



Project for Strengthening Public Financial Management (P161969)

EAST ASIA AND PACIFIC | Micronesia, Federated States of | Governance Global Practice |
IBRD/IDA | Investment Project Financing | FY 2018 | Seq No: 6 | ARCHIVED on 23-Dec-2021 | ISR49387 |

Implementing Agencies: The Federated States of Micronesia, Department of Finance and Administration

Key Dates

Key Project Dates

Bank Approval Date: 30-May-2018

Effectiveness Date: 01-Oct-2018

Planned Mid Term Review Date: 31-Jan-2021

Actual Mid-Term Review Date: 15-Mar-2021

Original Closing Date: 25-Sep-2023

Revised Closing Date: 25-Sep-2023

Project Development Objectives

Project Development Objective (from Project Appraisal Document)

The objective of the project is to improve tax administration and the completeness, reliability and timeliness of financial reports of the National and State Governments.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

Components Table

Name
Strengthening the PFM Environment:(Cost \$0.35 M)
Financial Management Information System (FMIS):(Cost \$5.14 M)
Revenue Management System (RMS):(Cost \$1.95 M)
Change Management and Human Resource Development:(Cost \$1.36 M)
Project Management:(Cost \$2.20 M)

Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	<input type="checkbox"/> Moderately Satisfactory	<input type="checkbox"/> Moderately Satisfactory
Overall Implementation Progress (IP)	<input type="checkbox"/> Moderately Satisfactory	<input type="checkbox"/> Moderately Satisfactory
Overall Risk Rating	<input type="checkbox"/> Moderate	<input type="checkbox"/> Moderate

Implementation Status and Key Decisions

Project progress has been made in several areas, however all yearly targets remain behind schedule. Some important achievements include: in-year budget reporting templates and a national accounting classification structure (Chart of Accounts) have been developed and approved by the Steering Committee; the national Financial Management Regulations (FMR) have been finalized, with the formal adoption is anticipated in December 2021; consultation on FMR revision with the States is finishing and it will contribute towards the development of FMR procedural manuals; during the financial year ending September 2021, the CTA has completed 169 audits, which constitutes a significant increase compared to 78 audits in 2020; a draft interim Change Management Strategy has been developed and adopted. The Financial Management Information System (FMIS) and Revenue Management System (RMS), are both in the process of being procured.



The disbursement rate continues to be at 29.68 percent against the projection of 76.4 percent, mainly due to the delays in the bidding processes of the two major IT contracts. Procurement of both IT systems is expected to be completed by February 2022 which is expected to boost the disbursement rate thereafter.

The 5 million USD equivalent AF and project restructuring is expected to be approved in January 2022. The restructuring includes an 18-month extension of the project's closing date until March 25, 2025. The additional financing and extension of the project's closing date will facilitate the procurement and implementation of the new FMIS and RMS. It will also fund incremental project costs incurred during the extension period and will therefore be allocated across all project components.

Risks

Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	<input type="checkbox"/> Substantial	<input type="checkbox"/> Low	<input type="checkbox"/> Low
Macroeconomic	<input type="checkbox"/> Moderate	<input type="checkbox"/> Moderate	<input type="checkbox"/> Moderate
Sector Strategies and Policies	<input type="checkbox"/> Moderate	<input type="checkbox"/> Moderate	<input type="checkbox"/> Moderate
Technical Design of Project or Program	<input type="checkbox"/> Moderate	<input type="checkbox"/> Substantial	<input type="checkbox"/> Substantial
Institutional Capacity for Implementation and Sustainability	<input type="checkbox"/> Substantial	<input type="checkbox"/> Substantial	<input type="checkbox"/> Substantial
Fiduciary	<input type="checkbox"/> Substantial	<input type="checkbox"/> Moderate	<input type="checkbox"/> Moderate
Environment and Social	<input type="checkbox"/> Low	<input type="checkbox"/> Low	<input type="checkbox"/> Low
Stakeholders	<input type="checkbox"/> Substantial	<input type="checkbox"/> Low	<input type="checkbox"/> Low
Other	--	<input type="checkbox"/> Moderate	<input type="checkbox"/> Moderate
Overall	<input type="checkbox"/> Substantial	<input type="checkbox"/> Moderate	<input type="checkbox"/> Moderate

Results

PDO Indicators by Objectives / Outcomes

To improve completeness, reliability and timeliness of financial reports of National and State Govts

► PDO-1: In-year budget reports prepared and published by National and all four State governments (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	In-year budget reports not prepared and not published	Budget template drafted	Budget template drafted and planned for testing using actual data	In-year budget reports prepared and cleared for publication by all five Govts meeting criteria for timing, accuracy, coverage



				and comparability to meet criteria of "B" score for PI-28 based on PEFA Framework
Date	29-Jun-2018	19-Mar-2021	06-Dec-2021	30-Jun-2023
► PDO-3: New FMIS used by all five govts for recording and reporting budget, revenue and expenditure (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	FundWare accounting system being phased out	Revising bidding document RfP	Bid evaluation in process	New FMIS used for preparation of budget for FY2024 and recording of revenue and expenditure transactions by National and all State governments
Date	29-Jun-2018	19-Mar-2021	06-Dec-2021	31-Jul-2023

To improve tax administration				
► PDO-2: Revenue Management System installed and in use by CTA for improved revenue accounting (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	"C" score in 2016 self-assessment for PI-20.3	Revising the RfB	Bid evaluation in process	Criteria for "B" score of PI-20.3 met
Date	29-Jun-2018	19-Mar-2021	06-Dec-2021	31-Mar-2023

Overall Comments

Progress has been made toward achievement of the PDO indicators, however all yearly targets remain behind schedule. The RMS bid evaluation on-going and the contract with the successful bidder is expected to be signed latest by January 2022. The FMIS bid evaluation report is expected to be submitted in December 2021 for the Bank's review and no-objection. The Treasury Advisor declined to renew his contract which expired at the end of October 2021. This will delay development of the budget reporting templates and the procedural manual. The PIU is in process of recruiting a replacement Treasury Advisor who is expected to join by April 2022.

Intermediate Results Indicators by Components

Strengthening the Public Financial Management Environment				
► IR-1: New chart of accounts for all govts for better management, financial and statistical reporting (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	"C" score in 2016 self-assessment. Functional classification lacking.	New Uniform Chart of Accounts drafted	New Uniform Chart of Accounts approved by Steering Committee	"A" score criteria for PI-4 met
Date	29-Jun-2018	19-Mar-2021	06-Dec-2021	31-Mar-2023



► IR-2: Procedures Manuals updated with detailed guidance for all five governments (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Operations Procedure not covering all required areas	No change	FMR have been finalized, with the formal adoption anticipated in December 2021, and will contribute towards the development of the procedural manuals	Procedures Manuals in place with detailed guidance for budget formulation, accounting, internal controls, payroll, fixed assets, cash management and financial reporting
Date	29-Jun-2018	19-Mar-2021	06-Dec-2021	31-Dec-2020

Financial Management Information System (FMIS)

► IR-3: Financial data integrity maintained to meet “B” score for PI-27 (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	“B+” score for PI-27 in 2016 self-assessment	No change	No change	“B+” score for PI-27 maintained
Date	29-Jun-2018	19-Mar-2021	06-Dec-2021	31-Jul-2023

Revenue Management System (RMS)

► IR-4: Taxpayer accounting in Customs and Tax Administration (CTA) automated (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No RMS in place	RMS RfB being revised	RMS bid evaluation in process	All modules of RMS implemented and in use
Date	29-Jun-2018	19-Mar-2021	06-Dec-2021	01-Oct-2022

Change Management and Human Resource Development

► IR-5: Competency framework specifying minimum skillsets adopted and used for all PFM related jobs (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No competencies defined for PFM related roles	No change	No change	Competency framework specifying minimum skillsets required adopted for PFM related jobs across National and State governments and used for recruitment and training to build



				gender-balanced workforce
Date	29-Jun-2018	19-Mar-2021	06-Dec-2021	31-Jul-2023
► IR-6: External training program partnerships for PFM related certification and degree courses (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No external training program partnerships in place	No change	No change	Four (4) external training program partnerships for certification and degree courses in PFM related disciplines
Date	29-Jun-2018	19-Mar-2021	06-Dec-2021	30-Sep-2023
► IR-7: Number of staff completing external training programs in PFM related disciplines (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	50.00
Date	29-Jun-2018	19-Mar-2021	06-Dec-2021	29-Sep-2023
► IR-8: Gender-sensitive communication conducted for the project for awareness and building ownership (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No communication strategy; regular updates and information not released for government staff and citizens	Interim Change management strategy adopted	Interim Change management strategy adopted	DoFA website enhanced and regularly updated with information for government staff and citizens with functionality developed for capturing and summarizing feedback
Date	29-Jun-2018	19-Mar-2021	06-Dec-2021	31-Mar-2023
► IR-9: Transparency and citizen engagement in budget preparation and execution by National government (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	DoFA website exists but does not provide platform for receiving citizen feedback.	No change	No change	DoFA website includes functionality to capture citizen feedback. Information on budget preparation stages, final budget and quarterly updates on budget execution posted regularly including: a) summary presented in a citizen-friendly



				format understandable by non-technical audience; b) summary of citizen-feedback received and government response.
Date	30-Apr-2018	19-Mar-2021	06-Dec-2021	30-Jun-2023

Overall Comments

Progress has been made in several areas toward achievement of the IR indicators, however all yearly targets are behind schedule. Some important achievements include: in-year budget reporting templates and a national accounting classification structure (Chart of Accounts) have been developed and approved by the Steering Committee; the national Financial Management Regulations (FMR) have been finalized, and the formal adoption is anticipated in December 2021; consultation on FMR revision with the States is in progress and it will contribute towards the development of FMR procedural manuals; during the financial year ending September 2021, the CTA has completed 169 audits, which constitutes a significant increase compared to 78 audits in 2020; a draft interim Change Management Strategy has been developed and adopted. However, the Treasury Advisor declined to renew his contract which expired at the end of October 2021. This will delay development of the budget reporting templates and the procedural manual. The recruitment of the HRD/Communication and Gender Specialists have not yet commenced.

Performance-Based Conditions

Data on Financial Performance

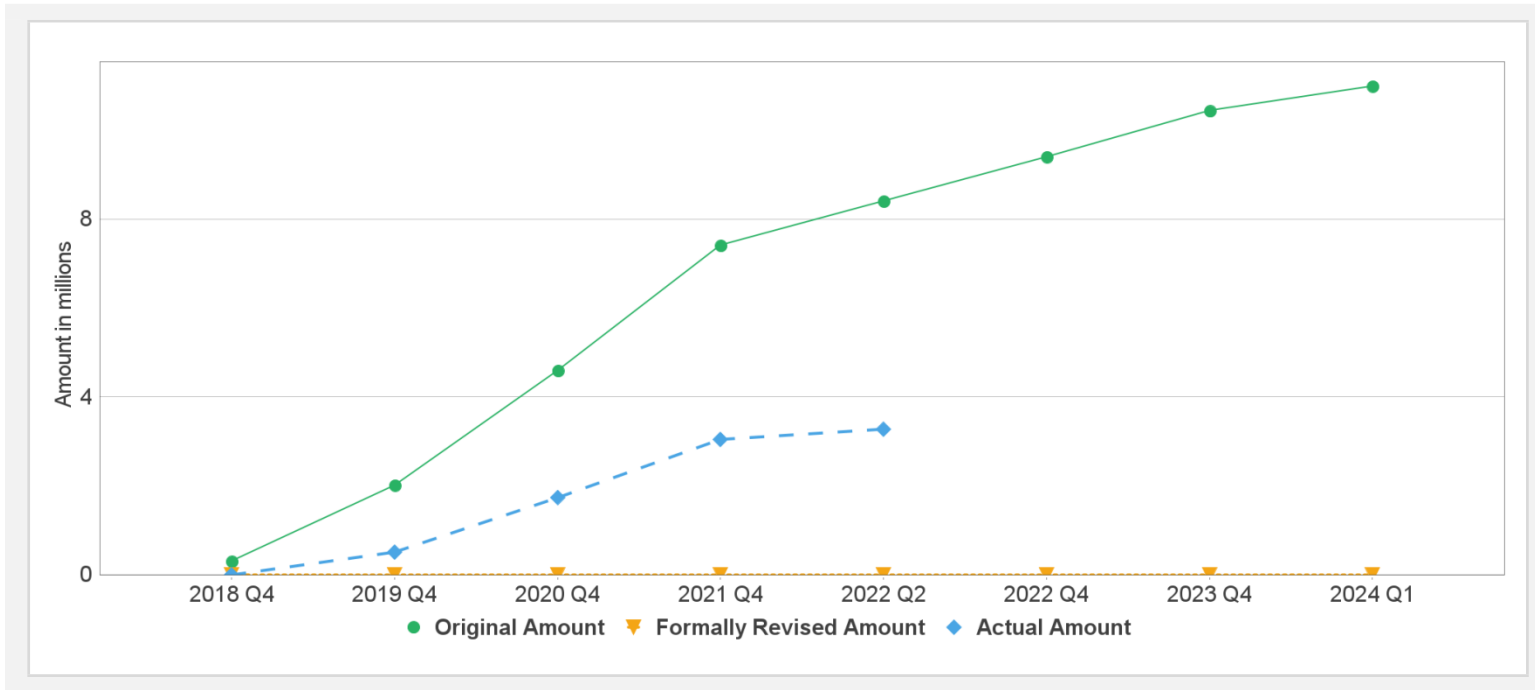
Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P161969	IDA-D3240	Effective	USD	11.00	11.00	0.00	3.27	7.43	31%

Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P161969	IDA-D3240	Effective	30-May-2018	01-Aug-2018	01-Oct-2018	25-Sep-2023	25-Sep-2023

Cumulative Disbursements



PBC Disbursement

PBC ID	PBC Type	Description	Coc	PBC Amount	Achievement Status	Disbursed amount in Coc	Disbursement % for PBC
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Restructuring History

There has been no restructuring to date.

Related Project(s)

P176041-ADDITIONAL FINANCING FOR THE PROJECT TO STRENGTHEN PUBLIC FINANCIAL MANAGEMENT