaluation, is presented on the impact of specific services or outputs delivered (para. 5).

39. Many funding agencies provide support in the economic and financial management area. The main players have been ADB, AusAID, IMF, and NZAID. Appendixes 3–5 provide details of the related assistance provided by the first three agencies. ADB funded \$120 million in program loans to support economic reform, and \$33 million in TA in related areas. Appendix 4 shows the involvement of IMF in providing supporting TA, which is equivalent to about \$12 million at normal ADB rates. Appendix 5 shows that AusAID provided A\$155 million. By comparison, PFTAC has cost about \$22 million since its inception. Thus, while the resources of PFTAC are targeted specifically at the area under evaluation, and much of the other funding

¹⁶ The IMF refers to this as financial programming. This entails projection of the major macroeconomic variables over the short and/or medium term to indicate the viability of existing policies, and provides a basis for remedial action should the projections pose a threat to financial stability.

¹⁷ The average score of 3 was adjusted by a factor of 4/(4+1), with the 1 representing the lack of a macroeconomic function.

agency resources have been disbursed more broadly, the contribution of PFTAC has been relatively small. In assessing outcomes in the economic and financial management areas, the attribution of results to specific funding agencies is problematic. PFTAC's contribution will be one of many. Further, observed results must recognize the many problems with sustaining institutional capacity.

40. At the inception of PFTAC in 1993, the region had little capacity in the areas of banking and financial supervision, including in AML and CFT. Work proceeded initially to establish appropriate laws and regulations before turning to building capacity in on-site and off-site inspection. By the end of the 1990s, most of the PICs had established a bank supervisory capacity, even if only rudimentary in some cases. During the early 2000s, with banking supervision progressing, emphasis shifted to broadening coverage to other financial intermediaries, insurance companies, and superannuation schemes. After the 11 September 2001 terrorist attacks on the US, AML and CFT were added to PFTAC's list of responsibilities. These new initiatives are still being developed. IMF has provided the equivalent of about 6.5 person-years of short-term support and peripatetic advice in this area. Overall, PFTAC's performance in this area has been rated as highly effective.

41. In the customs and tax area, tax regimes at the start of the early 1990s were based on import, income, sales, and excise taxes. Administrative capacity generally was weak. During the 1990s, many of the PICs reformed their tax regimes. Fiji Islands, Vanuatu, Papua New Guinea, Cook Islands, Tonga, and Samoa cut income or import tax rates and introduced a VAT. Customs administration reform also included the introduction of two computerized systems: the Automated System for Customs Data, developed by United Nations Commission for Trade and Development; and PC Trade, developed by New Zealand Statistics and PFTAC. PFTAC also was responsible for initiating, and subsequently supporting, the PITAA. While many funding agencies have been involved in the tax area, the work of PFTAC has been responsible for substantial improvements in capacity. This function of this activity is rated as effective.

42. The public financial management area has the most funding agency involvement of the four areas. AusAID's long-term support for capacity building has been the most influential. ADB provided substantial support through its program loans and TA initiatives. PFTAC has supported (i) improved budgeting and output/performance budgeting, (ii) awareness building and the adoption of IMF's Codes on Good Practices on Fiscal Transparency, (iii) adoption of Government Financial Statistics, (iv) introduction of medium-term expenditure frameworks, (v) training, and (vi) university course development. However, capacity in the region remains weak. Some of the initiatives, such as the introduction of advanced techniques and performance budgeting, might have been ill advised in the absence of basic accounting, internal controls, audit capacity, etc. While many funding agencies are involved in this important area, PFTAC provides valuable niche services and expertise. This function has been rated as effective.

43. Performance in the statistics area has been the least satisfactory. With some notable exceptions, the capacity of the PICs to produce timely and quality economic data series, national accounts, government finance statistics, balance of payments, monetary statistics, and consumer price indices has not improved significantly over the years. Despite its critical importance in assessing economic performance and conducting sound economic management, neither governments nor funding agencies have prioritized this area. ADB and AusAID have provided some TA support, though with few lasting benefits. The South Pacific Community has provided valuable support in the national accounts area. However, the individual who developed this capability has retired, and funding is being redirected to social statistics in support of poverty reduction. PFTAC has undertaken a host of advisory missions, as well as some short-

term, hands-on work. However, this model of service delivery is not appropriate when skill levels to construct the basic series are not in place. Although PFTAC has introduced the GDDS into the Pacific, which has made a valuable contribution, governments are hard pressed to fulfill the adoption requirements. The statistics component of PFTAC has been assessed as less effective.

44. In the section on TA executing arrangements (para. 30), IMF's highly effective support in administering the center was discussed. This is an important element in the assessment of PFTAC as effective.

D. Efficiency

45. Overall, PFTAC has been rated as efficient. The regional approach for PFTAC was selected based on significant anticipated efficiency gains and economies of scale. These were outlined in the section describing the rationale for PFTAC (para. 7). After 12 years of operation, most of these benefits arguably have been realized. The main weakness stems from PFTAC's having only four advisors covering 15 countries. The original project document described the main mission of PFTAC as capacity building and training. However, with four advisors based in the Fiji Islands conducting advisory missions to the other PICs, the scope for hands-on capacity building and training is limited. A recurring theme in TPRC meetings has been the dichotomy between providing upstream strategic advice and downstream hands-on assistance. With the gradual expansion of its terms of reference, PFTAC has had less time to build capacity within its member countries. The solution would seem to be the use of short-term and peripatetic consultants. However, the budget has been limited for ancillary advisors, who are not featured prominently in PFTAC's operations. The OEM found that the regional design of PFTAC, as well as the maintenance of much larger bilateral programs by the funding partners, has been efficient. However, the lack of resources for ancillary, short-term assistance has been inefficient. Considerable efficiency gains and reductions in unit costs could be achieved by increasing resources in this area to supplement the strategic advisory missions by the four main advisors.

46. The previous PFTAC evaluations considered the cost-effectiveness of PFTAC's operations. Both reviews concluded that the \$2 million annual budget for an operation such as PFTAC's was broadly consistent with current prices experienced by other funding agencies. To reduce unit costs, the 2004 review proposed that PFTAC recruit, where possible, regional, mid-level PIC consultants to assist the four advisors—a concept that the TPRC endorsed. However, while this approach would broaden the regional experience and build capacity, recruitment of local consultants would have to be limited to avoid adversely affecting home base operations. Only the Fiji Islands likely has sufficient capacity to release staff for short or extended periods without undermining local capacity. The uncertainty of being able to attract PIC expatriates back to the region would create another hurdle.

47. The internal management of the ADB TAs supporting PFTAC has proceeded without major issue, although the sequential style of processing was inefficient. IMF's management of the center was efficient, although resident advisor recruitment sometimes was delayed. Funding agency partner coordination concerning execution has proceeded without problems. Appointment of counterparts at the start of PFTAC's advisory and short-term missions has been raised as an issue. While the OEM did not observe this to be a major problem, controls should be in place to ensure that all missions have counterparts. Finally, the delivery time and quick response of PFTAC assistance is regarded highly. The absence of long bureaucratic delays that are often associated with other funding agency activities is a major benefit of PFTAC.

48. Efficiency was assessed in two parts: (i) overall PFTAC operations (weight of 0.5), and (ii) the four PFTAC functions (weight of 0.5). For the overall regional approach, the project has been rated as efficient. This assessment was not based on any quantitative measurement of unit cost. Instead, it was a qualitative judgment of the efficiency of the regional approach outlined in para. 7. PFTAC has provided intermittent TA over an extended period to a group of countries with common needs through support from a team of long-term advisors. The organizational structure of PFTAC has (i) permitted the establishment of a broad base of institutional knowledge, (ii) facilitated attachments in third nations, and (iii) enabled regional workshops and seminars to be conducted. This is not meant to imply that alternative, country-specific TA is inappropriate, or that the PFTAC model has wider applications as a model for TA delivery in the Pacific. However, PFTAC has fulfilled a niche with the efficient delivery of valuable services in the economic and financial management area to this group of countries.

49. For TA in PFTAC's four functional areas, the assessment found that the lack of hands-on, peripatetic support has rendered service delivery inefficient. The banking supervision area was rated as highly efficient, as IMF has backstopped this function with short-term, hands-on assistance. In the public financial management area, the large number of other funding agencies has limited the need for short-term TA. As such, this area was rated as efficient. TA in the tax area would benefit from peripatetic advisors, and also was rated as efficient. In the case of statistics, hands-on TA and training are the main needs, rather than periodic advisory missions. Thus, the method of service delivery is not well suited, with the assumption that political and financial support is sufficiently provided. Advisory missions are useful only if somebody is capable of implementing the advice. Statistics was rated as less efficient.

E. Sustainability

50. The assessment¹⁸ concluded that PFTAC's outcomes are likely to be sustained. Capacity building in the PICs is a difficult and long-term process. For many of the smaller countries, the human resource base is limited, and suitably qualified staff are hard to find. The ease of migration by many PIC nationals in search of higher paying and rewarding opportunities in other countries exacerbates the problem. The original PFTAC project document anticipated that capacity building would take time, and PFTAC would be needed for a long period. While this remains true, progress has been made and capacity has been built. Country commitment is an important requirement for building capacity and implementing reforms.

51. At the functional level, capacity has been built in the financial supervisory area where little existed when PFTAC was established. Many of the supervisory agencies reside in the region's central banks. Since these banks can offer better terms and conditions than the government, they are able to attract and retain staff. None of the central banks visited during the OEM expressed problems with retaining staff. However, recruitment and retention of suitable staff have been problematic in countries that do not have central banks. In these countries, regulation is conducted through other statutory agencies with normal public service salaries. The requirements of AML and CFT, which arose after the 11 September 2001 terrorist attacks in the US, have given the PICs an incentive to avoid being placed on blacklists. Political commitment and institutional factors, therefore, have ensured that resources are provided for

¹⁸ This is not an assessment of the sustainability of PFTAC. PFTAC depends entirely on external funds, and generates no income. Therefore, its sustainability will depend on a willingness of the partners to keep funding it. The assessment of sustainability is an assessment of the extent to which gains made in PFTAC's areas of operation will be sustained.

financial sector regulation. The allocation of these resources is likely to continue. As such, the financial supervisory function was rated as most likely to be sustained.

52. The tax and customs function and public financial management function are part of the regular public service, where the employment culture and salary levels have not been sufficiently attractive to retain staff or limit migration. In the tax area, political will to reform regimes and administrations has been weak in some countries. Substantial progress has been achieved in others, however. Overall, capacity has been built and has been assessed as likely to be sustained. In statistics, the turnover of staff has been high in many of the offices visited by the OEM, and little additional capacity has been built. In one case, the national accounts were transferred from the statistics office to the Ministry of Finance to ensure that sufficient incentives would be created for the compilation of the series to be completed. In general, PIC governments do not see statistics as a priority area, which has discouraged the development of an exciting and dynamic workplace. Statistics was assessed as less likely to be sustained.

IV. OTHER ASSESSMENTS

A. Asian Development Bank Performance

53. ADB's administration of PFTAC has been assessed as satisfactory. Given the strong role of IMF in the execution of PFTAC, the funding agency community has adopted a largely passive management environment. Since IMF has provided the management and oversight for PFTAC, ADB's role has been limited to its participation in the periodic TPRC, and preparation of TA project documents and TA completion reports. Chaired by the governor of the Reserve Bank of Fiji, the TPRC is attended by the PICs and funding agencies, including ADB. The minutes of the TPRC show an active discussion. However, the meetings are held relatively infrequently due to the difficulties in attendance created by the large and dispersed region. Although the meetings are planned to coincide with the annual Forum Economic Minister's Meeting, they frequently do not. A 2004 evaluation (footnote 7) criticized the governance arrangements of PFTAC for a lack of clarity in the relationship between the TPRC, PFTAC, and IMF. The roles, duties, reporting obligations for PFTAC are not defined in a formal charter or written rules. The TPRC has acted largely as a steering committee, providing direction and providing guidance to PFTAC, rather than as a formal board. This relationship seems to have worked well, and PFTAC has responded positively to TPRC recommendations. As long as PFTAC is not formally established as a regional entity, changing what appears to be a well-functioning process seems unnecessary.

B. Executing Agency Performance (International Monetary Fund)

54. IMF's execution of PFTAC has been assessed as highly satisfactory. While IMF has overall responsibility and oversight for the execution of the project, a project coordinator appointed from IMF's staff handles the internal management and administration. Five professional and two supporting staff operate PFTAC collegially. Morale is high and the office functions well. PFTAC's reporting on its operations has been transparent, and its intentions for the next project cycle (2005–2008 project document [footnote 5]) are extensive:

...Commitment to transparency and accountability as a basis for evaluation of the appropriateness and effectiveness of activities. The Project Coordinator will in the next funding cycle prepare a series of reports and documents on the operation of the Center which will aim to make PFTAC's reporting more performance oriented:

- Monthly release of the Center's Three-Month Rolling Work Plan. The Work Plan will be supplemented by a table showing the objectives, strategies, functions and action timetables for each ongoing activity within each Program Area for each member country;
- A six-monthly report on the performance status of all ongoing activities under each Program Area for each country served;
- The present six-monthly Project Progress Report will continue to provide an account of the Center's activities over the preceding six months (including Project Coordinator's assessment of outcomes relative to the original expectations); and,
- User satisfaction surveys will be conducted following the completion of projects, and aggregate results will be provided periodically to the TPRC.

Reporting will further be strengthened by undertaking quarterly activity costing of each of its functions to identify a breakdown of total expenditure according to:

- the four Program Areas;
- the overall costs of outputs delivered to individual PICs under national programs and those delivered for region-wide programs; and,
- the three forms of TA delivered under each Program Area consisting of (a) short-term ad hoc advice often consisting of one-off assistance involving less than one month, (b) longer-term reform assistance often consisting of peripatetic visits and lasting many months or years, and (c) capacity building consisting of short-term and longer-term personnel training and development within each of the four Program Areas (footnote 5).

55. The reporting available on PFTAC's Web site (<http://www.pftac.org>) is extensive (the 3-month rolling plan and 6-month performance status). The proposed extensions to this format will meet some of the earlier objections, and provide a comprehensive basis for assessment. Outcome measurement will be established under an IMF-wide effort that incorporates its other regional centers. The costs for providing the additional information will stem from the introduction of a financial management information system. Once installed, however, the extra burden on the advisors should not be great.

56. An important issue in a demand-driven system is how client PICs become aware of PFTAC and its services. This function is left to the project coordinator during constituency visits. Individual advisors are not required to make similar visits to the region. This might result in advisors, who have little prior regional experience, working insufficiently on the initial stages of an assignment. Further, this might create disincentives to extend work programs region-wide once work schedules are full. While this is an effective means of rationing PFTAC's services, it might not be optimal, since it reflects a market failure due to a lack of information. The proposal to prepare country strategy notes during the next project cycle will help alleviate this problem

and improve allocation. However, it will come at a greater cost in terms of the time required to prepare the notes.

C. Funding Agency Coordination and Partnership

57. PFTAC is a relatively small player in the region with a relatively low profile. Coordination of funding agencies (ADB, AusAID, European Union, Pacific Islands Forum Secretariat, NZAID, UNDP, etc.) that operate in the region—and in the economic and financial management area—has been poor. Funding agencies are aware of PFTAC, and support and value its operations. However, most country programming is not well coordinated with PFTAC, which can result in duplication or poorly coordinated assistance. AusAID, the largest funding agency in the region, is aware of this problem. AusAID is recruiting a staff member to oversee its efforts in the economic and financial management area, with the intention of collaborating more closely with NZAID. While coordination between the funding agencies and PFTAC has not been extensive, examples of good coordination can be found, especially when representatives of the partners have developed a personal relationship with PFTAC and value the quality of its services. On several occasions, agencies have asked PFTAC to participate in the design of their programs. This positive result leveraged PFTAC's resources to achieve a better outcome. However, the deployment of PFTAC's resources in these efforts needs to be monitored carefully. The potential outcome of better TA design has to be weighed against the opportunity cost in time forgone in providing direct assistance to the PICs. A full evaluation of funding agency coordination in the Pacific is outside the scope to this study. However, this topic requires serious attention. Funding agency harmonization and coordination would allow more optimal usage of the limited pool of resources, and reduce the transaction costs born by small, island economies. The importance of harmonization, partnering, and funding agency coordination was highlighted in the Paris Declaration on Aid Effectiveness, which was endorsed on 2 March 2005.

V. ISSUES, LESSONS, AND RECOMMENDATIONS

A. Issues

58. **Output Allocation.** A major issue confronting PFTAC since its inception has been its method of allocating outputs among its clients. PFTAC is based on two principles: (i) a demand-driven request system for TA allocation, and (ii) quick responsiveness. In many ways, this has worked well. However, an analysis of the distribution of outputs shows that the process has allocated TA unevenly across the PICs. While no evidence is available to suggest that this is suboptimal, it raises concerns. Further, as argued in the previous section (para. 56), a demand-driven system can be wasteful, and result in advisors continuing to service clients with whom they have developed favorable relations. Despite such drawbacks, the TPRC rejected recommendations of the 1997 evaluation to use a more equitable, country programmatic approach. The TPRC argued in favor of retaining PFTAC's flexibility. However, the OEM found that output allocation remains an issue. The 2005–2008 project document proposes that PFTAC prepare country strategy notes. While this will require resources and some team coordination, the approach would overcome potential allocation biases or uneven distribution of outputs among PFTAC's clients.

59. **Support to Funding Agencies in TA Design.** The OEM found that PFTAC supported some of the partners, including ADB and AusAID, in TA design. PFTAC assistance can lead to better designed and more effective TA. However, the opportunity cost to the PICs in lost assistance from PFTAC must be considered. PFTAC's function is not to make up for the shortfalls in other funding agencies' expertise. However, judicious support in TA design, through

funding agency coordination, can achieve better development results, provided this does not dominate PFTAC's work.

60. **Exit Strategy.** The 2005–2008 project document raises the question of the future direction and existence of PFTAC. However, institutional capacity in economic and financial management, as well as in statistics, remains weak. While progress has been made, new demands have arisen. As a result, the need for TA in the areas covered by PFTAC has not decreased. Thus, a continuing need for the services of PFTAC is envisaged for some years to come. New and unanticipated demands will emerge, and PFTAC will need to be responsive and adaptive to such changes. However, funding agency support cannot be expected indefinitely, and continual review of performance (with improved outcome measures) will provide more effective monitoring and guidance to PFTAC on future directions. A financial contribution from the PICs would encourage ownership and, while not reducing the need for PFTAC, would move the project toward self-sustainability.

B. Lessons

61. **Absence of Logframe of Outcome Measures.** These evaluations have noted the absence of specific, qualified, and time-bound outcome measures for PFTAC. The challenge of defining outcomes beforehand in a demand-based TA delivery system, where outcomes are shared with many funding agencies, has been highlighted. However, without such measures, a rigorous evaluation of performance is impossible. Further, PFTAC is deprived of useful management information for ongoing self-assessment, and to guide to the future direction of the project. IMF is proposing the preparation of a standard set of outcome measures for its regional TA centers. With these standards in place, and with the proposal in the 2005–2008 project document to include the outcomes of specific TA in the six-monthly reports, this situation should improve. The lesson from the PFTAC assessment is that a rigorous and objective evaluation cannot be undertaken in the absence of clearly defined performance criteria.

62. **Regional Approach Proves Successful.** The rationale for PFTAC was based on the gains to be achieved through a regional approach. This evaluation has affirmed these gains. IMF has expertise and competence in providing TA in financial and economic management, demonstrating a comparative advantage over other funding agencies. Sound economic management and financial stability is a shared objective of the PICs and funding agencies. The regional approach and partnership arrangements that were incorporated into the PFTAC “experiment” have proved to be a successful model. Through support provided to PFTAC, ADB has leveraged greater results than would have been achieved through piecemeal allocation of the funds to activities in the financial and economic area.

C. Recommendations

63. **Macroeconomic Support.** The description of PFTAC did not include the provision of macroeconomic support as one of its core functions. The absence of macroeconomists among PFTAC's advisors is surprising given the lack of direct support from other funding agencies, and PFTAC's overall mission to support training and capacity building in economic and financial management. This reflects (i) the internal structure of IMF's technical assistance departments, which mirrors the functions of the four PFTAC advisors (no such department reflects the macroeconomic function); and (ii) the delineation between technical and policy issues. In the first case, the IMF's TA departments provide backstopping and oversight for fiscal matters, bank supervision, and statistics. IMF's area departments, which were not established to backstop TA advisors, conduct macroeconomic analysis. In the second case, PFTAC was established to

provide technical advice. It was argued that the provision of policy advice might duplicate the IMF's head office functions during the Article IV missions. IMF operates its regional centers as extensions of its own operations, rather than as stand-alone projects, which helps explain PFTAC's lack of macroeconomic support.

64. Most PICs have a limited capacity to formulate sound macroeconomic policies. During the OEM, the countries visited were asked if they prepare a macroeconomic framework, conduct a financial programming exercise, or have a macroeconomic committee. FSM and RMI did not have such functions or capability. In the Fiji Islands, while a macroeconomic committee exists, the central bank is only beginning to show an interest in undertaking a financial programming exercise. This initiative has been limited to examining the stability in the demand for money. Preparations for the recent Article IV consultations uncovered numerous discrepancies in the economic projections, highlighting the need for assistance. The PFTAC coordinator, statistician, and fiscal advisor subsequently worked together to resolve the differences, which allowed more fruitful discussions with IMF. In Vanuatu, a macroeconomic committee exists, but financial programming is not conducted. The research director, who expressed interest in establishing financial programming capacity, indicated that the macroeconomic committee discussed mainly government cash flow needs. In Tonga, neither a macroeconomic committee nor a financial program exists, although the research department is interested in addressing these needs. In Samoa, a financial program was being prepared, though it is not published.

65. PFTAC should move towards fulfilling its mission by recruiting a macroeconomist. To avoid conflict with IMF's policy formulation objectives, the advisor should focus on the technical aspects of macroeconomic work: (i) preparing economic forecasts, (ii) helping the PICs prepare a macroeconomic framework, and (iii) assisting with financial programming. Further, the advisor would help the PICs prepare for the Article IV missions to enable a more fruitful discussion, participate in the discussions, and assist with the implementation of the recommendations. The financial management specialist, who has been responsible for implementing such recommendations, would be released from this task to concentrate on financial management issues. The macroeconomist would provide the team with an anchor, synergy, and direction in the other areas of PFTAC's engagement. The macroeconomist would take the lead in preparing the country strategy notes, which will require additional resources. The recruitment of a macroeconomist is critical to the fulfillment of the center's mission.¹⁹

66. **Greater Short-Term and Peripatetic Hands-On Assistance.** As discussed in the efficiency section (paras. 45–47), PFTAC could decrease unit cost and increase its operational efficiency by supplementing the work of its four advisors with more short-term and peripatetic advisors. The Fiji Islands-based advisors, who are engaged predominantly in short-term advisory missions and regional functions, have little time to provide hands-on assistance. The need for peripatetic advisors varies among the four/five functions. IMF provides peripatetic support in financial supervision directly, and the many funding agencies in public financial management reduce the requirements in this area. However, the need is greater in the tax administration and statistics areas. In the tax area, other funding agency support is provided with major initiatives (e.g., reform of the tax system by introducing a VAT). At other times,

¹⁹ IMF indicated that it was not favorably disposed to adding a macroeconomist to the team. From IMF's perspective, this function was carried out during the Article IV missions. IMF agreed to consider the use of peripatetic advisors to support capacity building. However, this analysis suggests that a macroeconomist is not only required to support capacity building in the PICs, but should also play a key role in the design of the direction of PFTAC initiatives. Future assistance from ADB and PFTAC could fund, among other costs, the attachment of a macroeconomist to the office in the Fiji Islands.

PFTAC can play an important role in providing targeted, hands-on support (e.g., introducing the PC Trade tool). For statistics, countries need mainly hands-on TA, rather than advisory missions. Most PICs have administrative and existing data systems that produce the information required to compile the major economic data series: national accounts, balance of payments, Government Financial Statistics, Consumer Price Index, and monetary statistics. In some instances, additional surveys might be required. What the PICs lack are the skills to consolidate the material into the macroeconomic aggregates. The Secretariat of the Pacific Community supplied this type of support to the PICs in national accounts, which was useful. However, the individual responsible has retired, and initial indications suggest that the Secretariat might be refocusing on social and demographic work. This will create a vacuum in economic statistics capability. To generate the required economic statistics, the equivalent of three full-time statisticians is required to service the region.

67. **Funding Requirements.** Implementing these recommendations requires additional resources. PFTAC operates on a budget of approximately \$2 million per year. The annual budget of the Caribbean Regional Technical Assistance Center is slightly more than \$3 million, and it employs a macroeconomist, and has greater funding available for training and peripatetic advisors. The funding agency community is supportive of PFTAC, and AusAID has agreed in principle to increase funding if suitable activities are identified. A recent internal review of PFTAC, commissioned by NZAID, also supports the expansion of PFTAC's services.²⁰ PFTAC has been in existence for 12 years with little change in its mode of operations, other than expanding the scope of its work. The experiment has proven successful. The timing appears right to move forward—to give PFTAC more resources to expand its functions and coverage without departing from the basic model.

68. **ADB Country Programs to Consult PFTAC.** With its expertise and knowledge base, PFTAC makes an ideal partner for the ADB to consult during country strategy and program preparation. Funding agency coordination between the institutions operating in the economic and financial management area has been weak. ADB staff should develop closer ties with PFTAC to maximize the impact of region-wide TA design and implementation.

69. **PIC Financial Contribution to the Operation of PFTAC.** The funding agency community provides all the funding for PFTAC, without any contribution from the PICs. The OEM recommends that the PICs contribute to the financial resources of PFTAC. Aside from increasing PFTAC's funding, the contributions would encourage ownership, greater accountability, and scrutiny in the deployment of PFTAC's services. The initial contribution need not be large, and could be prorated based on the ability of each country to pay. As the PICs already contribute financially to other regional organizations, a clear precedent exists. The contribution could be increased over time, moving PFTAC towards financial self-sufficiency.

70. **ADB to Continue Support for PFTAC.** This evaluation has ranked PFTAC as successful, and recommends that ADB continue funding on a 3-year cycle to aid planning and avoid repetitive TA processing. The regional approach adopted by PFTAC was found to be appropriate. However, this does not imply that PFTAC provides an appropriate vehicle for TA delivery in all cases, where a more in-depth, country-specific focus is required. In line with this

²⁰ Ministry of Foreign Affairs and Trade. 2004. *Review of PFTAC, Multilateral and Regional Agency Assessment Framework (MAARF)*. New Zealand.

evaluation's recommendations, ADB should consider using PFTAC to fund peripatetic advisors where this overlaps with ADB's country strategy. Oversight and backstopping by PFTAC's resident advisors would provide an effective and efficient means of TA delivery.

PRINCIPAL AREAS OF TECHNICAL ASSISTANCE AND RESIDENT ADVISOR TERMS OF REFERENCE

A. Public Financial Management¹

1. Activities in this area will seek to improve the capacity of the authorities to effectively control and efficiently manage the public finances, including domestic and external public debt. To that end, assistance by the Pacific Financial Technical Assistance Centre (PFTAC) will help Pacific island countries (PICs) to strengthen their budgetary, cash management, and accounting systems based on well-defined strategic plans. Improvements will be sought particularly in (i) budget planning and preparation; (ii) budget execution and monitoring; and (iii) auditing and evaluation of public expenditure, including those of government entities and enterprises and extra-budgetary funds, where appropriate. The PICs will be encouraged to adopt or improve the use of modern budgetary tools, such as program-oriented budget systems that can be sustained at the national level. In addition, assistance will be offered to establish or strengthen effective treasury and cash management systems, and accounting practices that can help control expenditure and rationalize and streamline their financing. Finally, technical assistance by PFTAC will seek to improve the transparency of budget processes and public expenditure, and strengthen accountability of ministries and officials through the promotion of key principles under the International Monetary Fund's (IMF) Code of Good Practices on Fiscal Transparency.²

B. Tax and Customs Policy and Administration

2. Activities in this area will seek to strengthen the capacity of the authorities to enhance the economic and administrative efficiency of domestic revenue systems, and to increase their yield. In particular, the PFTAC will assist the authorities in the formulation and implementation of policy reforms and improvements in tax and customs administration. This will include assistance in the redesign of revenue systems that become necessary as a result of international and regional trade policy initiatives, such as World Trade Organization rounds and the Pacific Island Countries Trade Agreement. However, this also will include reforms intended to (i) streamline and simplify existing regimes; (ii) increase their efficiency; and (iii) broaden tax bases as, for example, in the case of a general value-added tax, where this is feasible. In the area of revenue administration, assistance will concentrate on improving administrative processes and procedures. The support also will focus on increasing compliance through the strengthening of collection, audit, and taxpayer service functions. In the advancement of reform, the involvement of, and consultation with, stakeholders inside and outside the administration will be emphasized.

C. Banking Regulation and Supervision

3. Activities in this area will seek to assist the authorities in the establishment and effective management of legislative and regulatory systems for the supervision of banks and other financial institutions. These systems should meet high international standards, and support sound banking practices and financial sector stability. This will involve assistance in the formulation and adaptation of prudential regulations for banks and nonbank financial intermediaries. Activities also will focus on building institutional capacity and skills for their effective supervision through appropriate reporting systems, on-site and off-site inspections, and audits. Particular attention will be given to licensing procedures, risk assessment, capital

¹ This appendix is taken from PFTAC. 2005. *Project Document for the Period July 2002–June 2005*. Suva.

² Available: www.imf.org/external/np/fad/trans/code.htm.

adequacy, and provisioning. Given the increasing range and complexity of the issues involved in this area, the PFTAC will continue to encourage and assist regional cooperation, and the establishment of coordination frameworks and regional support mechanisms that permit effective supervision, even in resource-constrained PICs. PFTAC's assistance also will address the regulation and supervision of offshore financial centers and their banking operations, as well as measures to control money laundering and other financial crime. Where appropriate, cooperation with specialized agencies in the pursuit of financial crime will be sought, and regional efforts to stem such crime assisted.

D. Economic and Financial Statistics

4. Assistance in this area will seek to strengthen statistical systems and practices in the PICs to enhance evaluation and decision making of government, and to support private sector development. In particular, assistance will seek to collect, compile, analyze, and disseminate critical economic and financial statistics in a regular and timely manner. These statistics will be complemented by fundamental social indicators. This process will be based on international standards for consistency, definitions, coverage, and accuracy, such as IMF's General Data Dissemination System.³ Above all, this will involve the establishment of processes and procedures that ensure effective cooperation and coordination between statistics offices and other government agencies producing key statistics or administrative data. Further, it will involve the design of appropriate reporting forms and survey templates to support the production of statistics. Given the limited possibilities of PICs, PFTAC will give particular attention to the identification of resource constraints and priorities. PFTAC will design core sets of statistics in collaboration with the authorities and other providers of technical assistance.

³ IMF. 2004. *Guide to the General Data Dissemination System (GDDS)*. Washington DC.

PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTRE ACTIVITIES BY COUNTRY AND OUTPUT
(1993–2004)

Country	Advisory Mission					Seminar Participants					Short-Term					Personnel				
	PFM	Tax	Bnk Sp	Stats	Total	PFM	Tax	Bnk Sp	Stats	Total	PFM	Tax	Bnk Sp	Stats	Total	PFM	Tax	Bnk Sp	Stats	Total
Cook Islands	7.0	3.4	5.2	5.7	5.2	26.1	5.0	4.3	4.9	9.9	—	—	—	20.0	2.1	—	—	3.2	—	0.8
FSM	3.5	11.6	10.9	8.9	9.1	7.0	4.3	5.6	4.9	5.5	8.7	16.7	14.3	—	10.6	—	—	12.9	16.7	4.0
Fiji																				
Islands	15.7	17.8	6.9	23.6	15.2	11.3	5.8	16.0	13.1	11.5	17.4	41.7	42.9	20.0	27.7	22.2	6.3	19.4	33.3	11.9
Kiribati	7.0	8.2	1.1	3.3	4.7	7.8	4.3	1.9	6.6	4.6	26.1	—	—	—	12.8	—	8.8	—	—	5.6
RMI	11.3	3.4	13.2	4.1	8.2	0.9	2.9	4.9	1.6	2.9	4.3	—	—	—	2.1	—	2.5	9.7	—	4.0
Nauru	1.7	0.7	—	2.4	1.1	0.9	—	0.6	1.6	0.6	—	—	—	—	—	—	—	—	—	—
Niue	1.7	2.7	2.9	4.9	3.0	4.3	3.6	1.9	3.3	3.1	8.7	—	—	—	4.3	—	—	—	—	—
Palau	3.5	5.5	5.2	3.3	4.5	7.0	5.8	3.7	4.9	5.2	—	—	—	—	—	22.2	10.0	—	—	7.9
PNG	7.0	3.4	1.7	5.7	4.1	6.1	11.5	8.0	11.5	9.0	—	—	—	—	—	—	—	—	—	—
Samoa	9.6	8.9	14.4	4.1	9.7	4.3	7.9	14.8	11.5	9.9	13.0	16.7	—	20.0	12.8	33.3	12.5	19.4	—	15.1
Solomon Islands	2.6	4.8	6.3	5.7	5.0	6.1	7.9	10.5	11.5	8.8	—	25.0	—	—	6.4	11.1	13.8	9.7	—	11.9
Tokelau	0.9	—	—	—	0.2	0.9	0.7	—	—	0.4	—	—	—	—	—	—	—	—	—	—
Tonga	19.1	18.5	15.5	12.2	16.3	7.0	31.7	8.0	11.5	15.1	4.3	—	14.3	20.0	6.4	11.1	—	12.9	33.3	5.6
Tuvalu	2.6	4.1	1.1	5.7	3.2	5.2	2.9	2.5	3.3	3.4	13.0	—	—	20.0	8.5	—	37.5	—	—	23.8
Vanuatu	7.0	6.8	15.5	10.6	10.4	5.2	5.8	17.3	9.8	10.1	4.3	—	28.6	—	6.4	—	8.8	12.9	16.7	9.5
Total (%)	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Total no.	115	146	174	123	558	115	139	162	61	477	23	12	7	5	47	9	80	31	6	126

— = not available, Bnk Sp = banking supervision, FSM = Federated States of Micronesia, PFM = public financial management, PNG = Papua New Guinea, RMI = Republic of Marshall Islands, Stats = economic and financial statistics, Tax = tax policy and administration.

Source: Pacific Financial Technical Assistance Centre.

**ASIAN DEVELOPMENT BANK ASSISTANCE PROGRAM FOR PACIFIC ISLAND COUNTRIES IN
ECONOMIC AND FINANCIAL MANAGEMENT**

**Table A3.1: Asian Development Bank Technical Assistance to the Pacific Island Countries
in Economic and Financial Management
(1994–2004)**

TA No.	Project Name	Type	Bank Amount	Date Approved	
Cook Islands					
Economic Management					
1. 2650	Management of the Cook Islands Development Bank and Business Ventures Development	ADTA	740,000	26 Sep 1996	
2. 2651	Institutional Support to the Development Investment Board	ADTA	251,000	26 Sep 1996	
3. 3509	Preparing an Economic Report	ADTA	180,000	27 Sep 2000	
4. 2424	Strengthening Institutional Capacity for Financial and Economic Management	ADTA	892,000	17 Oct 1995	
5. 2750	Strengthening Institutional Capacity for Financial and Economic Management (Phase II)	ADTA	600,000	27 Jan 1997	
6. 3815 ^a	Improving Corporate Management in Government Services	ADTA	0	19 Dec 2001	
7. 4234	Strengthening Economic and Development Planning Capacity	ADTA	300,000	3 Dec 2003	
Subtotal			2,963,000		
Fiji Islands					
Banking Systems					
1. 3436	Fiji Development Bank Review	ADTA	150,000	10 May 2000	
Economic Management					
2. 3155	Strengthening Public Enterprise Reform (Phase I)	ADTA	150,000	5 Jan 1999	
3. 3167	Preparation of an Economic Report	ADTA	150,000	16 Feb 1999	
4. 3242	Public Enterprise Reform Program (Phase II)	ADTA	600,000	16 Aug 1999	
5. 3391	Strengthening Debt Management	ADTA	150,000	14 Jan 2000	
6. 3960	Supporting Economic Management and Development Policies	ADTA	250,000	31 Oct 2002	
Public Finance and Expenditure Management					
7. 4157 ^a	Strengthening Public Sector Financial Governance	ADTA	0	8 Aug 2003	
8. 4330	Strengthening Public Sector Banking and Cash Management	ADTA	145,000	28 Apr 2004	
Subtotal			1,595,000		
Kiribati					
Economic Management					
1. 2657	Strengthening Institutional Capacity for Financial and Economic Management	ADTA	600,000	7 Oct 1996	
	2657	Strengthening Institutional Capacity for Financial and Economic Management (Supplementary)	ADTA	380,000	14 Jul 1998
2. 2811	Corporatization Plan for the Public Utilities Board	ADTA	100,000	17 Jun 1997	
3. 3159	Strengthening Institutional Capacity for Financial and Economic Management (Phase II)	ADTA	861,000	19 Jan 1999	
Subtotal			1,941,000		

TA No.	Project Name	Type	Bank Amount	Date Approved
Marshall Islands				
Banking Systems				
1. 2204 ^a	Institutional Strengthening of the Marshall Islands Development Bank (Phase II)	ADTA	0	23 Nov 1994
Economic Management				
2. 2295	Policy Advisory Team for Economic Management	ADTA	501,000	31 Jan 1995
3. 4199	Strengthening the Economic Policy, Planning, and Statistics Office	ADTA	500,000	17 Oct 2003
National Government Administration				
4. 3284	Preparation of a Pacific Islands Economic Report	ADTA	250,000	28 Oct 1999
5. 3418	Strengthening the Capacity of the Ministry of Finance	ADTA	150,000	21 Mar 2000
Public Finance and Expenditure Management				
6. 2710 ^a	Improved Financial Management	ADTA	0	13 Dec 1996
7. 3668	Fiscal, Financial, and Economy Advisory Services	ADTA	950,000	7 Jun 2001
Subtotal			2,351,000	
Federated States of Micronesia				
Banking Systems				
1. 2216 ^a	Institutional Strengthening of the Federated States of Micronesia Development Bank	ADTA	0	2 Dec 1994
Economic Management				
2. 2108	Strengthening the Office of Planning and Statistics	ADTA	565,000	27 Jun 1994
3. 2294	Policy Advisory Team for Economic Management	ADTA	501,000	31 Jan 1995
4. 2294	Expansion of the Economic Management Policy Advisory Team (Supplementary)	ADTA	540,000	29 Apr 1997
5. 3201	Privatization of Public Enterprises and Corporate Governance Reforms	ADTA	450,000	9 Jun 1999
6. 3258	Strengthening the National Statistical System	ADTA	400,000	21 Sep 1999
7. 3278	Private Sector Development Program	PPTA	150,000	19 Oct 1999
8. 3962	Capacity Building in Public Sector Financial Management	ADTA	360,000	30 Oct 2002
9. 4266	Preparation of a Country Economic Report	ADTA	250,000	17 Dec 2003
National Government Administration				
10. 2983 ^a	Performance-Based Public Resource Management	ADTA	0	26 Jan 1998
11. 3024	Economic Policy Reform and Management	ADTA	1,377,000	2 Jun 1998
12. 3783	Economic Policy Reform and Capacity Building (Phase I)	ADTA	550,000	29 Nov 2001
13. 4171	National Strategic Development Plan	ADTA	150,000	5 Sep 2003
14. 4258	Strengthening of Public Sector Management and Administration	ADTA	500,000	16 Dec 2003
Public Finance and Expenditure Management				
15. 1814	Financial Resources Management (Supplementary)	ADTA	81,000	1 Feb 1994
16. 1814	Financial Resources Management	ADTA	408,000	23 Dec 1992
17. 2538	Improved Budget Management	ADTA	480,000	5 Mar 1996
18. 2786	Investment Promotion and Financial Sector Review	ADTA	380,000	29 Apr 1997

	TA No.	Project Name	Type	Bank Amount	Date Approved
	19. 3431	Improving Capacity in Performance-Based Public Finance Management Implementation	ADTA	500,000	25 Apr 2000
	20. 3765	Implementation of Performance-Based Budget Management	ADTA	350,000	13 Nov 2001
	21. 4464 ^a	Strengthening Public Sector Audit Function	ADTA	0	3 Dec 2004
		Subtotal		7,992,000	
Nauru, Republic of					
		Finance Sector Development			
	1. 3125	Capacity Building for Financial and Economic Management	ADTA	600,000	16 Dec 1998
		Economic Management			
	2. 3584 ^a	Strengthening the Ministry of Finance and Supporting the Bureau of Statistics	ADTA	0	14 Dec 2000
		Subtotal		600,000	
Papua New Guinea					
		Finance Sector Development			
	1. 2962 ^a	Financial Management	PPTA	0	22 Dec 1997
		2962 ^a Financial Management (Supplementary)	PPTA	0	5 May 1998
		Microfinance			
	2. 3315	Microfinance and Employment	PPTA	150,000	29 Nov 1999
		Economic Management			
	3. 3946	Improving Economic and Social Statistics	ADTA	800,000	24 Oct 2002
		National Government Administration			
	3. 3280	The Governance and Public Sector Reform Program	PPTA	600,000	16 Oct 1999
		3280 ^a Governance and Public Sector Reform Program (Supplementary)	PPTA	0	26 Oct 2000
	4. 3812 ^a	Strengthening Public Sector Management	ADTA	0	18 Dec 2001
		Public Finance and Expenditure Management			
	5. 2255 ^a	Development of a Cost Accounting System for the Department of Works	ADTA	0	21 Dec 1994
	6. 3240	Financial Management Strategic Framework	ADTA	500,000	9 Aug 1999
	7. 4388	Strengthening the Capacity of the Parliamentary Accounts Committee	ADTA	300,000	10 Sep 2004
		Subtotal		2,350,000	
Samoa					
		Finance Sector Development			
	1. 2989 ^a	Institutional Strengthening of Government Financial Institutions	ADTA	0	19 Feb 1998
		Economic Management			
	2. 2442	Strengthening Capacity for Macroeconomic Analysis, Planning, and Policy Formulation in the Treasury Department	ADTA	600,000	13 Nov 1995
	3. 2686	Strengthening Capacity for Macroeconomic Analysis, Planning, and Policy Formulation in the Treasury Department (Phase II)	ADTA	600,000	11 Nov 1996
	4. 2985 ^a	Strengthening Capacity for Macroeconomic Analysis, Planning, and Policy Formulation (Phase III)	ADTA	0	2 Feb 1998
	5. 3202	Preparation of an Economic Report	ADTA	150,000	9 Jun 1999

	TA No.	Project Name	Type	Bank Amount	Date Approved
6.	3311	Strengthening Capacity for Macroeconomic Analysis, Planning, and Policy Formulation (Phase IV)	ADTA	690,000	25 Nov 1999
7.	3860	Implementation of the Urban Planning and Management Strategy	ADTA	400,000	25 Apr 2002
8.	3936	Strengthening of Economic Sectors Planning and Management	ADTA	300,000	2 Oct 2002
		Public Finance and Expenditure Management			
9.	4134	Implementation of the Public Finance Management Act of 2001	ADTA	375,000	30 Jun 2003
		Subtotal		3,115,000	
Solomon Islands					
		National Government Administration			
1.	3009	Public Sector Management Reforms	PPTA	150,000	20 Apr 1998
2.	3061	Strengthening of Public Sector Management	ADTA	600,000	27 Aug 1998
3.	3182	Public Sector Executive Development	ADTA	150,000	30 Mar 1999
4.	3419	Strengthening Public Sector Management (Phase II)	ADTA	550,000	23 Mar 2000
5.	4494	Institutional Strengthening of the Ministry of Infrastructure and Development	ADTA	700,000	17 Dec 2004
		Public Finance and Expenditure Management			
6.	3180	Budget Review and Formulation	ADTA	100,000	29 Mar 1999
		Subtotal		2,250,000	
Tonga					
		Banking Systems			
1.	2855	Preparation and Implementation of a Strategic Plan for the Tonga Development Bank	ADTA	280,000	2 Sep 1997
		Economic Management			
2.	2172 ^a	Economic Management Study	ADTA	0	28 Sep 1994
3.	2528	Improved Budget System and Economic Management	ADTA	600,000	31 Jan 1996
4.	3430	Preparation of an Economic Report	ADTA	124,000	24 Apr 2000
5.	3705	Economic and Public Sector Reform Program	ADTA	650,000	22 Aug 2001
6.	4111	Rationalization of Public Enterprises	PPTA	515,000	9 May 2003
		Public Finance and Expenditure Management			
7.	4510	Integrated Strategic Planning, Medium-Term Fiscal Framework, and Budgeting	ADTA	300,000	20 Dec 2004
		Subtotal		2,469,000	
Tuvalu					
		Banking Systems		100,000	
1.	1935	Development Bank of Tuvalu	ADTA	100,000	23 Aug 1993
		Economic Management			
2.	3735	Country Economic Study and Strategy Development	ADTA	300,000	9 Oct 2001
		National Government Administration			
3.	2079 ^a	Institutional Strengthening of the Department of Planning and Statistics	ADTA	0	18 Apr 1994
4.	2628	Strengthening Economic and Financial Management	ADTA	600,000	16 Aug 1996

	TA No.	Project Name	Type	Bank Amount	Date Approval
		Public Finance and Expenditure Management			
	5. 4253	Improving Public Expenditure Management and Accountability	ADTA	300,000	13 Dec 2003
		Subtotal		1,400,000	
Vanuatu					
		Banking Systems			
	1. 2961	Strategic Plan for the National Bank of Vanuatu	ADTA	150,000	12 Dec 1997
		Economic Management			
	2. 2526	Assessment of the Effectiveness of Bank Assistance in Capacity Building	ADTA	60,000	22 Jan 1996
	3. 3666	Strengthening Development Policies	ADTA	200,000	6 Jun 2001
	4. 3833	Institutional Strengthening of the National Statistics Office	ADTA	200,000	1 Feb 2002
	5. 4362	Development of a Medium-Term Strategic Framework	ADTA	500,000	21 Jul 2004
		National Government Administration			
	6. 2984	Institutional Support to Central Agencies for the Comprehensive Reform Program	ADTA	630,000	23 Jan 1998
	7. 3046	Institutional Support to Central Agencies for the Comprehensive Reform Program (Phase II)	ADTA	1,200,000	16 Jul 1998
	8. 3198	Information Dissemination and Reform	ADTA	150,000	26 May 1999
	9. 3427	Institutional Strengthening of the Vanuatu National Council for Women	ADTA	150,000	13 Apr 2000
	10. 3449	Institutional Support to Central Agencies for the Comprehensive Reform Program (Phase III)	ADTA	700,000	26 May 2000
	11. 3816 ^a	Institutional Strengthening of the Parliament	ADTA	0	19 Dec 2001
		Public Finance and Expenditure Management			
	12. 2656	Budget Management and Expenditure Control	ADTA	100,000	2 Oct 1996
		Subtotal		4,040,000	
		Total		33,066,000	

ADTA = advisory technical assistance, PPTA = project preparatory technical assistance, TA = technical assistance.

^a ADTA or PPTA which was approved, but later canceled.

Source: Asian Development Bank internal database.

Table A3.2: Loans on Public Finance, Economic Management, and Banking in the Pacific

Loan No.	Country	Project Name	Amount (\$'000)	Date Approved
ADF				
Finance Sector Development				
1. 1608	SAM	Financial Sector Program	7.50	19 Feb 1998
Economic Management				
2. 1466	COO	Economic Restructuring Program	5.00	26 Sep 1996
3. 1873	FSM	Private Sector Development Program (Program Loan)	5.00	12 Dec 2001
4. 1874	FSM	Private Sector Development Program (Project Loan)	8.02	12 Dec 2001
National Government Administration				
5. 1624	VAN	Comprehensive Reform Program	20.00	16 Jul 1998
6. 1627	SOL	Public Sector Reform (Program Loan)	25.00	27 Aug 1998
7. 1628	SOL	Public Sector Reform Program (TA Loan for Privatization of State-Owned Enterprises)	1.000	27 Aug 1998
8. 1904	TON	Economic and Public Sector Reform Program	10.000	28 May 2002
Public Finance and Expenditure Management				
9. 1513	RMI	Public Sector Reform Program	12.00	30 Jan 1997
10. 1520	FSM	Public Sector Reform Program	18.00	29 Apr 1997
11. 1829	RMI	Fiscal and Financial Management Program	8.00	7 Jun 2001
Subtotal			119.52	
OCR				
Banking Systems				
12. 1661	NAU	Fiscal and Financial Reform Program	5.00	16 Dec 1998
Public Finance and Expenditure Management				
13. 1703	PNG	Financial Management	25.80	21 Oct 1999
14. 1828	RMI	Fiscal and Financial Management Program	4.00	7 Jun 2001
Subtotal			34.80	
Total			154.32	

ADF = Asian Development Fund, COO = Cook Islands, FSM = Federated States of Micronesia, NAU = Nauru, No. = number, OCR = ordinary capital resources, PNG = Papua New Guinea, RMI = Republic of the Marshall Islands, SAM = Samoa, SOL = Solomon Islands, TA = technical assistance, TON = Tonga, VAN = Vanuatu.

Source: Asian Development Bank internal database.

**INTERNATIONAL MONETARY FUND SHORT- AND LONG-TERM
TECHNICAL ASSISTANCE TO THE PACIFIC ISLAND COUNTRIES**
(1993–2005)

Table A4.1: International Monetary Fund Long-Term Advisors by Purpose and Country

Country	Purpose	Term	Terminal Date
Fiji Islands	Banking Supervision	0.7	30 April 1999
	Economic Advisor	3.2	30 November 1996
Federated States of Micronesia	Banking Commissioner	1.0	27 August 1995
Republic of the Marshall Islands	Banking Commissioner	0.3	18 July 1996
Samoa	Banking Supervision	1.5	5 April 1996
	Economic Advisor	3.0	6 November 1995
	General Advisor	4.0	27 February 1997
Solomon Islands	Monetary Operations and Policy	2.5	8 August 2000
	General Advisor	5.0	1 October 2000
Tonga	Economic Advisor	4.2	14 October 1997
	General Advisor	6.1	2 July 2003
Vanuatu	Banking Supervision	3.0	11 January 2005
	Economic Advisor	2.5	15 September 1996
	General Advisor	2.3	31 December 1997
	Monetary Operations and Policy	1.5	8 July 2000

Source: International Monetary Fund.

**Table A4.2: International Monetary Fund Short-Term Advisors by Purpose,
Number of Missions, and Person-Days**

Purpose	Number of Missions	Person-Days
Accounting	8	116
Banking Legislation	5	35
Banking Supervision	70	1,487
Banking Supervision Seminar	11	80
Central Bank Reorganization	1	15
Credit Analysis	2	16
Exchange Rate Arrangements	4	36
Financial Regulation	5	45
Financial Supervision	2	10
Foreign Exchange Operations	8	87
Foreign Exchange Reserve Management	3	44
General Advisor	1	61
Government Securities Market	10	121
Insurance Legislation	3	22
Insurance Supervision	17	304
Monetary Operations and Policy	69	1,535
OFC Assessment	32	352
OFC/AML/CFT	7	44
Payments and Settlements	4	43

AML = anti-money laundering, CFT = combating the financing of terrorism, OFC = offshore financial center.

Source: International Monetary Fund.

Table A4.3: International Monetary Fund Short-Term Advisors by Country, Purpose, Number of Missions, and Person-Days

Country	Purpose	Number of Missions	Person-Days
Cook Islands	Financial Supervision	1	4
	OFC Assessment	5	55
	OFC/AML/CFT	1	2
Fiji Islands	Accounting	1	20
	Banking Supervision	8	159
	Credit Analysis	2	16
	Exchange Rate Arrangements	4	36
	Foreign Exchange Operations	6	67
	Insurance Supervision	11	188
	Monetary Operations and Policy	10	101
	Payments and Settlements	3	30
	Banking Supervision	13	501
Federated States of Micronesia	Banking Supervision	13	501
Kiribati	Banking Legislation	2	13
Nauru	OFC/AML/CFT	1	9
Niue	OFC Assessment	1	11
	OFC/AML/CFT	1	5
Palau	Banking Legislation	2	15
	Banking Supervision	9	219
	OFC Assessment	4	56
	OFC/AML/CFT	2	10
PFTAC	Banking Supervision Seminar	11	80
Republic of Marshall Islands	Banking Supervision	2	49
	Financial Supervision	1	6
	OFC Assessment	4	40
	OFC/AML/CFT	2	18
Samoa	Accounting	3	33
	Banking Supervision	4	21
	Foreign Exchange Reserve Management	2	24
	Government Securities Market	3	46
	Insurance Supervision	1	18
	Monetary Operations and Policy	15	224
	OFC Assessment	9	97
	Banking Supervision	4	47
	Foreign Exchange Reserve Management	1	20
Government Securities Market	7	75	
Solomon Islands	Insurance Supervision	2	40
	Monetary Operations and Policy	25	707
	Payments and Settlements	1	13
	Accounting	4	63
	Banking Supervision	14	186
Tonga	Foreign Exchange Operations	1	5
	Monetary Operations and Policy	2	14
	Banking Legislation	1	7
Tuvalu	Banking Legislation	1	7

Country	Purpose	Number of Missions	Person-Days
Vanuatu	Banking Supervision	16	305
	Central Bank Reorganization	1	15
	Foreign Exchange Operations	1	15
	General Advisor	1	61
	Insurance Legislation	3	22
	Insurance Supervision	3	58
	Monetary Operations and Policy	17	489
	OFC Assessment	9	93

AML = anti-money laundering, CFT = combating the financing of terrorism, OFC = offshore financial center, PFTAC = Pacific Financial Technical Assistance Centre.

Source: International Monetary Fund.

**AUSTRALIAN AGENCY FOR INTERNATIONAL DEVELOPMENT TECHNICAL
ASSISTANCE IN ECONOMIC, FINANCIAL, AND RELATED AREAS
(1993–2005)**

Country	Start	Finish	Funding Amount (\$'000)
Regional			
Pacific Financial Technical Assistance Centre (PFTAC)	1995		5,000
Australia-IFC Pacific TA Facility	1997	2005	1,000
WTO Global Trust Fund Contribution	2002		1,500
ADB TA Pacific Trust Fund	2003		1,100
Pacific Governance Support Program	2004		13,000
Foreign Investment Advisory Service	1995		6,000
Channel Financing Facility: ADB	1993	2001	600
Year 2000 TA for the Pacific Islands	1998	2000	1,000
Subtotal			29,200
Cook Islands			
Pacific Technical Assistance Facility	1997		800
Subtotal			800
Federated States of Micronesia			
Pacific Technical Assistance Facility	1997		1,200
Subtotal			1,200
Fiji Islands			
Pacific Technical Assistance Facility	1997		2,000
Financial Inquiry Advisers	1998	1999	65
Subtotal			2,065
Kiribati			
Customs Review Technical Assistance	1996	1996	60
Kiribati Customs ISP	2000	2001	500
Subtotal			560
Marshall Islands			
Pacific Technical Assistance Facility	1997		1,000
Subtotal			1,000
Papua New Guinea			
Customs Capacity Project	1987	1994	2,000
Taxation Assistance Project	1987	1995	9,000
PNG Public Sector Reform Program	1998	2005	6,500
PNG-Australia Treasury Twinning Scheme	1999	2005	5,700
Subtotal			23,200
Nauru			
Economic Development and Reform	2005		4,500
Subtotal			4,500
Niue			
Pacific Technical Assistance Facility	1997		1,600
Subtotal			1,600
Tonga			
Civil Service Pension Scheme Review	1995	2000	800
Ministry of Finance Strengthening of Revenue Departments	1996	2003	1,800
Technical Assistance and Governance Facility	2000		1,000
Pacific Technical Assistance Facility	1997		2,200
Subtotal			5,800

Country	Start	Finish	Funding Amount (\$'000)
Samoa			
Pacific Technical Assistance Facility	1997		3,000
Subtotal			3,000
Solomon Islands			
Customs Assistance	1998	2001	3,000
Strength Assistance: Economic Governance	2003		47,000
Pacific Technical Assistance Facility	1997	1999	8,000
Office of the Auditor General Project	1998	2002	1,200
Subtotal			59,200
Tuvalu			
Pacific Technical Assistance Facility	1997		1,000
Subtotal			1,000
Vanuatu			
Comprehensive Reform Project	1997	1999	2,700
Ministry of Finance and Economic Management Institutional Strengthening Project	1997	2006	17,500
Pacific Technical Assistance Facility	1997		3,000
Subtotal			23,200
Total			155,525

ADB = Asian Development Bank, IFC = International Finance Corporation, ISP = Institutional Strengthening Project, PNG = Papua New Guinea, TA = technical assistance, WTO = World Trade Organization.

Source: Australian Agency for International Development.

**MANAGEMENT RESPONSE TO THE TECHNICAL ASSISTANCE PERFORMANCE
EVALUATION REPORT FOR TECHNICAL ASSISTANCE IN SUPPORT OF
THE PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTRE
IN THE PACIFIC ISLAND COUNTRIES**

On 8 June 2006, the Director General, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

1. Management finds OED's Technical Assistance (TA) Performance Evaluation Report well prepared with comprehensive analysis of the project and its implementation. The lessons learned provide valuable guidance for designing future regional and national TA projects in the Pacific. Management's response focuses on the overall assessment and the lessons learned.

A. Overall Assessment

2. ADB has been contributing to the Pacific Financial Technical Assistance Centre (PFTAC) through seven TAs since 1994. The performance of PFTAC was assessed by relevance, effectiveness, efficiency, and sustainability over the four program areas, including (i) public financial management, (ii) tax and customs policy and administration, (iii) banking regulation and supervision, and (iv) economic and financial statistics. We note that the report concludes that the overall project was rated as successful. Individually, the banking regulation and supervision component was found to be highly successful, while public financial management and tax and customs policy and administration were rated successful. Economic and financial statistics was rated as partly successful.

3. The objectives of PFTAC were found to be highly relevant, and the anticipated benefits from a regional approach were realized. However, we note that the overall score was reduced because of the absence of macroeconomic support. PFTAC was assessed as effective, with the performance in the economic and financial statistics as the least effective program area. PFTAC was rated as efficient with anticipated gains and economies of scale arising from the regional approach of providing high quality services and capacity building to many small countries. However, the assessment found that the lack of resources for hands-on, peripatetic support has rendered service delivery as inefficient, except for the banking regulation and supervision area, where IMF provided backstopping with short-term and hands-on assistance.

4. We note that capacity has been built in most of PFTAC's areas of activity and that PFTAC's outcomes are likely to be sustained although capacity building in the Pacific is a difficult and long-term process.

B. Lessons Learned

5. Management agrees with the lessons learned but notes that while financial contributions from the Pacific island countries would encourage ownership, it may induce inequitable distribution of outputs. We particularly

appreciate that PFTAC's function is not to make up for the shortfalls in funding agencies expertise but that PFTAC involvement in TA design can achieve better development results, provided that this does not dominate PFTAC's work. We note that the recommendations, particularly with regard to Pacific island countries' financial contribution, are subject to discussions with the Tripartite Review Committee (TPRC), donor agencies, and the International Monetary Fund (IMF).

6. We appreciate that clearly defined performance criteria and ongoing self-assessment to allow for rigorous and objective evaluations and to guide the future direction of PFTAC is essential. Ongoing dialogue with PFTAC, IMF, and other donor agencies has led to improvements in these areas. We also appreciate that the regional approach to capacity building has proven to be a successful model.

C. Recommendations

7. Management agrees with the recommendation of greater short-term and peripatetic hands-on assistance. The report also recommends that PFTAC should include a macroeconomist on the team. While Management agrees that support for capacity building in macroeconomic forecasting in Pacific island countries is an important area, we note the difficulties that IMF has in providing technical backstopping and oversight in macroeconomics, which is essential for effective outcomes in that area. As the recruitment of a macroeconomist and the increased short-term and peripatetic hands-on assistance require an expanded PFTAC program that has budgetary implications, these would depend on the availability of increased funding for PFTAC.

8. We agree that the financial contribution by the Pacific island countries to the operation of PFTAC would encourage greater ownership and accountability. However, it should not be expected, given limited affordability of the smallest and poorest countries, that PFTAC would move towards self-sufficiency for a very long time.

9. We appreciate the recommendation that ADB continues funding for PFTAC on a 3-year cycle to avoid repetitive TA processing and improve planning. The current TA for PFTAC is in line with this recommendation.