

I. COUNTRY REFORM PROGRESS

The authorities now have a good understanding of the overall effectiveness of their revenue administration systems as a result of a repeat Tax Administration Diagnostics Assessment Tool (TADAT) evaluation. Delivery of this has been carefully staged to reflect limited capacity—the authorities received pre-assessment capacity building to ensure they were ready to participate fully in the exercise and fully understand its results. The completed assessment provides a shared evidence base of strengths and weaknesses within the revenue administration system from which a comprehensive medium-term revenue administration reform program will be developed over the coming months.

On the spending side, change has been delivered through the adoption by the government of new guidelines on disaster risk screening for major capital projects financed from the budget. The authorities have adopted the recommendations of Global Public Finance Partnership (GPFP) capacity development (CD) that reviewed the current system and recommended a simple six-step process for bringing greater awareness of disaster vulnerabilities to the planning of public investment. This has been formally adopted within the 2026 budget preparation process. Looking ahead, the authorities are planning to use GPFP-financed CD to support their reform objectives under the IMF program. Planned CD will aim to improve their ability to manage cash through development of a treasury single account; and strengthen the overall regulatory framework for capital expenditure within the budget system.

II. PROJECT DELIVERY HIGHLIGHTS

Revenue Module II – Revenue Administration
Key Progress in FY25: Authorities' understanding of the current state of the government's tax administration, core revenue administration operations and governance arrangements has been strengthened using the TADAT methodology, with the completion of preassessment training and repeat TADAT assessment. Previous Progress: Authorities' capacity to evaluate the strengths and weaknesses of the tax administration was built. This was achieved through the pre-TADAT assessment training that enhanced the knowledge and understanding of the TADAT tool and the data requirements for the assessment. Authorities understood the standards for international good practice in tax administration, and this will contribute to strengthening their capacity to develop and institutionalize a clear medium term reform strategy geared to improved revenue collections. Next Steps: The authorities' capacity to deliver medium-term tax administration reform will be increased through the adoption and institutionalization of a clear reform plan based on the results of the TADAT and supported by a strategic management framework for its implementation. A field-based post-TADAT tax administration reform and CD planning exercise is planned, the dates for which are still to be agreed.
Spending Module II – Managing Public Finance
Key Progress in FY25: Conclusions from the July 2024 CPIMA have been operationalized in three reform measures (RM) of the IMF's Resilience and Sustainability Facility (RSF) as part of the country's lending program. For one of these RMs (RM4), CD inputs provided in February 2024 mean that the authorities now have a simple disaster risk screening process for major projects (K10m+) financed through the budget, and this has been formally incorporated into preparations for the 2026 budget. Previous Progress: As a result of July 2024 Climate-Public Investment Management Assessment (CPIMA), the authorities now understand more fully the climate sensitivity of their public investment systems (this input

was originally intended to be financed through the GPFP but was ultimately delivered via another funding route). No other GPFP activities were delivered in the earlier period.

Next Steps: The authorities need to develop a treasury single account implementation plan to improve their cash management systems. This is a structural benchmark under the country program. CD financed by the GPFP will be provided to support this in May 2025. Additional support is needed to achieve the RM on specifying in regulation the whole public investment lifecycle within the budget. CD financed by the GPFP will be delivered to support this towards the end of FY26, following delivery of a full PIMA (to be delivered via a different funding route).

III. LOGICAL FRAMEWORK

Country – Papua New Guinea		
RM II: Objective - Strengthened revenue administration management and governance arrangements - RAM		Rating - 3
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	4 Fully 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	3 Largely 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	3 Largely 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	4 Fully Achieved	A pre-assessment training on the TADAT methodology has been completed. The TADAT assessment will enhance the authorities understanding of the strengths and weaknesses of the tax system and 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.

RM II: Objective - Strengthened core tax administration functions - TAD		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	1 Not 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	The CPIMA 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. Specific CPIMA reforms have been agreed to by the government for delivery in FY26, and three of those feature in the RSF lending program. CD from the IMF's Fiscal Affairs Department (FAD) has supported delivery of one of the RSF Reform Measures (RM4) regarding disaster-risk screening for major infrastructure projects, with the authorities being supported to develop a basic screening system that now requires roll-out and embedding in budget preparation processes. Additional CD to support other RSF actions (likely the development of a full set of public investment management (PIM) regulations) is forthcoming in FY26 and FY27, subject to the authorities' agreement.
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. Plans for the first input on developing a TSA implementation plan are already well-advanced, and the input is expected in May 2025.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
RM II: Risk that external events could create a challenging environment to implement recommendations arising from the TADAT findings.	Medium	Ensure adequate stakeholder engagement and communication and allow for flexibility to adjust responses in the case of adverse reactions.
Political Support		
RM II: Lack of political support for the strategic reforms necessitated by TADAT findings.	Medium	IMF's Asia and Pacific Department (APD) colleagues could be leveraged to enhance traction within IRC and 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: Reluctance by IRC Senior Management to implement changes necessitated by the TADAT findings	Medium	Conduct a TADAT follow-up activity to identify and justify necessary reforms. Engage with senior management and technical staff proactively and explain the value in strengthening IRC's capacity to deliver the MTRS-II.
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 leadership and technical capacity, organizational structures, and human resources to effectively implement reforms	Medium	Ensure CD plans prepared in response to the TADAT assessment 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	Medium	1) Prioritize follow-up implementation support in the annual planning rounds to ensure that these resources are made available.

Description	Rating	Mitigation Measures
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.		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 IMF's Pacific Technical Assistance Center (PFTAC) resource allocation decisions, using examples of 'quick wins' and successes delivered.
Other Risks		
RM II: Multiple development partners involved in the IRC's reform program may to possible CD duplication.	Medium	Take an active role in engaging with other donors to ensure CD preparatory activities and delivery are well coordinated. Where possible, involve other development partners in CD opening and closing meetings.

V. PROJECT MANAGERS CONTACT INFORMATION

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