



**Department of Finance and Administration
Federated States of Micronesia
Pohnpei, Palikir**

**Public Financial Management Reform Roadmap 2023-2026
Implementation Report
July 2023**

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ACRONYMS

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1 INTRODUCTION

On January 27, 2023 at the Finance Officers Conference the Secretary of Finance and Administration launched our Public Financial Management Reform Roadmap 2023-2026 (PFM Roadmap). The PFM Roadmap contains a signed Foreword by the President and a signed address by the Secretary of Finance and Administration.

The PFM Roadmap presents a policy statement of the National Government on PFM reform, sets out a strategic goal, expected outcomes and contains a detailed action plan with corresponding responsibilities and due dates for activities. The Action Plan covers budget preparation, budget execution, monitoring and reporting and includes activities of National and State Governments and Municipalities.

The PFM Roadmap is currently being implemented largely according to schedule. Successful execution will significantly strengthen our budgetary performance and broader PFM institution nationwide, as well as developing our capacity to operate and maintain reforms in the way intended.

This document is the first PFM Roadmap Implementation Report. The Report provides summary status of each activity included in the PFM Roadmap Action Plan.

The numbers in the Action Plan Implementation Update, below, correspond to the numbers in the PFM Reform Roadmap Action Plan. The intention is to produce a quarterly report on PFM Roadmap implementation and to make it available to the public by posting the report on the Department of Finance and Administration website.

2 ACTION PLAN IMPLEMENTATION STATUS

The Action Plan in the PFM Roadmap summarises the activities to deliver the agreed actions and identifies the organisation responsible for implementation. Provided below, is a summary implementation report on each of the Action Plan activities

	<u>Activity</u>	<u>Responsibility</u>
<u>1.</u>	Financial Management Information System (FMIS)	National Treasury
	<i>Briefly describe progress for the quarter April-June 2023</i>	
	Seven (7) firms submitted bids for the FMIS project in June, 2023. Three (3) of those firms were deemed “substantially responsive”, or short-listed. The bids for the firms are being evaluated by a committee comprised of members from the national government, each state government, and the project. This is a wide group and ensures that all stakeholders have a say in the selection. A Bid Evaluation Report is being prepared and is expected to be submitted to the World Bank for their No Objection before the end of July.	
	<i>Briefly describe expected progress next quarter July-September 2023</i>	
	The bid evaluation report will be submitted in July. The contract will then go through the process of a) final selection approval; b) contract negotiations; and contract award. This is expected to be completed by the end of September if no obstacles arise (bid protests, etc.). Contract implementation would start shortly thereafter, beginning with an inception report.	

	<i>(Note that activity numbers 1.1 to 1.5 will start after inception report is approved, as such they are not included here)</i>	
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	Activity	Responsibility
	FMIS related training	National Treasury
1.6.	Change management training for National and State Governments	
	<i>Briefly describe progress for the quarter April-June 2023</i>	
	Online training programs have been identified that will support FMIS implementation.	
	<i>Briefly describe expected progress next quarter July-September 2023</i>	
	Training sessions are planned to start in October, when the inception plan for the FMIS implementation will be developed.	

	Activity	Responsibility
1.7.	PFM training programs relevant to FMIS needs identified and delivered	National Treasury
	<i>Briefly describe progress for the quarter April-June 2023</i>	
	Specific training will be developed and held after the revised competencies for each position have been identified. Some PFM online training has been provided.	
	<i>Briefly describe expected progress next quarter July-September 2023</i>	
	Such training will occur after the competency framework has been completed. See 1.8 below	

	Activity	Responsibility
	FMIS related human resources development	National Treasury
1.8.	Competency framework developed for National and State Governments PFM roles	
	<i>Briefly describe progress for the quarter April-June 2023</i>	
	Identification of competencies have been conducted for Yap and Kosrae, along with discussions of the organization structures in the Finance Departments of those States.	
	<i>Briefly describe expected progress next quarter July-September 2023</i>	

	The identification of competencies for each position continues. This proceeds one governmental unit at a time for each position, starting with Yap. There are overlaps with positions in different states, and the development of these should consequently go faster.	
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	Activity	Responsibility
1.9.	Divisional structures and position descriptions updated	
	<i>Briefly describe progress for the quarter April-June 2023</i>	
	Identification of competencies have been conducted for Yap and Kosrae, along with organization structure discussions. For each position description, a set of competencies are identified. Consequently, the Competency Framework and the revised position descriptions are one and the same.	
	<i>Briefly describe expected progress next quarter July-September 2023</i>	
	The identification of competencies for each position continues. This proceeds one governmental unit at a time for each position, starting with Yap. There are overlaps with positions in different states, and the development of these should consequently go faster. For each position description, a set of competencies are identified. Consequently, the Competency Framework and the revised position descriptions are one and the same.	

	Activity	Responsibility
2	Related Revenue Management System Training	CTA
2.1	Technical training to all CTA staff	
	<i>Briefly describe progress to end June 2023</i>	
	None to Date	
	<i>Briefly describe expected progress next quarter July-September 2023</i>	
	Revenue Management System Training is scheduled to commence in November 2023.	

	Activity	Responsibility
2	Related Revenue Management System Training	CTA
2.2	Change management training provided senior CTA staff	

	<u>Briefly describe progress for the quarter April-June 2023</u>	
	<p>During the quarter of April-June 2023, significant progress was made in providing change management training to senior CTA (Customs and Tax Administration) staff. One notable achievement is the completion of an online change management CPD (Continuing Professional Development) accredited program by senior management at CTA.</p> <p>The online change management program is designed to equip senior staff members with the necessary knowledge, skills, and tools to effectively navigate organizational changes within the CTA. The program covers various aspects of change management, including understanding the need for change, creating a change management plan, engaging stakeholders, managing resistance, and sustaining change efforts.</p> <p>By completing the CPD accredited program, senior management at CTA has demonstrated their commitment to leading and driving successful change initiatives within the organization. They have gained insights into industry best practices and acquired practical strategies to facilitate smooth transitions during periods of change.</p> <p>The online format of the program provides flexibility and accessibility, allowing participants to learn at their own pace and fit the training into their busy schedules. It also incorporates interactive elements, case studies, and assessments to ensure a comprehensive learning experience.</p>	

	Activity	Responsibility
<u>2</u>	Related Revenue Management System Training	CTA
<u>2.3</u>	Audit and other tax administration training provided to CTA staff	
	<u>Briefly describe progress for the quarter April-June 2023</u>	
	<p>During the quarter of April-June 2023, significant progress has been made in providing audit and other tax administration training to CTA (Customs and Tax Administration) staff. One notable achievement is the commencement of behavioural skills training that aligns with the skills and competencies highlighted in the Customs and Tax Competency Frameworks.</p> <p>The behavioural skills training aims to enhance the professional capabilities and interpersonal skills of CTA staff members. It focuses on developing competencies such as effective communication, teamwork, problem-solving, decision-making, adaptability, and customer service. These skills are essential for promoting a customer-centric approach, fostering collaboration within teams, and enabling efficient tax administration.</p> <p>By aligning the behavioural skills training with the Customs and Tax Competency Frameworks, the CTA aims to establish a consistent and</p>	

	<p>standardized approach to skill development across the organization. This alignment ensures that the training addresses the specific requirements and expectations of CTA staff members, enabling them to perform their roles effectively and efficiently.</p> <p>A planned trip to Chuuk to undertake audit training was postponed to the current quarter due to flight cancellations owing to Typhoon Mawar.</p>	
	<i>Briefly describe expected progress next quarter July-September 2023</i>	
	<p>In the next quarter of July-September 2023, the expected progress in providing audit and tax administration training to CTA (Customs and Tax Administration) staff will be aligned with the Leadership and Technical competencies outlined in the competency framework. The training will primarily be conducted online, enabling convenient access for staff members.</p> <p>The training initiatives will be designed to address the specific competencies required for each individual role within the CTA. The competency framework will serve as a guide to identify the essential skills and knowledge needed for different positions. This tailored approach ensures that training efforts are aligned with the unique requirements of each staff member's role.</p> <p>With an increased focus on the state CTA staff, the training programs will cater to their specific needs and challenges.</p> <p>The online-based training approach offers flexibility and accessibility, allowing staff members to participate in training modules at their own pace and convenience.</p>	

	Activity	Responsibility
<u>2</u>	Related Revenue Management System Training	CTA
<u>2.4</u>	Competency framework developed for CTA staff	
	<i>Briefly describe progress for the quarter April-June 2023</i>	
	<p>During the quarter of April-June 2023, significant progress has been made in the development of the Competency Framework for CTA (Customs and Tax Administration) staff. The following key components have been accomplished:</p> <p>Full Draft Competency Framework Overview: The full draft of the Competency Framework overview for Tax and Customs has been developed. This framework provides a comprehensive outline of the required competencies for CTA staff across various levels and roles. It serves as a reference guide to identify the skills, knowledge, and behaviours necessary for successful performance in different positions within the organization.</p> <p>Competency Framework Dictionary: A detailed Competency Framework dictionary has been created, encompassing all the</p>	

	<p>competencies relevant to CTA staff. This dictionary provides in-depth descriptions and explanations of the Behavioural, Technical, and Leadership competencies specified in the framework. It also includes the Core Values that underpin the organizational culture and guide staff conduct.</p> <p>Role Matching Matrix: A role matching matrix has been developed, aligning the competencies outlined in the framework with specific job roles within the CTA. This matrix serves as a tool for assessing the competency requirements of each role and ensuring that staff members possess the necessary skills and attributes to perform their duties effectively.</p> <p>Role Descriptions: Detailed role descriptions have been established, outlining the responsibilities, tasks, and competencies associated with each job role within the CTA. These role descriptions provide clarity and transparency regarding the expectations and requirements of different positions within the organization.</p> <p>The Competency Framework provides a solid foundation for talent management, recruitment, training, and performance evaluation processes within the organization.</p>	
	<i>Briefly describe expected progress next quarter July-September 2023</i>	
	<p>In the upcoming quarter of July-September 2023, significant progress is expected in finalizing the work accomplished to date in the development of the Competency Framework for CTA (Customs and Tax Administration) staff. The primary focus will be on completing the proficiency levels for each competency within the framework.</p> <p>The proficiency levels define the desired level of mastery or expertise that staff members should possess for each competency. These levels serve as benchmarks for assessing and evaluating the proficiency of individuals in their respective roles within the CTA.</p> <p>During this quarter, efforts will be directed towards defining and establishing the proficiency levels for all the competencies outlined in the framework. This process may involve consultations with subject matter experts, senior management, and relevant stakeholders to ensure that the proficiency levels are accurate, fair, and aligned with the expectations of the organization.</p>	

	Activity	Responsibility
<u>2</u>	Related Revenue Management System Training	CTA
<u>2.5</u>	CTA structure reshaped with new positions developed	
	<i>Briefly describe progress for the quarter April-June 2023</i>	

	<p>During the quarter of April-June 2023, significant progress has been made in reshaping the structure of the CTA (Customs and Tax Administration). A thorough review of the organizational structure has taken place, resulting in the development of new positions to meet the evolving needs of the organization.</p> <p>The revised organizational structure reflects a strategic approach to aligning resources, roles, and responsibilities within the CTA. The objective is to enhance efficiency, effectiveness, and accountability in tax administration and customs operations.</p> <p>At this stage, the reshaped structure is awaiting full adoption by the National Government Leadership, particularly the Secretary of Finance. The approval from the National Government Leadership is crucial for the formal adoption and implementation of the revised organizational structure.</p> <p>The progress made during this quarter signifies the commitment of the CTA to adapt to changing requirements and improve its operational effectiveness. The review and development of new positions reflect a forward-thinking approach to optimize the utilization of human resources and align them with organizational goals and objectives.</p> <p>The reshaping of the CTA structure opens up opportunities for enhanced coordination, streamlined decision-making processes, and improved service delivery to taxpayers. It allows the organization to allocate resources more effectively, align roles and responsibilities, and promote a clear and efficient chain of command.</p> <p>Once the revised organizational structure is fully adopted by the National Government Leadership, it will serve as a blueprint for the future operations of the CTA. The approved structure will guide the recruitment, placement, and promotion of staff members, ensuring that the right talents are in the right positions.</p>	
	<i>Briefly describe expected progress next quarter July-September 2023</i>	
	Full approval of the new structure will occur in the current quarter.	

	Activity	Responsibility
<u>2</u>	Related Revenue Management System Training	CTA
<u>2.6</u>	Taxpayers provided education on the new system	
	<i>Briefly describe progress for the quarter April-June 2023</i>	
	This activity will occur closer to the RMS implementation.	
	<i>Briefly describe expected progress next quarter July-September 2023</i>	
	The taxpayer education will commence in the 4 th quarter of 2023 – closer to RMS implementation.	

	Activity	Responsibility
3	Related AYSCUDA World training	CTA
3.1	Technical training provided to all customs staff	
	<i>Briefly describe progress for the quarter April-June 2023</i>	
	Training has commenced for the CTA nucleus team (super users). The remaining CTA staff will be trained as ASYCUDA is rolled out (implemented) in the States, i.e., 4 th quarter 2023, 1 st quarter 2024.	
	<i>Briefly describe expected progress next quarter July-September 2023</i>	
	Key users of ASYCUDA will be trained in preparation for the roll out to the States in late 2023/early 2024.	

	Activity	Responsibility
3	Related AYSCUDA World training	CTA
3.2	Change management training provided to all CTA staff	
	<i>Briefly describe progress for the quarter April-June 2023</i>	
	<p>During the quarter of April-June 2023, significant progress was made in providing change management training to senior CTA (Customs and Tax Administration) staff. One notable achievement is the completion of an online change management CPD (Continuing Professional Development) accredited program by senior management at CTA.</p> <p>The online change management program is designed to equip senior staff members with the necessary knowledge, skills, and tools to effectively navigate organizational changes within the CTA. The program covers various aspects of change management, including understanding the need for change, creating a change management plan, engaging stakeholders, managing resistance, and sustaining change efforts.</p>	
	<i>Briefly describe expected progress next quarter July-September 2023</i>	
	In the upcoming quarter of July-September 2023, significant progress is expected in finalizing the work accomplished to date in the development of the Competency Framework for CTA (Customs and Tax Administration) staff. The primary focus will be on completing the proficiency levels for each competency within the framework.	

	Activity	Responsibility
3	Related AYSCUDA World training	CTA
3.3	CTA structure reshaped and new positions developed	

	<i>Briefly describe progress for the quarter April-June 2023</i>	
	During the quarter of April-June 2023, significant progress has been made in reshaping the structure of the CTA (Customs and Tax Administration). A thorough review of the organizational structure has taken place, resulting in the development of new positions to meet the evolving needs of the organization.	
	<i>Briefly describe expected progress next quarter July-September 2023</i>	
	Full approval of the new structure will occur in the current quarter.	

	<u>Activity</u>	<u>Responsibility</u>
<u>4.1</u>	Standard Operational Budgetary Procedures	BEMD
	Preparation of Standard Operating Procedures (SOP)	I
	<i>Briefly describe progress to end June 2023</i>	
	The SOP was completed April 2023. The SOP provides step by step procedures templates, examples and all the forms to guide the user covering operational budgetary procedures for budget preparation, budget adoption, budget execution and procedures for policy impact assessment. The SOP is commensurate with BEMD responsibilities for preparing and administering the budget and facilitating policy dialogue through the Secretary of Finance and Administration. The BEMD has changed the SOP name to the Budget Manual.	
	<i>Briefly describe expected progress next quarter July-September 2023</i>	
	<p>New budget preparation procedures set out in the SOP will be implemented for FY2025 budget preparation starting 15 October 2023. These procedures are designed to improve budget preparation in following key areas</p> <ul style="list-style-type: none"> • Improve review of budget proposals • Promote better budget planning with detailed instructions in budget call on how to prepare performance budget (budget plan) with focus on (a) what we want to achieve (b) how we plan to achieve it (c) how we will measure success and then (d) how much it will cost with preparation of line-item budget. • Issue expenditure ceilings with Budget Call so proposed budgets are prepared within resource constraint. • Strengthen policy planning budget linkages in departments with instruction to set up Budget Working Group comprising Secretary, Assistant Secretaries, Administrative Officers. 	

	<ul style="list-style-type: none"> Introduce integrated performance and line -item budget and maintain separate presentation of line-item and performance budgets. Develop greater transparency and accountability Launch FY2024 Citizens Budget once FY2024 Appropriation Bill signed with Citizens Budget available to all on DoFA website. 	
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	Activity	Responsibility
	Related budget procedures capacity development	BEMD
4.1	Capacity development plan implementation	
	<i>Briefly describe progress to end June 2023</i> BEMD staff have been orientated on the contents and scope of the Budget Manual. This awareness training will be followed by more intensive training starting 15 August 2023	
	<i>Briefly describe expected progress July- September 2023</i>	
	Using the SOP BEMD Budget Analysts will undergo instruction in new budget preparation procedures that will cover the introduction of new procedures stated at 4.1 above.	

	Activity	Responsibility
5	Financial Management Regulations	National Treasury
5.1	Technical training provided to relevant National Government staff.	
	<i>Briefly describe progress to end June 2023</i>	
	<i>Briefly describe expected progress July- September 2023</i>	

	Activity	Responsibility
5	Financial Management Regulations	National Treasury
5.2.	State Government legislatures approve updated financial management regulation	
	<i>Briefly describe progress for the quarter April-June 2023</i>	
	Kosrae State FMR has been for public consultation and is now signed and is now in place. The Yap State FMR is out for public	

	consultation.	
	<i>Briefly describe expected progress next quarter July-September 2023</i>	
	The Yap FMR will be approved and passed in July 2023. Chuuk and Pohnpei State FMRs are being reviewed and expected to go for public consultation before the end of September.	

	Activity	Responsibility
6	Public Debt Management	IIFD
6.1	Quarterly publication of Debt Bulletin	
6.2	Related public debt management training	
	Debt management officials trained in public debt management	
	<i>Briefly describe progress to end June 2023</i>	
	Two staff have received public debt management training	
	<i>Briefly describe expected progress next quarter July-September 2023</i>	
	The training contributes to the preparation of the Debt Bulletin, which covers domestic and external debt, discusses trends and debt sustainability and includes statistical tables on public debt. The Debt Bulletin is a quarterly publication hosted on the DoFA website.	

	Activity	Responsibility
7	Improving management of FSM Trust Fund	IIFD
7.1	Preparation of new investment strategies incorporating environmental, social and governance safeguards	
	<i>Briefly describe progress to end June 2023</i>	
	<i>Briefly describe expected progress next quarter July-September 2023</i>	

	<u>Activity</u>	<u>Responsibility</u>
	Improving management of FSM Trust Fund	IIFD
7.2	Training of staff and Board of trustees to obtain Certificate of Trust Fund Administration and other relevant courses	IIFD

	Briefly describe progress to end June 2023	
	Ongoing with Asia Pacific Association for Fiduciary Studies. Participants are sent as course become available. To date 2 staff have obtained the Certificate	
	Briefly describe expected progress next quarter July-September 2023	
	Ongoing	

	Activity	Responsibility
8	Streamline drawdown procedures for federal grants	IIFD
8.1	Review based on users experience to identify ways to simplify procedures	
	Briefly describe progress to end June 2023	
	Review completed and transition made from manual reporting to on-line reporting. This reduced the time allocated to reporting from 2 weeks to 3 days	
	Briefly describe expected progress next quarter July-September 2023	
	Periodic review to see if further simplification is feasible	

	Activity	Responsibility
9	Assistance to State Governments and Municipalities	NT
9.1	Phased rollout of municipal automated payments system – Phase I Pohnpei	
	Briefly describe progress to end June 2023	
	The rollout to Pohnpei has been completed earlier than planned because the expected completion date was September 2023. The payments system is now completely automated so Pohnpei can print its own checks for payments All concerned staff have been fully trained on to use Quick-Books.	
	Briefly describe expected progress next quarter July-September 2023	
	This activity is successfully completed.	

	Activity	Responsibility
9	Assistance to State Governments and Municipalities	NT

9.2	Phased rollout of municipal automated payments system – Phase 2 Kosrae	
	<i>Briefly describe progress to end June 2023</i>	
	The rollout of Quick-Books to Kosrae has started and implementation is proceeding according to plan	
	<i>Briefly describe expected progress next quarter July-September 2023</i>	
	Installation followed by training will continue with work expected to be completed earlier than target completion date of September 2024 based on Pohnpei experience.	

	Activity	Responsibility
9	Assistance to State Governments and Municipalities	NT
9.3	Phased rollout of municipal automated payments system – Phase 3 Chuuk	
	<i>Briefly describe progress to end June 2023</i>	
	Will start after completion of Kosrae rollout see 9.1 above.	
	<i>Briefly describe expected progress next quarter July-September 2023</i>	

	Activity	Responsibility
9.4	Conduct awareness workshops on the new compact Fiscal procedures Agreement when available	DoFA
	<i>Briefly describe progress to end June 2023</i>	
	<i>Briefly describe expected progress next quarter July-September 2023</i>	

	Activity	Responsibility
9.5	Implement tailored capacity development specific to Compact Funds control and disbursement	DoFA
	<i>Briefly describe progress to end June 2023</i>	
	<i>Briefly describe expected progress next quarter July-September 2023</i>	

	Activity	Responsibility
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9.6	Provide assistance to the State Governments on financing options for States specific policies and initiatives	DoFA
	<i>Briefly describe progress to end June 2023</i>	
	<i>Briefly describe expected progress next quarter July-September 2023</i>	

	Activity	Responsibility
10	Tax Initiatives	TRC
	Phased introduction of tax reforms with country-wide VAT, net profits tax, “sin taxes” on alcohol, tobacco, sugared drinks being considered	
	<i>Briefly describe progress to end June 2023</i>	
	A number of potential tax reforms have been identified and are under consideration.	
	<i>Briefly describe expected progress next quarter July-September 2023</i>	
	Modelling the potential effects of different tax reforms	

	Activity	Responsibility
11	Internal compliance	National Treasury
11.1	Continuous capacity development	
	<i>Briefly describe progress to end June 2023</i>	
	<i>Briefly describe expected progress next quarter July-September 2023</i>	

3 WE WELCOME PUBLIC FEEDBACK

This report on the implementation status of our Public Financial Management Reform Roadmap 2023-2026 is disclosed to the public on our website to promote greater transparency and accountability. The Department of Finance and Administration encourages the public to please contact us with your feedback on this report. We welcome all comments as well as suggestions to further improve the report.

Please address feedback to: Secretary of Finance and Administration, Palikir, Pohnpei, Federated States of Micronesia. P.O Box 158, 96441, Phone: (691) 320-2640/5852 Email: