

Annex A: Background Information on PFTAC

Table A.1: Contributions to PFTAC Financing

	FY2003/05		FY2006/08		FY 2009/11	
	\$	%	\$	%	\$	%
Asian Development Bank	1,299,000	22.6	800,000	9.6	1,000,000	10.3
Australia	1,106,665	19.2	1,291,779	15.6	2,200,000	22.5
New Zealand	443,013	7.7	1,937,979	23.3	2,289,070	23.4
Korea	-	--	450,000	5.4	733,000	7.5
Japan	1,935,373	33.7	2,013,208	24.3	2,161,721	22.1
IMF	964,781	16.8	1,806,254	21.8	1,387,590	14.2
Total	5,748,831	100.0	8,299,220	100.0	9,771,381 ¹	100.0
Increase (%)	NA		44%		18%	

1/ Total excludes carryovers of slightly less than \$500,000 from the previous funding cycle.

Source: Office of TA Management

Table A.2: PFTAC Expenditures

Item	Cumulative Expenditures FY2003/05 (\$)	Cumulative Expenditures FY2006/08 (\$)	% Share of Total FY2006/08 Expenditures	% Change From FY2003/05
Externally Financed				
Long Term Advisors	2,464,250	2,961,600	38	20
Public Financial Management	580,800	711,000	9	22
Revenue Administration	674,800	769,800	10	14
Financial Sector Supervision	674,800	711,000	9	5
Statistics	591,550	769,800	10	30
Short Term Experts	500,457	973,497	12	96
Regional Travel	293,198	577,009	7	93
Professional Attachments	99,767	303,608	4	204
Seminar Participants	270,387	429,544	5	59
Other	209,482	154,948	2	-26
Administrative Fee	498,880	702,027	9	41
Total Externally Funded	4,336,422	6,102,233	78	41
IMF Financed	1,146,281	1,698,660	22	48
Grand Total	5,482,703	7,800,893	100	42

Source: Office of TA Management

Table A.3: Characteristics of Pacific Island Countries								
	Population 2006 (000)	Area (sq km)	GDP (\$ Million Current)	GDP/ Capita (\$)	Exchange Rate (US\$, 2006)	Post 2000 Average Annual Real GDP Growth Rate	Average Annual Inflation Rate Since 2000 (%)	Most Recent Revenue to GDP Ratio (%)
Melanesia								
Fiji	833.9	18,272	3,826	4,613	1.61	2.7	3.1	25.4
Papua New Guinea	6,331.0	462,243	11,127	1,824	2.97	3.3	6.2	33.9
Solomon Islands	510.2	28,330	928	1,870	7.65	2.5	8.6	31.8
Vanuatu	229.4	12,190	886	3,964	102.44	2.1	2.4	20.0
Average Melanesia	1,976.1	130,259	4,192	3,068	28.67	2.7	5.1	27.8
Micronesia								
Federated States of Micronesia	108.0	701	607	5,619	US\$	-0.8	2.0	23.1
Kiribati	95.5	811	322	3,420	1.2	0.1	1.4	129.3
Marshall Islands	52.3	181	391	7,535	US\$	2.9	2.4	24.1
Nauru	8.8	21	-	-	1.2	-11.8	-	-
Palau	20.2	488	286	14,262	US\$	-	2.1	23.1
Average Micronesia	57.0	440	402	7,709	1.08	-2.4	2.0	49.9
Polynesia								
Cook Islands	20.2	273	-	-	1.36	3.1	3.3	28.6
Niue	-	259	-	-	-	-	-	-
Samoa	180.0	2,935	1,013	5,651	2.62	3.8	5.8	28.4
Tokelau	-	12	-	-	-	-	-	-
Tonga	101.4	727	570	5,640	1.97	2.0	8.3	30.3
Tuvalu	9.8	26	-		1.20	3.6	3.3	48.7
Average Polynesia	77.9	705	NA	NA	1.79	3.1	5.2	34.0

Source: IMF's International Financial Statistics, ADB Key Indicators and AUSAID Pacific Program Profiles

Table A.4: Proxy For Institution Absorptive Capacity

	Government Effectiveness		Regulatory Quality		Average 2007 Ranking for the Two Indicators	Descriptor of Institutional Absorptive Capacity
	2007 Ranking	Change Since 2000	2007 Ranking	Change Since 2000		
Melanesia						
Fiji	36		34		35	Modest
Papua New Guinea	25		30		28	Challenging
Solomon Islands	20		13		17	Challenging
Vanuatu	46		33		40	Modest
Micronesia						
Federated States of Micronesia	NA		NA			NA
Kiribati	34	Worse	14		24	Challenging
Marshall Islands	35		23		29	Challenging
Nauru	35		23		29	Challenging
Palau	37		NA		NA	NA
Polynesia						
Cook Islands	44		55		50	Good
Niue	NA		NA		NA	NA
Samoa	49	Worse	52		51	Good
Tokelau	NA		NA		NA	NA
Tonga	32		23		28	Challenging
Tuvalu	41	Worse	20	Worse	31	Modest

Notes: (i) The ranking shows the proportion of the 212 countries that are ranked below the country in question.

(ii) Change since 2000 means that the difference between the 2007 and 2000 scores are statistically different at the 90% confidence level. For countries for which there is no indication, either no data was available for 2000 or the difference in the scores for the two years was not significantly different.

(iii) Institutional absorptive capacity was rated as Excellent, Good, Modest and Poor, depending on the average of the Government Effectiveness and Regulatory Quality scores. Based on the rankings, the countries were grouped into four categories: (i) **very challenging** for counties in the bottom 15%; (ii) **challenging** for countries in countries ranked from 15% to 29.9%; (iii) **modest** for countries ranked between 30% and 45%; and (iv) **good** for countries ranked above 45% of the 212 countries covered in the database.

Source: World Bank Governance Indicators

Table A.5: Consistency of the PFTAC Model with the Accra Agenda for Action

Accra Agenda for Action	Characteristics of PFTAC Model
Promoting country ownership: Donors will respect country priorities and invest in their human resources and institutions.	TPRC provides a voice to the partner countries in establishing PFTAC priorities. PFTAC focus on building institutional capacity and strengthening human resources. The support for capacity development is largely demand-driven.
Building more effective and inclusive partnerships, reducing aid fragmentation and addressing the related management and coordination challenges: Aid effectiveness is reduced when there are too many uncoordinated, duplicating initiatives. Donors will reduce aid fragmentation by improving the complementarities of efforts and the division of labor among donors. Maximum efforts are needed to coordinate development co-operation.	The donors identified IMF as the international organization with the comparative advantage for macroeconomic management in the Pacific and provided funds to it. By pooling their funds, donors reduced the fragmentation and transaction costs for countries (e. g., fewer missions; fewer TA providers addressing the same topic; less conflicting advice in areas related to macroeconomic management).
Working with all development actors, including promoting South/South cooperation, and deepen engagement with civil society organizations.	PFTAC primarily interacts with beneficiary governments and official TA providers. PFTAC does not interact significantly with civil society, foundations or private sector organizations. PFTAC tries to use Pacific expertise, support regional harmonization and promote quasi-peer reviews through regional workshops are consistent with encouraging South/South cooperation.
Strengthen and use country systems. Successful development depends on the capacity of governments to implement policies and manage public resources through their institutions and systems. Donors committed to using those systems to the maximum extent possible. Where country systems require strengthening, donors will support the necessary reforms and provide capacity development assistance.	PFTAC TAs strengthen country systems. PFM work helps to create fiscal systems that donors can use to scale up their aid using general budget support. Under the Accra Agenda for Action donors reaffirmed their Paris Declaration commitment to provide 66% of aid as program-based approaches and to channel 50% or more of government-to-government assistance through country fiduciary systems.
Achieving development results and openly accounting for them: Improve the management for results by (i) developing cost-effective results management instruments; (ii) better linking information in national statistical systems, budgeting, planning and monitoring systems and country-led evaluations; and, (iii) strengthening national statistical capacity.	PFTAC is in the process of developing better systems to measure and monitor the results that they are achieving, although these systems need further work. PFTAC provides modest assistance to strengthen national statistical systems and extensive assistance to strengthen the fiscal systems.
Be more accountable and transparent to our publics for results, including the results obtained from development expenditures, undertaking independent evaluations and both donors and partner countries doing their utmost to fight corruption.	Independent evaluations are an integral part of PFTAC's governance system. Much of the PFTAC's assistance in the fiscal area is designed to improve the transparency, accountability and control of public expenditures and revenues, essential elements of the fight against corruption.
Adopt aid policies for countries in fragile situations: The aid effectiveness principles need to be adopted in fragile states, including countries emerging from conflict to reflect weak ownership and weak capacity (see the Principles for Good International Engagement in Fragile States and Situations). Donors committed to working to address the issue of countries that receive insufficient aid.	Although there have been periodic issues related to changes in governments in some PICs, post-conflict countries are more of an issue in other regions.
Increase medium-term aid predictability by: (i) strengthening budget planning processes for managing domestic and external resources and improving the linkages between expenditures and results over the medium term; and (ii) donors providing information on their rolling three- to five-year forward expenditure and/or implementation plans.	The past commitment of development partners to finance the PFTAC over a three year period was consistent with improving the predictability of aid. Extending the time period covered by the next replenishment to five years would be consistent with this aspect of the Accra Agenda for Action.

Table A.6: Financial Comparisons of Cost per Person Month of Resident Advisors and Short Term Experts Across RTACs

RTAC	Fiscal Area (\$)	Monetary/ Financial Sector Area (\$)	Statistics Area (\$)	Total (\$)	Ratio of Budget for Short Term Consultants to Resident Advisors (%)
PFTAC	22,000	19,800	20,500	21,500	33
CARTAC	NA	NA	NA	NA	76
East AFRITAC	23,300	24,400	24,300	23,800	60
West AFRITAC	22,600	22,600	22,700	22,600	46
Central AFRITAC	23,800	22,600	22,500	23,500	36 ¹
METAC	22,000	22,400	22,300	22,200	61
Average	22,700	22,400	22,500	22,600	57 ²

Note: Total expenditures on Resident Advisors and Short Term Experts (including travel) divided by the number of person months of input, rounded to the nearest \$100. Similar cost per month comparative data was not available for CARTAC because its financial management system differs from that used for the other RTACs.

¹= Based on Central AFRITAC's expenditures during its first full year of operations.

²= Excludes Central AFRITAC

Source: Office of TA Management

Table A.7: Trend in Control of Corruption in Pacific Island Countries, 2000 to 2007

	Ranking Among Countries in 2007	Ranking Among Countries in 2000	Difference in Control of Corruption Score in the Two Years Is Significant at 90% Level
Melanesia			
Fiji	42	62	Yes, worse
Papua New Guinea	9	25	Yes, worse
Solomon Islands	33	12	
Vanuatu	63	23	Yes, better
Micronesia			
Federated States of Micronesia	NA	NA	
Kiribati	61	51	
Marshall Islands	49	30	
Nauru	50	NA	
Palau		NA	
Polynesia			
Cook Islands	83	55	
Niue	NA	NA	
Samoa	64	56	
Tokelau	NA	NA	
Tonga	13	35	
Tuvalu	54	61	

Source: World Bank Governance Indicators