

I. COUNTRY REFORM PROGRESS

The GPFP capacity development (CD) is intended to support Papua New Guinea (PNG) to deliver structural reforms set out under the IMF's Extended Credit Facility (ECF) / Extended Fund Facility (EFF) arrangement, which has now been extended to include access to the Resilience and Sustainability Facility (RSF). The second review of the program was completed in July 2024, with satisfactory performance. This is notable given the January 2024 civil unrest, which has led to a tense political and social environment with political ramifications: there have been several cabinet reshuffles, as well as three unsuccessful motions of no-confidence against the government. Progress with structural reforms has remained satisfactory – although the unrest has raised the political sensitivity of key changes. While growth has softened and core inflation picked up in the first half of 2024, the fiscal deficit has continued to narrow in the first half of 2024 and authorities are committed to the fiscal adjustment for 2024, in line with their medium-term fiscal repair strategy. The GPFP is directly supporting this program-critical fiscal strategy through improved revenue collection and more effective budget execution and public investment management (PIM). The authorities attended the 2024 Annual Meetings and reiterated their interest in receiving CD support in the areas of PIM, budget execution and cash management, and tax policy and revenue administration reform.

II. PROJECT DELIVERY HIGHLIGHTS

RM II: Revenue Module II – Revenue Administration

Key Progress in FY25: Authorities' preparedness for, and knowledge of, the data and evidence required for the Tax Administration Diagnostics Assessment Tool (TADAT) evaluation has been built by delivery of a pre-assessment training on the TADAT methodology.

Next Steps: The authorities' capacity to deliver medium-term tax administration reform will be increased through the adoption and institutionalization of a clear reform strategy supported by a strategic management framework for its implementation. This will be achieved through a field-based TADAT diagnostic exercise to be conducted during November 18-December 5, 2024. The results of this assessment will provide the authorities with the information required to develop a tax administration reform and CD plan, to be supported by a post-TADAT workshop planned for March 2025.

SM II: Spending Module II – Managing Public Finance

Key Progress in FY25: The authorities have received an extensive diagnostic of the climate sensitivity of their public investment systems through delivery of a C-PIMA (July 2024). This was originally planned to be part of the GPFP program but was ultimately financed through a different source. The CPIMA conclusions have supported development of the RSF Reform Measures (RMs) that are now part of the country lending program. These RMs now outline the beginnings of a strategic reform program to strengthen PIM.

Next Steps: Capacity to undertake basic disaster risk screening within the budget process for major public investment projects will be delivered by March 2025, in support of an RM. A Treasury single account implementation plan will be developed to support strategic reform to cash management operations by May 2025, to support a program structural benchmark. This follows on the March 2024 HQ diagnostic report on budget execution and cash management.

III. LOGICAL FRAMEWORK

Country – Papua New Guinea		
RM II: Objective - Strengthened revenue administration management and governance arrangements		Rating - 2
Outcome	Rating	Narrative
Organizational arrangements enable more effective delivery of strategy and reforms	4 Fully Achieved	A new organizational structure has been approved and is being implemented. Staff have been allocated to new functional roles.
Capacity to reform increased due to clear reform strategy and strategic management framework adopted and institutionalized	2 Partially Achieved	Governance mechanism is in place in principle. Meetings are sporadic and inconsistently attended. The secretariat lacks the authority to hold implementation agencies to account for delivering medium-term revenue strategy (MTRS) outcomes and milestones.
Support functions enable more effective delivery of strategy and reforms	2 Partially Achieved	Good progress with organization reform program, but procurement of new IT system for the Internal Revenue Commission (IRC) represents a serious threat.
Corporate priorities are better managed through effective risk management	2 Partially Achieved	Strategy was developed with short-term expert (STX) support, but implementation progress has been slow. Final STX visit was cancelled by the IRC as it was considered unnecessary.
Tax and/or customs laws are updated, simplified, and better aligned with modern standards and international protocols	1 Not Achieved	After serial delays the commitment of the IRC to implementing the TAA is a serious risk.
More independent, accessible, effective and timely dispute resolution mechanisms adopted	2 Partially Achieved	Strategy to address backlog in place, but overall progress linked to the implementation of the TAA.
Authorities have a baseline understanding of the current state of the government's revenue administration, management, and governance arrangements and core revenue administration operations	1 Not Achieved	A pre-assessment training on the TADAT methodology has been completed. A scheduled TADAT assessment will enhance the authorities' understanding of the strengths and weaknesses of the tax system. The results of the TADAT assessment will provide the authorities with the information required to develop a tax administration reform and capacity development plan, to be supported by a post-TADAT workshop planned for March 2025.
RM II: Objective - Strengthened core tax administration functions		Rating - 2
Outcome	Rating	Narrative
The integrity of the taxpayer base and ledger is strengthened	3 Largely Achieved	Process reviewed, strategy and implementation plan developed - but implementation progress slow.
Taxpayer services initiatives to support voluntary compliance are strengthened	2 Partially Achieved	TPS strategy approved after being rejected twice, but implementation is slow. Account managers have been appointed in the large taxpayers' office.
A larger proportion of taxpayers meet their filing obligations as required by law	2 Partially Achieved	Return collection strategy developed but not implemented. Self-assessment scheduled for introduction in January 2022.

A larger proportion of taxpayers meet their payment obligations as required by law	2 Partially Achieved	Strategy developed but not implemented. Debt continues to escalate.
SM II: Objective - Frameworks to Build Sustainable Fiscal Institutions and Frameworks - FIF		Rating - 3
Outcome	Rating	Narrative
Strengthened capacity to plan, implement and sustain priority area reforms including climate, gender, and SDGs	4 Fully Achieved	A CPIMA has been delivered, although via a different funding route (JSA)
Strengthened capacity to plan, implement and sustain infrastructure governance	2 Partially Achieved	A CPIMA has been delivered (through another funding route). This has resulted in some agreed actions for reform, which will improve PIM processes more generally. A full PIMA would result in a more comprehensive infrastructure/PIM improvement plan - this is expected in FY26
SM II: Objective - Strengthened Budget Management - PBM		Rating - 1
Outcome	Rating	Narrative
Strengthened budget execution and control processes	1 Not Achieved	CD inputs for both outcomes are expected to be delivered in FY26

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
RM II: Risk that external events could create a challenging environment to conduct a TADAT assessment.	Medium	Ensure sufficient flexibility and allow for ability to adjust in activity timing and delivery modality in the case of adverse events.
Political Support		
RM II: Lack of political support for the TADAT reassessment may inhibit allocation of staff resources and access of assessors to field offices	Medium	APD colleagues could be leveraged to enhance traction at higher political levels.
SM II: There is a risk that authorities are not prepared to make tough decisions to implement reforms in the area of PIM and budget execution.	High	1) Link reforms to the IMF lending program so there is a clear incentive to deliver changes 2) Engage closely with authorities during missions to find those areas where there is appetite for reform 3) Emphasize the benefit of reform in the long-term 4) Share best practice from other countries that have undertaken these reforms to demonstrate what success can look like
Management and Technical Staff Support and Commitment		
RM II: IRC Commissioner General's push for the TADAT reassessment may not be reflected in commitment of other IRC Executive leadership team	Medium	Engage with senior management and technical staff proactively and explain the importance of the reassessment in strengthening IRC's capacity to deliver the MTRSII.

Description	Rating	Mitigation Measures
		Conduct a preparatory workshop to ensure IRC staff readiness for the assessment.
SM II: The capacity of technical staff in PNG is relatively low. There are coordination challenges between separate ministries of finance and treasury. This could make reform more difficult as staff struggle to deliver their new processes and to coordinate across institutions.	High	1) Carefully tailor reform advice to the capacity level of the relevant staff. 2) Ensure buy-in to reform at a political level so that technical staff face the right incentives for delivery 3) Prioritize implementation support follow up missions in resource allocation rounds to ensure that technical staff receive frequent support interventions.
Resource Adequacy		
RM II: Inadequate technical capacity, organizational structures, and human resources to effectively provide data and information for TADAT reassessment.	Medium	Strong preparatory workshops to ensure IRC readiness for the assessment, especially data collection and the assessment process.
RM II: Insufficient technical capacity and human resources necessary to implement reforms.	Medium	Ensure CD plans include sufficient capacity building and training elements and prioritize CD to priority or highest risk areas where resources are limited.
SM II: CD inputs for the two topics (PIM, budget execution) are inevitably limited. The plan is for two follow-up implementation support missions in consecutive years to support HQ-led diagnostic missions in these two areas. This may not be enough to support reform; particularly given the low capacity environment of PNG.	Medium	1) Prioritize follow-up implementation support in the annual planning rounds to ensure that these resources are made available. 2) Explore the possibilities for informal support that has no direct program cost (e.g. desk-based review; informal discussions; informal check ins) 3) Advocate for resources for this program in GPFP and PFTAC resource allocation decisions, using examples of 'quick wins' and successes delivered.
Other Risks		
RM II: Multiple development partners may be involved in the IRC's reform program leading to possible CD overlaps.	Medium	Take an active role in engaging with other donors to ensure the assessment and preparatory activities are well coordinated. In keeping with TADAT process, other interested DPs will be included in the TADAT team.

V. PROJECT MANAGERS CONTACT INFORMATION

Project Manager	Module PM	E-mail
Bryn Welham (FADM2)	Doris Akol (FADR1) Bryn Welham (FADM2)	DAkol@imf.org bwelham@imf.org