



**FORUM ECONOMIC MINISTERS MEETING**

22 - 23 July 2025

Suva, Fiji

**AGENDA ITEM 9C: PUBLIC FINANCIAL MANAGEMENT (PFM) – REGIONAL COORDINATION MECHANISM**

**Purpose and Recommendations**

**Purpose**

This paper provides an update on the work undertaken by the Secretariat to progress the 2024 Forum Economic Ministers Meeting (FEMM) decision on establishing a Public Financial Management (PFM) regional coordination mechanism at the Pacific Islands Forum Secretariat (PIFS), to effectively coordinate PFM work in the region and to inform the FEMM on resource mobilisation efforts.

**Summary**

In August 2024, Forum Economic Ministers endorsed a proposal to establish a Public Financial Management Regional Coordination Mechanism (PFM-RCM) at PIFS. In line with this decision, Ministers tasked the Pacific Economic Sub-Committee (PESC) with overseeing its development and directed the Secretariat to Draft a Terms of Reference (ToR) in consultation with Members, the Pacific Financial Technical Assistance Centre (PFTAC), and development partners. The initial Draft ToR that was presented to the PESC in November 2024 prompted Members to consider the need for alignment with existing mechanisms in order to avoid duplication and to ensure coherence.

At the 2024 FEMM, Ministers also noted concerns regarding the persistent challenges within the PFM landscape across Forum Island Countries (FICs), particularly regarding fragmented efforts and coordination gaps that strain the absorptive capacities of Members. Accordingly, the Secretariat proposes that the scope and memberships of the existing Climate Finance and PFM Technical Working Group (TWG), be expanded in order to enable the TWG to serve as the PFM-RCM, to support this work. Established in 2020, and formalised by the FEMM in 2022, the TWG serves as a technical advisory body, co-chaired by the PIFS and the PFTAC. It has been instrumental in leading PFM-related initiatives that seek to integrate climate considerations into public financial management systems, and enhance access to, and assessments of, climate finance access and effectiveness.

To ensure alignment with existing structures and to avoid the duplication of efforts, the membership of the TWG to include both FICs and emerging development partners and rename it to fit its new mandate noting that it will consider broader issues than climate finance. This would also reaffirm

the oversight role of the PESC over the TWG. Given that PFM is now a standing agenda item for the FEMM, annual updates on this work will be provided accordingly.

## **A. Problem/Opportunity Identification**

Forum Island Countries (FICs) face significant challenges due to their vulnerability to internal and external shocks, such as economic fluctuations and natural disasters. These challenges are intensified by limited revenue sources, which makes it difficult for governments to sustainably fund essential services like healthcare, education, infrastructure, and social protection. Consequently, many FICs resort to increased borrowing and rely heavily on development partners for budget support to maintain critical government functions.

2. Persistent fiscal constraints such as limited revenue, dependence on external grants, escalating spending needs, and exposure to economic and climate shocks, underscore the urgent need to enhance PFM systems in FICs. Robust PFM systems ensure efficient, transparent, and prioritised, government spending, leading to better budget control, increased donor confidence, improved access to financing, responsible debt management, and stronger resilience to shocks. They also promote greater transparency, accountability, and public trust, in the management of public finances.

3. Given the complex fiscal landscape and global economic uncertainties, there is a critical need for a more strategic, coordinated, and innovative approach to building and strengthening PFM systems. Enhancing fiscal resilience through coordinated PFM reforms is essential for the sustainable economic development and stability of all FICs.

## **B. Background**

4. The 2050 Strategy for the Blue Pacific Continent (2050 Strategy) emphasizes the importance of building resilience to ensure sustained economic development and growth in the region. Within its Resources and Economic Development (RED) thematic area, the Strategy highlights the need to enhance the socio-economic well-being of Pacific peoples by strengthening macroeconomic resilience and stability. A key component of this is the development of robust PFM systems, which are crucial for addressing fiscal constraints and unlocking opportunities for improved economic outcomes across FICs.

5. At the 2025 Special FEMM, Ministers endorsed the Pacific Roadmap for Economic

Development (PRED), of which Focus Area 2 (Financial Integration for Resilience and Access), and its associated Regional Priority Action (RPA) 2.3, specifically aim to increase fiscal resilience by strengthening PFM systems. The desired outcome is to establish robust PFM systems that enhance fiscal and fiduciary management and improve access to finance.

6. Recognising regional aspirations to strengthen PFM systems, and in view of the increasingly complex and fragmented PFM landscape, it is imperative to address the coordination challenges highlighted by FICs. Given the large number of partners engaging in PFM work across the region, there is a pressing need to improve the alignment of efforts between development partners and the PFTAC, to avoid undue pressure on the absorptive capacities of Members. The 2024 FEMM decision to make PFM a standing agenda item provides a timely and strategic mechanism for facilitating enhanced coordination between the PFTAC and development partners.

### **Proposed PFM Regional Coordination Mechanism**

7. The current membership of the TWG on Climate Finance and PFM comprises development partners including the Asian Development Bank (ADB), Australian Department of Foreign Affairs and Trade (DFAT), European Union (EU), New Zealand Ministry of Foreign Affairs and Trade (MFAT), United Nations Development Programme (UNDP), World Bank (WB), International Monetary Fund (IMF), the British High Commission in Fiji, and the Pacific Catastrophe Risk Insurance Company (PCRIC).

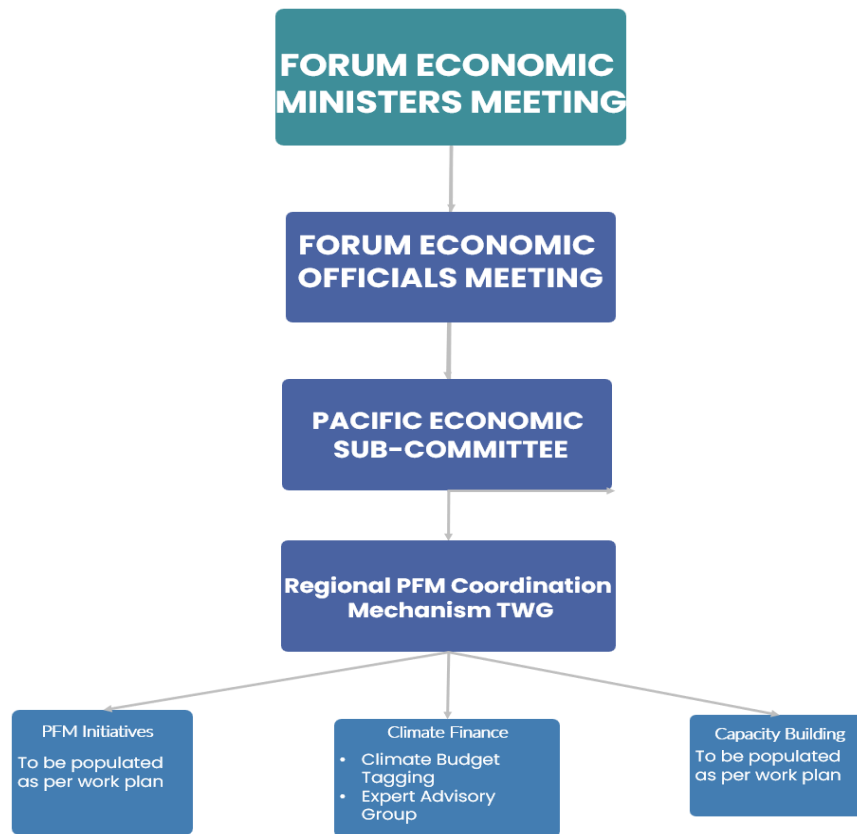
8. In 2022, the FEMM formally endorsed the TWG as an expert advisory group to FEMM on issues related to CF and climate-related PFM. The TWG focuses on the following three (3) main workstreams:

- i) integrating climate change considerations into the Public Expenditure and Financial Accountability (PEFA) Framework;
- ii) developing Regional National Implementing Entity (NIE) Guidelines for the Green Climate Fund and Adaptation Fund; and
- iii) assessing the effectiveness of climate finance.

9. To enhance its effectiveness and broaden the scope beyond climate finance, there is a recognised need to broaden the TWGs membership to include FICs, and development partners in the PFM space. A revised Draft ToR, reflecting the proposed expansion of the TWG to the PFM-RCM, is attached at **Annex 1** for consideration.

In response to the FEMM decision to establish the PFM-RCM, the TWG convened in 2024 to discuss its future direction. The TWG agreed to expand its scope beyond its initial focus, in order to encompass a wider range of PFM initiatives. Within this broader framework, climate finance will remain a key workstream, addressing both climate-finance issues and broader PFM challenges. Members of the TWG that were present at this meeting include PFTAC, UNDP, EU, MFAT, DFAT, and SPC.

10. The governance mechanism for the proposed PFM RCM is proposed as follows:



### C. Proposed Approach

11. The Secretariat acknowledges the valuable progress made by Climate Finance and PFM TWG to date. In line with the principle of strengthening and building existing mechanisms, it is both practical and strategic to leverage the TWG as the foundation for a broader PFM RCM.

12. Subject to Members' agreement on the Draft ToR for the PFM RCM, the Secretariat proposes that a first meeting be convened to: (i) formally advise Members of the FEMM decision to establish the PFM RCM; (ii) broaden membership to include relevant partners working across PFM and PFM-related areas; and (iii) initiate the formulation of its Work Plan with PFTAC as the co-chair of the PFM RCM.

13. All PFM-related workstreams will be coordinated through the PFM RCM, which will report regularly to the PESC for strategic oversight, consistent with the FEMM Charter 2024. Through this structure, the Secretariat will coordinate regular updates to the PESC, seek endorsement of the Work Plan, and ensure oversight of implementation efforts. Annual progress updates will be submitted to the PESC under the PFM RCM, and subsequently to the FEMM.

## **D. Outcomes**

14. The following are potential outcomes anticipated to be achieved through the regional coordination mechanism:

- a. Strengthened Regional Coordination and Strategic Alignment** – improved coherence and alignment of PFM-related issues including climate finance and social policy initiatives, through enhanced coordination, collaboration, and integration of country needs and priorities.
- b. Enhanced Capacity, Knowledge and Resource Optimisation** – improved institutional capacity and peer learning within FICs through targeted support, technical assistance, and knowledge exchange, while optimising the use of financial and technical resources through strategic partnerships.
- c. Accountable Delivery and Informed Advocacy Influence** – Robust oversight and reporting of PFM workstreams, enabling evidence-based decision-making, strengthened advocacy for Forum Member priorities, and increased visibility, advocacy, and influence, in regional and international forums.

## **E. Resourcing**

15. The proposed approach leverages existing mechanisms, and as such is expected to require minimal additional resourcing.

*Pacific Islands Forum Secretariat  
Suva, Fiji  
16 July 2025*

## **PUBLIC FINANCIAL MANAGEMENT (PFM) REGIONAL COORDINATION MECHANISM**

### **TERMS OF REFERENCE**

#### **Overview**

The Technical Working Group (TWG) on Climate Finance & Public Financial Management (CF&PFM), initially an informal coordination group formed in 2020, was endorsed by Forum Economic Ministers Meeting (FEMM) in 2021 to be an expert advisory group to FEMM on Climate Finance and PFM related matters. The TWG is co-chaired by the Pacific Financial Technical Assistance Centre (PFTAC) and the Pacific Islands Forum Secretariat (PIFS), to enhance coordination among regional and international partners in supporting Forum Island Countries (FICs) on Climate Finance and PFM.

2. Forum Economic Ministers, at their meeting in Suva on 1- 2 August 2024, considered and endorsed a proposal to establish a Public Financial Management regional coordination mechanism (PFM-RCM) at PIFS to effectively monitor and coordinate all PFM work in the region, including on climate finance and inform the FEMM annually of all PFM activities, programmes and progress.

3. Forum Economic Ministers tasked the Pacific Economic Sub-Committee (PESC) with overseeing the development of a PFM regional coordination mechanism and directed the Secretariat to draft a Terms of Reference (ToR) in consultation with Members, the Pacific Financial Technical Assistance Centre (PFTAC), and development partners. Ministers emphasised the need for alignment with existing and proposed mechanisms under the Pacific Roadmap for Economic Development (PRED) to prevent duplication and reaffirmed PESC's role as the primary technical advisory body, ensuring policy coherence by serving as the reporting entity for all related mechanisms, including the Climate Finance & PFM TWG (CF-PFM TWG).

#### **Mandate**

4. The FEMM has provided its mandate for the PFM regional coordination mechanism at PIFS and for PESC to provide necessary oversight in its development. The FEMM emphasised the need to consult relevant stakeholders including Members, PFTAC and other relevant partners to ensure that all partners can reach a common ground in driving PFM reforms and initiatives effectively in the region. At the forefront of this work are the FICs experiencing significant capacity constraints and the need to build robust PFM systems. In undertaking this mandate, the PESC shall provide oversight into the establishment of the regional coordination mechanism as well as identifying a work plan and proposed activities of the mechanism to ensure that it is coherent with work being undertaken under the PRED and other existing mechanisms.

5. The proposed PFM regional coordination mechanism will be expected to embrace all facets of public financial management systems and processes. In line with the decision of FEMM the mechanism will be expected to provide coordination of and support to FICs in identifying PFM best practices and complementing partner activities. It might be expected that the existing CF&PFM TWG would need to be engaged to weave in their PFM climate-related work to the PFM mechanism and could potentially form the basis for the PFM-RCM.

6. Given FEMM's mandate to establish a PFM regional coordination mechanism at PIFS, it is crucial to build on existing structures rather than reinvent the wheel. FEMM has already endorsed the CF&PFM TWG as the expert advisory group on these matters, recognising its four years of work with CROP agencies, international and regional organisations, and development partners. PFTAC, a key provider of PFM technical assistance, co-chairs the TWG alongside PIFS, playing a pivotal role in its operations. To strengthen coordination and effectiveness, the TWG's scope should expand beyond Climate Finance-focused PFM to a

broader PFM agenda while also broadening its membership to include FICs, technical ministries, agencies, and development partners.

7. To date the CF&PFM TWG has been driven by development partners and focused on climate finance with little or no direct involvement of Members on their broad PFM challenges and issues. The proposed new Regional PFM coordination mechanism PFM-RCM would seek to address this omission and fully engage with Members on their broader PFM concerns.

8. The need for more robust and harmonised PFM systems across FICs is becoming increasingly important in the context of global economic uncertainty and fiscal space contractions. Building fiscal resilience through PFM coordination, harmonisation and stronger financial management systems is therefore essential for the future economic stability of all FICs.

9. The Terms of Reference (ToR) formalises the role of the PFM-RCM, ensuring its work is structured and aligned with regional needs and priorities across the whole PFM spectrum. The existing and ongoing work of the CF&PFM TWG on climate finance will become an important component of the broader responsibilities of the PFM-RCM. The PFM-RCM will uphold the governance mechanisms of all current and future member organisations, respecting their sovereignty. Rather than overriding or duplicating existing functions, its purpose is to enhance coordination, foster collaboration, and strengthen collective efforts in PFM across the region.

### **Functions of the PFM-RCM**

10. With the support of the Pacific Islands Forum Secretariat, the PFM-RCM will formulate a Work Plan to present the work streams and initiatives that will be implemented. The general responsibilities of the PFM-RCM will include but not be limited to the following:

- i. **Coordination & Information Sharing:** Ensure effective coordination among regional partners, stakeholders, and FICs, facilitating the exchange of knowledge and best practices related to PFM and climate finance efforts and ensuring alignment with Member needs; it is expected that the first task of the PFM-RCM will be to conduct a stocktake and mapping of current PFM and climate finance activities and programmes across all FICs;
- ii. **Collaboration & Resource Sharing:** Build collaboration between Members, development partners, and other stakeholders to drive strategic PFM support, offer guidance on joint initiatives, and optimise resource sharing;
- iii. **Advisory Role & Advocacy:** Provide advice to FEMM through written or oral submissions on PFM issues, including climate finance and advocate for Forum Member priorities related to PFM in relevant regional forums;
- iv. **Oversight & Monitoring:** Oversee and monitor the implementation of the PFM-RCM's workplan, ensuring progress is reported to FEMM and that PFM progress is evaluated effectively;
- v. **Consultations & Integration:** Engage in regional and national consultations, incorporating key outcomes into the PFM-RCM workplan and future support programs for FICs, while prioritising Pacific context and vulnerabilities in the messaging of PFM and climate finance solutions;
- vi. **Capacity Building & Knowledge Exchange:** Support targeted capacity-building initiatives and facilitate knowledge sharing and peer-to-peer support to address PFM capacity gaps within FICs. This includes identifying opportunities for specialised technical assistance, exploring strategic outsourcing of selected PFM functions and leveraging partnerships to strengthen institutional capabilities across the region.
- vii. **Exploration of Regional Initiatives:** Identify and advance regional initiatives aimed at strengthening PFM and climate finance systems, including the establishment of a regional PFM depository to document and share information and knowledge, best practices and practical solutions. Promote collaboration through platforms such as bi-annual PFM Symposiums that bring

together communities of practice to deliberate on emerging PFM challenges, opportunities, and innovative solutions.

### **Governance and Meeting Arrangements**

11. The PFM-RCM meetings will be facilitated by the PIF Secretariat through the Programmes and Initiatives (P&I) Division, as directed by FEMM, and will report on work progress to the annual FEMM through the PESC and FEOM.

12. The Secretariat will ensure that all meeting arrangements and papers are disseminated to Members, two weeks prior to each meeting.

### **Membership**

13. The PFM-RCM will comprise official representatives from FIC governments, alongside representatives from regional and international organisations, and development partners actively engaged in the PFM space, including climate finance. Membership for FICs is primarily targeted at senior officials from Ministries of Finance, with participation from other key technical government agencies—such as those responsible for climate change, health, or related sectors—invited as needed. New regional or international organisations, CROP agencies, or development partners wishing to join may do so with the approval of the co-chairs, and their participation will be communicated to members at the next scheduled meeting.

### **Term of Membership**

14. There is no fixed term of membership of any PFM-RCM member. However, the members will be required to notify the PIFS if there is any change of representation due to staff movement or other reasons.

### **Chairing of Meetings**

15. PFTAC and PIFS will continue to serve as co-chairs of the PFM-RCM on an alternating basis. In the event that a co-chair is unavailable, the Secretariat may invite a PFM-RCM member to chair the meeting, ensuring continuity and effective conduct of proceedings.

### **Secretariat**

16. PIFS will provide dedicated secretarial support to the PFM-RCM, ensuring effective coordination, documentation, and follow-up of all meetings and actively facilitating the implementation of agreed outcomes.

### **Frequency of Meetings**

17. The PFM-RCM will convene on a quarterly basis, with the flexibility for the co-chairs to call additional or extraordinary meetings as needed. In cases where urgent matters arise that require timely consideration or decision-making, issues may be addressed out-of-session. To support effective planning, the Secretariat will prepare a tentative meeting calendar and share it with members at the first meeting of each calendar year.

### **Advocacy and Engagement**

18. In relation to political and economic advocacy and engagement, the PFM-RCM will work closely with Members to identify complementary opportunities for engagement and advocacy of economic priorities at major global meetings/forums such as UNFCCC COP, UNGA, ADB Meetings, CHOGM, IMF/WB Meetings, UNESCAP etc.

### **Resourcing**

19. The financial and staff resources required to support the PFM-RCM are provided within the primary budget of the Secretariat and the Secretariat will seek external support where relevant.

20. The Secretariat will also engage with Members and development partners on identifying appropriate resourcing for PFM-related activities.

### **Review and Amendments**

21. This Terms of Reference will be reviewed every five years or at the discretion of the Pacific Economic Sub-Committee.

*Pacific Islands Forum Secretariat*  
*21 May 2025*

