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Our Public Financial Management (PFM) Reform Roadmap 2023-2026 was developed in a spirit of cooperation between National and State Governments and Municipalities. At the outset all those involved undertook to take stock of our PFM shortcomings and to conceptualise, design, and plan reforms that would mitigate and ultimately eliminate these deficiencies.

We were mindful that our planned reforms had to match our ability to implement. To this end each reform activity in our Action Plan is accompanied by capacity development initiatives. This required careful prioritisation and sequencing of our intended reforms. We wanted to avoid over ambition and focus on what is doable and achievable. We are confident that we have produced a credible PFM Reform Roadmap.

Our PFM Roadmap will establish more effective linkages between policy planning and budgeting. The budget is an instrument of economic and fiscal policy and a policy statement, as it sets relative levels of spending for different activities. The budget process takes into account policies already formulated and is the main instrument to make them operational. The strength of the budget-policy link is therefore very important regarding the way strategies to achieve national and sectoral policy objectives are implemented. As a priority we will improve our budget planning and encourage other levels of government to do the same, so as to obtain our overall PFM objective of a policy-based results focused approach to budgeting.

We are mindful that PFM Roadmap preparation has to be accompanied by sustained implementation. Our expected success will not only improve the timeliness and quality of our public services, but transmit visible benefits to the public that will strengthen and expand the constituency for PFM reform both within the government and among civil society. In the interests of transparency and accountability to the public, we will disclose on the Department of Finance and Administration website summaries of our PFM Roadmap implementation reports.

This Administration will be a champion of PFM reform. We are earnest to see rapid and durable changes to our PFM institution, so as to raise the quality standard of public services. I commend this PFM Roadmap to the Nation and wish success to all involved in its implementation.

Wesley W. Simina
President of the Federated States of Micronesia
One of the hallmarks of good governance is the ability of government to deliver timely and quality public services. This requires a well-structured and resilient public financial management institution. This is why we have improved the formulation and implementation of public financial management reform to modernise the ways in which national, state and local levels use public funds to deliver results to the public.

The development of the Roadmap was made possible in an environment where reforms are strongly encouraged and carried out seriously. Moreover, the exercise of developing the Roadmap is of itself a demonstration of the National and State Governments commitment because it enabled us to identify common issues impeding our public financial management and formulate appropriate interventions to address these concerns.

The Roadmap provides a coherent framework for mobilising revenues, allocating resources, managing expenditures and assist our departments and agencies to operate competently to better serve the public. Ongoing implementation of the Roadmap will ensure that public spending is well targeted to programs and projects that are most relevant to the further development of our country.

It is my hope that these key governance reforms will continue to guide the sustainability of our development effort. Like many other small island developing states it is likely that our needs will always exceed our available resource. Therefore, improving public expenditure management is one crucial reform that can ensure efficient allocation of limited funds to priority investments. This process can help us achieve inclusive and sustainable growth through better prioritisation and sequencing of investments in our environment, social and economic sectors.

It is our intention that the continuing implementation of the Roadmap will bring about stronger public financial management, ensure more responsive governance and improved quality of public services.

Eugene Amor

Secretary of Finance and Administration
3 INTRODUCTION

3.1 Policy statement

The policy of the National Government of the Federated States of Micronesia (FSM) is to further strengthen public financial management (PFM) by completing the transition to a more fiscally resilient policy based results focused approach to budgeting. This does not require dramatic transformation of our PFM systems, processes, procedures and organisations. Our focus is a structured incremental approach to reform that fills gaps where they exist, enhances existing arrangements that need further improvement and eliminates shortcomings.

Stronger PFM will translate into improved public services. PFM reforms in addition to better linking policy, planning and budgeting processes and further improving revenue and expenditure management must also take into consideration a broader set of factors. This includes adequate remuneration, good management and sound supervision, facility infrastructure, availability of supplies, equipment and trained labour. Technical inputs and skills to operate systems are scarce in society overall. In the civil service context this means that skills are difficult to recruit and retain. As such ongoing and planned PFM reforms require commensurate consideration for the skills and organisational change requirements that their implementation will require in the FSM.

Local ownership and commitment determine whether PFM reform inputs will result in sustained positive budgetary outcomes. Our PFM Reform Roadmap 2023-2026 (Roadmap) is home-grown, localised and evolutionary. Technical assistance from various sources, and exposure to international “best practise” have been provided to the National Government based on the PFM reform experiences of other countries. These activities have provided valuable inputs in bringing the National Government budget system to its status today. However, the technical inputs and other countries experience has to be adjusted to suit the actual local FSM conditions. This takes time. A step by step carefully sequenced approach enables design and implementation of reforms tailored to specific local circumstances. This allows for flexibility based on detailed local institutional and technical knowledge of the constraints, opportunities and capacities of government. Each country develops its PFM system shaped by the unique circumstances of its history, location, culture, and local values.

4 HOW THE ROADMAP WAS DEVELOPED

4.1 Partnership and Strategic Prioritisation

The preparation of the Roadmap is a National Government initiative that involved a collective effort across the five governments. The reforms presented here are not wholly confined to the National Government, but include areas of PFM changes on which the National Government and State Governments are working together. Not everything can be done at once. Strategic choices have to be made. The Roadmap contains our PFM improvement priorities designed to address the most important issues.

In these endeavours we note the support of our development partners in their continuing efforts to help us improve our PFM institution though the sharing of diagnostics and deployment of technical guidance and acquisition of new technology. Teamwork within the National and State Governments and between these Governments and our development partner’s enable the establishment of cooperative relationships that are a proven success factor in PFM reform.
5 WHAT IS THE ROADMAP?

5.1 Purpose of the Roadmap

The Roadmap was developed to

- Provide strategic direction to the further strengthening of our public financial management.
- Promote improved coordination and communication between stakeholders both within and outside the five governments to better support the implementation and sustainability of reforms.
- Help development partners identify entry points to further support PFM reforms.

5.2 Scope of the Roadmap

The National Government is currently implementing a credible PFM reform program with an overall objective to strengthen PFM in order to make the budget a stronger instrument of the implementation of government policies. Ensuring that budget preparation and execution is driven by policy priorities will underpin the overall policy objectives of the National Government that are:

- To accelerate economic growth led by the private sector
- To improve government fiscal and financial operations and public services delivery
- To attract foreign and domestic investment to the strategically important economic sectors of agriculture, fisheries, tourism, energy, transport and communications
- To support a strong healthy, educated technologically literate work force
- To encourage an enabling environment for sustainable inclusive economic growth through supportive legal, regulatory and fiscal reforms.

The cornerstone of these reform is the ongoing medium term PFM Reform Roadmap. The reform program is built on a strategic goal and expected outcomes. The Roadmap constitutes a comprehensive, realistic, practical and credible approach to PFM reform.

6 STRATEGIC GOAL AND EXPECTED OUTCOMES

6.1 Role of public finance in the economy

It is important to note that in an FSM context the national government is the lifeline of the economy. Foreign and domestic investment in FSM is impeded by the absence of a common set of procedures for potential investors to follow because each State Government adheres to its own unique ways of treating the interest of investors. In this situation the National Government has to fill this gap by mobilising domestic revenues and external assistance that corresponds to about 90 percent of the investment in the country. The National Government provided crucial support to the private sector during the COVID-19 pandemic such as the Tourism Mitigation Fund, interest free loans to small businesses implemented through the FSM Development Bank and social protection payments to low income vulnerable households. Post COVID the ongoing PFM, tax and foreign investment reforms and infrastructure developments will significantly reduce the cost of doing business and enable the infusion of commercial activities to further develop our private sector. The quality, stability and resilience of our public finance operations will be of crucial importance moving forward.
6.2 Strategic Goal

The National Government has set a strategic goal in regard to PFM that achieving and sustaining will maintain our attention to basic infrastructure that is critical to lay the foundation for sustainable and inclusive growth and social services in our nation.

The Strategic Goal of our Roadmap is:

A stable public finance system that allows reforms to take place that adheres to financial compliance, transparency and accountability, which is resilient enough to cope with changing financial conditions and provides a conducive environment for private sector development.

6.3 Expected outcomes

6.3.1 Strong policy planning budget linkage

- Policy based budgeting whereby resource allocation including revenue and borrowing instruments linked to national government policy priorities.

- A budget system that spurs reallocation from lesser to higher policy priorities and from less to more effective programs.

6.3.2 Fiscal stability

- Fiscal stability through effective control of the budget revenue and expenditure totals and management of fiscal risk.

- Reliable revenue projections, cost effective revenue collection and a sustainable level of external financing shall be an integral part of fiscal discipline and stable over time.

- The budget is realistic and implemented as intended.

6.3.3 Operational effectiveness and efficiency

- Procurement at the right price, right time, right quantity and right quality will promote an economical driven public service delivery system.

- Making the most from the procured inputs through better management and supervision will increase efficiency and getting the expected results from better economy and efficiency will strengthen effectiveness.

- Collectively better economy, efficiency and effectiveness will deliver to the public more value for money.

6.3.4 Comprehensiveness, transparency and accountability

- The Budget presents a complete picture of revenue, expenditure and debt information for the prior, current and two outer years and fiscal, debt and budget information is made available to the public.

- Financial openness maintained and enhanced.

- Compliance with regulations reflect the improved budgetary system.

6.3.5 Predictability and control in budget execution

- Adequate records and information are maintained and disseminated for purpose of decision-making, control, management and reporting on operations.

- There are strengthened arrangements for the exercise of control and supervision in the use of funds
6.3.6 **Timely budget recording and reporting**
- Improved in year budget reporting enables management to address such questions as what is causing delays and unexpected results and be able to implement corrective actions to ensure that budget outcomes are consistent with policy.

6.3.7 **Improved internal compliance**
- Strengthened arrangements for the scrutiny of public finance are in place and follow up of internal compliance recommendations is swiftly noted and implemented.

6.3.8 **Enhanced capacity development**
- The ability to conceptualize, design, plan and implement reforms and to operate and maintain reforms in the way intended is fully embedded in operations and future capacity in technical specializations, supervision, management and administrative skills is driven by continuous capacity development.

7 **IMPLEMENTING THE ROADMAP**

The following section summarises our key reforms to strengthen the overall PFM system. The highlights of the reforms include:

- New system for managing financial information.
- Improved approach to human resource development.
- New technology for enhancing customs and tax management.
- Strengthened operational budgetary procedures to fill gaps and remove shortcomings.
- Improved capacity development strategy to ensure that local capacity is available to implement and sustain reforms.
- Updated financial management regulations.
- Strengthened public debt management.
- Integration of environmental, social and governance considerations into investment strategies.
- Enhancement of drawdown procedure for Federal grants assistance
- New municipality payments system.
- Strengthened FSM Trust Fund Management.
- Improved internal compliance.

7.1 **New Financial Management Information System**

7.1.1 **Operational features of the new FMIS**

The Financial Management Information System (FMIS) supports automation and integration of PFM processes including budget formulation, execution (for example, commitment control, cash/debt management, treasury operations), accounting and reporting. FMIS significantly improves the efficiency and equity of government operations and has the potential for increasing transparency and accountability.

- The new FMIS for the National Government and the four State Governments is scheduled to go live on 1 October 2024.
In parallel with the standing up of a new FMIS the PFM environment will be further enhanced. The key features and dates of completion of respective rollouts are as follows:

- The completed update of the State Governments Financial Management Regulations is expected to be approved by respective Legislatures by December 2023.
- The new chart of accounts developed for the National Government and the States Governments for the new FMIS and implemented for better management, financial and statistical reporting is expected to be operational by September 2023.
- New Budget formulation module implemented as part of FMIS implementation scheduled to go live November 2023.
- In Year budget reports prepared and published by the National and 4 State Governments by December 2023.
- Procedures manuals developed for the FMIS for use by the National and States Governments in use by September 2024.

7.1.2 FMIS related training
To support the successful implementation of the new FMIS and its operation and maintenance PFM training will be provided. This training will include:

- Change management training provided to National and State Governments participants to assist with the change that will be required from the FMIS implementation through June 2023.
- PFM training programs relevant to needs will be identified and delivered through to March 2025.

7.1.3 FMIS related human resources development
To strengthen human resource development the following key supports to the new FMIS will be implemented:

- Divisional structures and position descriptions updated by December 2024.

7.2 New Revenue Management System
The new Revenue Management System (RMS) implemented for the FSM DoFA Customs and Tax Division at National Headquarters and four State Field Offices is scheduled to go live April 2024.

7.2.1 Operational features of the Revenue Management System
The RMS will provide:

- A tax payer registration facility.
- A case management system to manage CTA's interactions with taxpayers.
- A taxpayer services management system to manage CTA's interactions with taxpayers.
- A tax returns management and processing system.
- A tax accounts record system.
- A risk scoring module for selecting audits.
- An electronic taxpayer service ("e-services").
• A Tax Officer Dashboard to integrate information services and web-sites.
• A workflow management system to regularize the process flow, and integrating with the roles, responsibilities, authorities and authorizations.
• A report generating tool.

7.2.2 Revenue Management System and capacity development

Essential professional training will be provided to Customs and Administration (CTA) staff and human resource management will be strengthened to ensure the effective implementation and sustainability of the changes to be operationalised by the RMS. This will include:

• Technical training to all CTA personnel staff will be provided in 2023.
• Change management training will be provided to senior CTA staff in 2023 to assist with the change that will be required from the RMS implementation.
• Audit and other tax administration training will be provided to CTA staff during 2023.
• A competency framework is to be developed for CTA staff by December 2023.
• CTA structure will be reshaped with new position descriptions developed to reflect a functional structure in 2023.
• Taxpayers to be provided education on the use and benefits of the new RMS during 2023.

7.3 New ASYCUDA World Customs System

ASYCUDA World is the new Automated System for Customs Data. A computerised management system that covers foreign trade procedures, handles manifests and customs declaration with accounting tool and suspense procedures. It also generates trade data that can be used for statistical economic analysis. ASYCUDA World is to be implemented for the CTA Division in its National Headquarters and four State Field Offices and is scheduled to go live for different functions December 2023.

7.3.1 Key operational features

ASYCUDA World will provide:

• An importer/export registration facility.
• A portal where importers, exporters, shipping agents, Customs brokers, etc. can lodge and get clearance on Customs entries, cargo manifests, etc.
• Improved revenue collection by implementing automated Customs processes and tracking of goods.
• Improved trade facilitation by reducing clearance (wait) times for imported goods to be released from Customs control.
• Improved border protection through the implementation of automated IT intelligence tools to detect non-compliance and illegal activity.
• Improved trade data and statistics due to automation and real time reporting.

7.3.2 Capacity development for customs and tax staff

Further building capacity of CTA staff will be key to the success of ASYCUDA World operations.

• Technical training will be provided to all Customs staff in 2023.
- Change management training will be provided to senior CTA staff also in 2023 to assist with the change that will be required due to system and CTA structural changes.
- Customs audit and other Customs training will be provided to Customs staff during 2023.

7.3.3 Restructuring of customs and tax administration

Human resource development strengthening for customs and tax staff will be undertaken on the following lines.

- A competency framework that defines behaviours and technical skills that individuals must have or must acquire to perform effectively at work is to be developed for Customs staff by December 2023.
- CTA structure will be reshaped with new position descriptions developed to reflect a functional structure in 2023.

7.4 Updated standard operational budgetary procedures

A major review has been completed with the aim of identifying gaps and shortcomings in our operational budgetary procedures. This provides the basis for ongoing preparation of standard Operating procedures (SOP) designed to strengthen the overall efficiency and effectiveness of the National Government budget process.

7.4.1 Benefits of the new standard operating procedures

The benefits of the SOP are:

- Consistency: provides a means for all staff completing tasks in the same way and time.
- Compliance: provides assurance that budgetary operations are in line with policies, laws and regulations.
- Institutional knowledge: provides a permanent store of in-house knowledge as some staff leave and other staff join.
- Single reference: provides in one document the operational budgetary procedures for the Budget and Economic Management Division, which stands at the centre of National Government budget formulation and management.
- Capacity development: provides a basis for developing functional training for BEMD to operate and maintain the SOP that is consistent with existing policies, laws and regulations and the direction of reform.

7.4.2 Key features of the new standard operating procedures

The SOP will enhance:

- The medium term approach to budgeting in particular expenditure planning and the linking of budget to policy priorities through the use of the medium term expenditure framework that links budget to the macroeconomic framework.
- The reduction in the number of supplemental budgets by providing a space for budget planning prior to the preparation of detailed budget estimates provided for in pre-budget consultation and enabled by earlier start to annual budget preparation.
- The results focused approach to budgeting with the line item and performance budgets integrated so that the link between the strategic goals, program outcomes, outputs, activities and inputs is strengthened, although for presentational purposes, so as to satisfy different
constituencies, the line item and performance budgets will also continue to be shown separately in the budget document.

- The inclusion of performance indicators in budget proposals that enables quarterly performance reporting to the President and Congress and feedback into ensuing budget formulation based on identification of variances between actual and planned performance.

- The preparation and hosting on the DoFA website of a Citizen friendly budget that shows visually and in non-technical language where government resources come from and how they are allocated and spent, and what they are meant to achieve.

- The hosting quarterly on the DoFA website of progress reports on budget implementation and what the budget is achieving for taxpayers money.

- The basis for further PFM cooperation with the States Governments in rolling out similar procedural reforms to promote a greater uniformity of respective budget processes, while respecting local autonomy.

7.5  Updated Financial Management Regulations

7.5.1  Updating fiscal control and accountability procedures

The overall regulatory framework for the National and State Governments has been reviewed and substantially revised in order to be updated and complete in terms of the improvements made to the financial management system. The National Financial Management Regulations (FMR) have been harmonised with those of the State Governments. The FMR at National and State Governments relate to public finance processes and procedures necessary to provide an adequate degree of fiscal control and accountability over National and State Governments funds. National and State Governments FMR include both common and unique requirements that respect local autonomy. For example, accounting and control requirements are similar while procurement thresholds differ for each government.

The National Government is currently operating the new FMR. While the State Governments are in the process of FMR approval through their respective legislatures. This process is at different stages across the States and is expected to be completed by December 2023.

7.6  Improving public debt management

7.6.1  Maintaining consistency between financing and risk

In recent years the FSM has maintained a prudent external debt profile. The current external debt to gross domestic product (GDP) ratio is relatively low at 17.0 percent and the debt service to domestic revenue ratio is at a manageable rate of 4.0 percent. Notwithstanding, the World Bank and the Asian Development Bank currently rate FSM as high debt risk. This stance is because of the uncertainty when at the end of 2023 grant funding from the United States Compact will end and be replaced by investment income from the Compact Trust Fund, which is expected to result in a significant decline in funds.

The National Government is improving public debt management. Our objective is to continue to ensure that the FSM financing needs and payment obligations are that of the lowest possible cost with a prudent degree of risk. We will continue to strive towards a broad investor base with due regard to cost and risk and treatment of all investors equally.

Currently we are enhancing our framework to enable debt managers to identify and manage trade-offs between expected cost and risk to the public debt portfolio. This development is being supported by training in public debt management to the responsible officials. Furthermore the recent
improvements to public debt transparency will be maintained with the quarterly publication of the Debt Bulletin, which is hosted on the Department of Finance and Administration website.

7.7 Improving management of FSM Trust Fund

7.7.1 Integrating environmental social governance safeguards into investment strategies

A recent review of operations has led to the ongoing integration of environmental, social and governance (ESG) considerations into our investment strategies. Building in environmental safeguards to investment decisions helps evaluate environmental risk FSM is facing and how FSM is managing those risks. These considerations foster a better understanding of climate polices, energy use, waste, pollution, natural resource conservation. Investment appraisal and decision making is then better informed about how to harness environmental benefits and avoid environmental harm.

Equally important is to ensure that our investments promote socially conscious themes including communities focus, social justice and ethics. We continue to strive to ensure that governance of our investments is accurate and transparent using accepted accounting methods and supporting ethical supply chains.

We will continue not to invest in harmful pollutants and chemicals, but to invest in lower greenhouse gas emissions, renewable energy sources and reduction of waste. Furthermore, we are continuing to build the capacity of our investment staff and Board of Trustees to obtain Certificate in Fund Administration and enrolment in other relevant courses.

7.8 Simplifying drawdown procedures for Federal Grants

7.8.1 Ensuring quality accuracy and saving time

A recently completed review of the drawdown procedures for federal grants has resulted in a significantly more timely procedure. The time it takes to complete the drawdown process has been dramatically decreased from 2 weeks to 3 days through the use of simplification and elimination of manual procedures. It is anticipated that with the establishment of the FMIS this time will be further reduced.

The same approach has been taken with Compact Grants. The timeliness of payments related to Compact Grants has been significantly reduced using the Automated Standard Application of Payments (ASAP). The use of appropriate technology to improve timeliness, ensure quality and accuracy are objectives we continually strive to deliver. All procedures operated and maintained by the Department of Administration and Finance are regularly reviewed and based on users experience updated as required with these objectives in mind.

7.9 New municipal government payments system

7.9.1 Automated payments system

The National Government continues to provide support to the municipalities to strengthen their financial practises. This is provided in a number of ways, most recently the transfer of skills and technology to ensure timely and accurate processing of transactions. Municipalities are now operating a new automated payments system that allows printing of cheques, speeds up review, approval and making of payments.

In parallel the procedures governing transactions have been reviewed and updated to reflect the operations of the new payments system. Staff operating the system have also received commensurate training. Municipalities are now operating at a higher level of efficiency and
effectiveness. The Phase 1 Pohnpei rollout is set to be completed by September 2023. Phase 2 covering Kosrae by September 2024 and Phase 3 Chuuk by September 2026.

7.10 New Tax Initiatives

7.10.1 Mobilising revenues and promoting growth

The Tax Reform Commission, chaired by the Secretary of Finance and Administration, has extensively discussed and modelled proposed tax reforms to assess their respective impacts on the economy. Essentially tax reform is driven by the need to seize opportunities for inclusive growth and remove any impediments to foreign and domestic investment. At the same time domestic revenue mobilisation is being focused on an increase in sustainable local sources of funding. To this end the National Government intends to implement tax reform, using a phased approach, over the coming years. The tax reform would also involve consolidation of tax administration: The following is being considered and explored:

- A country-wide Value Added Tax (VAT), along with the corresponding removal of import duties and state sales taxes.
- A net profits tax (NPT), as a replacement for GRT on business income.
- An increase in NCD taxes (sin taxes on alcohol, tobacco, sugared drinks etc.).
- Explore feasibility of other revenue sources.

7.11 Strengthening Internal Compliance

7.11.1 Further capacity development

In recent years the internal compliance function has improved dramatically. Although, there is still room for improvement because on occasion internal controls are not adequately followed. Weak application of internal controls is the main weakness in financial operations. To this end, a key priority moving forward is further building the capacity of the internal compliance function.

8 COMMUNICATING THE ROADMAP

8.1 Stakeholder engagement

The Roadmap is communicated in a number of ways. These include, but are not restricted to:

- Press releases.
- Workshops.
- DoFA website.

The DoFA website will be regularly updated at least quarterly, but more often if there are events occurring related to Roadmap implementation.

9 MONITORING AND REPORTING THE ROADMAP

9.1 PFM Reform Roadmap Steering Committee

The existing PFM Steering Committee chaired by the Secretary of Finance and Administration will continue to provide leadership and overall management of Roadmap implementation. The Committee will meet quarterly to review progress and to address any issues related to Roadmap implementation.
9.1.1 Secretariat to the Committee

The Budget and Economic Management Division will act as the Secretariat to the Committee. In this capacity it will also be responsible for preparing quarterly progress reports on Roadmap implementation for review by the Committee and for hosting on the DoFA website suitably modified for the public. In addition, the Secretariat will also make recommendations for the consideration of the Committee pertaining to any issues affecting Roadmap implementation.

10 ACTION PLAN

The Action Plan summarises the activities to deliver the agreed actions and identifies the organisation responsible for implementation. The Due Date corresponds to the expected end delivery date meaning that work is ongoing and the activity is expected to be completed by that date.

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<td>1.1 Chart of Accounts finalised</td>
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<td>1.2 Budget Formulation module developed</td>
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<td>1.3 In-year budget reports published by National and State Governments</td>
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<td>1.4 Procedures manuals for the FMIS in use by National and State Governments</td>
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<td>1.6 Change management training for National and State Governments</td>
<td>NT</td>
<td>June 2023</td>
</tr>
<tr>
<td>1.7 PFM training programs relevant to FMIS needs identified and delivered</td>
<td>NT</td>
<td>June 2025</td>
</tr>
<tr>
<td>FMIS related human resources development</td>
<td></td>
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<tr>
<td>1.8 Competency framework developed for National and State Governments PFM roles</td>
<td>NT</td>
<td>December 2023</td>
</tr>
<tr>
<td>1.9 Divisional structures and position descriptions updated</td>
<td>NT</td>
<td>December 2024</td>
</tr>
<tr>
<td>2 Related revenue management system training</td>
<td></td>
<td></td>
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<tr>
<td>2.1 Technical training to all CTA staff</td>
<td>CTA</td>
<td>December 2023</td>
</tr>
<tr>
<td>2.2 Change management training provided senior CTA staff</td>
<td>CTA</td>
<td>December 2023</td>
</tr>
<tr>
<td>2.3 Audit and other tax administration training provided to CTA staff</td>
<td>CTA</td>
<td>December 2023</td>
</tr>
<tr>
<td>2.4 Competency framework developed for CTA staff</td>
<td>CTA</td>
<td>December 2023</td>
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<tr>
<td>2.5 CTA structure reshaped with new positions developed</td>
<td>CTA</td>
<td>December 2023</td>
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<tr>
<td>2.6 Taxpayers provided education on the new system</td>
<td>CTA</td>
<td>December 2023</td>
</tr>
</tbody>
</table>

New Revenue Management System
<p>| 2.7 | New Revenue Management System for the National Government goes live | CTA | April 2024 |
| 3   | Related AYSCUDA World training | CTA | December 2023 |
| 3.1 | Technical training provided to all Customs staff | CTA | December 2023 |
| 3.2 | Change management training provided to all CTA staff | CTA | December 2023 |
| 3.3 | CTA structure reshaped and new positions developed | CTA | December 2023 |
|     | <strong>AYSCUDA World Customs System</strong> |     |     |
| 3.4 | AYSCUDA World goes live in CTA Headquarters and four State Field Offices | CTA | December 2023 |
| 4.   | <strong>Standard Operational Budgetary Procedures</strong> |     |     |
| 4.1  | Preparation of Standard Operating Procedures | BEMD | February 2023 |
| 4.2  | Implementation of Standard Operating Procedures | BEMD | October 2023 |
|     | <strong>Related budget procedures capacity development</strong> |     |     |
| 4.3  | Capacity development plan implementation | BEMD | March 2024 |
| 5.   | <strong>Financial Management Regulations</strong> |     |     |
| 5.1  | Technical training provided to relevant National Government staff. | NT | December 2024 |
| 5.2  | State Governments legislatures approve updated financial management regulations | NT | December 2023 |
| 6    | <strong>Public Debt Management</strong> |     |     |
| 6.1  | Quarterly publication of Debt Bulletin | IIFD |     |
|     | <strong>Related public debt management training</strong> |     |     |
| 6.2  | Debt managers officials trained in public debt management | IIFD | October 2026 |
| 7    | <strong>Improving management of FSM Trust Fund</strong> |     |     |
| 7.1  | Preparation of new investment strategies incorporating environmental, social and governance (ESG) safeguards | IIFD | October 2026 |
| 7.2  | Training of staff and Board of Trustees to obtain Certificate of Trust Fund administration and other relevant courses | IIFD | October 2026 |
| 8.   | <strong>Streamlining drawdown procedures for federal grants</strong> |     |     |
| 8.1  | Review based on users experience to identify ways to simplify procedures | IIFD | February 2023 |
| 8.2  | Procedures simplified | IIFD | July 2023 |
| 9    | <strong>Assistance to State Governments and Municipalities</strong> |     |     |
| 9.1  | Phased rollout of municipal automated payments system=Phase 1 Pohnpei | NT | September 2023 |</p>
<table>
<thead>
<tr>
<th>9.2</th>
<th>Phased rollout of municipal automated payments system=Phase 2 Kosrae</th>
<th>NT</th>
<th>September 2024</th>
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<tbody>
<tr>
<td>9.3</td>
<td>Phased rollout of municipal automated payments system=Phase 3 Chuuk</td>
<td>NT</td>
<td>September 2026</td>
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<tr>
<td>9.4</td>
<td>Conduct awareness workshop on the new Compact Fiscal Procedures Agreement when available</td>
<td>DoFA</td>
<td>September 2026</td>
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<td>9.5</td>
<td>Implement tailored continuous capacity development specific to Compact Funds control and disbursement</td>
<td>DoFA</td>
<td>September 2026</td>
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<tr>
<td>9.6</td>
<td>Provide assistance to the State Governments on financing options for States specific policies and initiatives</td>
<td>DoFA</td>
<td>September 2026</td>
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<tr>
<td><strong>10</strong></td>
<td><strong>Tax Initiatives</strong></td>
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<tr>
<td>10.1</td>
<td>Phased introduction of tax reforms with country-wide VAT, Net Profits Tax, “sin taxes” on alcohol, tobacco, sugared drinks being considered</td>
<td>TRC</td>
<td>September 2026</td>
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<tr>
<td>10.2</td>
<td>Explore feasibility of other revenue sources</td>
<td>TRC</td>
<td>September 2026</td>
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<td><strong>11</strong></td>
<td><strong>Internal Compliance</strong></td>
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<tr>
<td>11.1</td>
<td>Continuous capacity development</td>
<td>NT</td>
<td>September 2026</td>
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