# PROJECT PROCUREMENT STRATEGY FOR DEVELOPMENT (PPSD)

## FSM Strengthening Public Financial Management II (P181237)

Public Disclosure Authorized

November 2024

## Abbreviations

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|---|---|
| **CIU** | Central Implementation Unit |
| **COFA** | Compact of Free Association |
| **DOFA** | Department of Finance and Administration |
| **ESG** | Environmental, Social, and Governance |
| **FMIS** | Financial Management Information System |
| **FSM** | Federated States of Micronesia |
| **GRS** | Grievance Redress Service |
| **IDA** | International Development Association |
| **IWG** | Intergovernmental Working Group |
| **MTFF** | Medium-Term Fiscal Framework |
| **PDO** | Project Development Objective |
| **PFM** | Public Financial Management |
| **PIU** | Project Implementation Unit |
| **POM** | Project Operations Manual |
| **PPSD** | Project Procurement Strategy for Development |
| **PSC** | Project Steering Committee |
| **RPF** | Regional Partnership Framework |
| **SDGs** | Sustainable Development Goals |
| **UNDB** | United Nations Development Business |
| **US GASB** | United States Governmental Accounting Standards Board |
| **WB** | World Bank |

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# 1. Project Overview

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### a. Project Description

The project will support a strengthened legislative framework, guidelines, and procedures over public finance at the National level, the expansion of core Financial Management Information Systems, and improvements in systems and processes around budget formulation and execution, procurement, treasury functions, internal controls and financial reporting. This will include building human resource capacity and strengthening technical competencies in DoFA. The project will contribute to strengthening the government's capacity to manage public resources effectively, increase transparency and strengthen budget proceses, comprehensiveness and classification.

The project design is aligned with government priorities to focus on continued capacity strengthening and modernization of core public finance systems to maximize utilization, improve transparency, and integrate environmental and social considerations into financial planning and decision-making processes. The project will be processed as an Investment Project Financing operation funded with an IDA20 grant over five years.

## b. Project IPF Components

The proposed PFM II project consists of the following four components:

- **Component 1:** Enhanced PFM Framework, processes, and controls
- **Component 2:** Expand Core Financial Management Information Systems
- **Component 3:** Enhance Human Resource Capacity, Communications and Change Management
- **Component 4:** Project Management.

**Component 1: Improved Fiscal Management Practices and Controls ($4,625,000).** This component will support the improvement of practices to carry out budgeting, financial reporting, internal audit (IA) and procurement within DOFA. The activities are designed to address the weaknesses noted in budget quality, financial reporting and procurement, and introduce related internal controls, which will have the greatest impact on improving fiscal management practices in these areas. The component will support the review, development or update of procedures and templates for fiscal management related to these areas and provide on-the-job learning to support their implementation. It will also provide technical assistance for a legislative review to identify revisions which may be necessary to support envisioned reforms.

Sub-component 1.1: Strengthening budgeting and reporting practices ($3,195,000). The objective of this sub-component is to: i) improve classification and comprehensiveness of the budget; ii) establish in-house financial reporting capability to produce annual consolidated financial reports, and iii) upskill and transform the existing internal compliance unit to carry out an internal audit function, thereby enhancing internal controls. To support achievement of these objectives, activities will include: i) technical assistance to review the public financial management legislative framework and preparation of draft updated legislation, as needed; ii) reviewing and updating guidelines, procedures, and templates to improve the quality of budget documentation, and preparation of annual consolidated financial statements; iii) preparation of an internal audit mandate, charter, risk-based methodology, audit plan, audit manual, programs, and reports; iv) on-the-job training to support implementation of these activities; and v) internal government consultations and awareness activities to inform and roll out changes to manuals and procedures. A review of the Budget Procedures Act 1981 and national government FMR will be completed to identify revisions necessary to support envisioned reform areas. The FMR review will be conducted with a view toward simplification, such as moving procedural information to subsidiary guidelines and procedures. The review will also support DOFA in considering whether establishment of a revised Procurement Code and Regulations is warranted. These activities will be supported by an external consultancy, equipment and advisors who will also facilitate on-the-job learning of local staff and consultants in close coordination with the human resource development activities and formal training under Component 3.

26. Sub-component 1.2: Strengthening procurement practices ($1,430,000). The objective of this sub-component is to strengthen procurement practices and transparency. To support achievement of the objective, activities will include: i) technical assistance to review the procurement framework and support preparation

of draft procurement legislation and/or regulations as needed, and a procurement procedures manual for carrying out procurement in national government; ii) advisory support and on-the-job training to strengthen procurement processes and provide guidance on applying value for money and sustainability principles, annual procurement planning and reporting; and iii) support for transitioning from a manual system to automated procurement processing through the implementation and rollout of an online tendering portal under Component 2.2. These activities will be supported by external consultancies and advisors who will also facilitate the reforms and provide on-the-job learning of local staff and consultants in close coordination with the human resource development activities and formal training under Component 3.

**Component 2: Expanded Core Financial Management Information Systems ($4,325,000).** This component will support increased efficiency and automation of public finance processes through the expanded use of the FMIS implemented under PFM I to additional government Departments and agencies. Activities will also focus on expanding automation of procurement, internal audit and other selected public finance areas, thereby improving overall operational efficiency, transparency, and timeliness in managing public resources.

Sub-component 2.1: Continued rollout of core public finance system ($3,225,405). The objective of this sub-component is to support the continued use and rollout of the FMIS installed under PFM I to additional Departments and agencies. The FMIS strategy and system leverage a cloud based and local disaster recovery solution designed to recover and protect financial data, ensure the continuity of financial operations, and support the rapid resumption of services after a climate-related event. This is crucial to mitigate risks associated with FSM’s significant vulnerability to natural disasters and climate change and manage and disburse funds effectively during recovery efforts and implementing climate adaptation measures. The FMIS additionally provides for electronic document management to digitally secure data and documents, thereby securing data in the event of a climate disaster, as well as decreasing the use and waste of paper. To support achievement of the objective, activities will include: i) FMIS training to line Departments and agencies; ii) recurrent costs for FMIS licenses, hosting and cloud services, beyond the current contract, i.e. in the last two years of the project; iii) procurement of hardware and telecommunication costs - this will include purchase of equipment such as scanners, laptops, etc. needed for the FMIS rollout to line Departments and agencies; iv) support for the continued rollout of the FMIS to line Departments and agencies, liaising with the FMIS vendor as needed, through an FMIS Advisor; and v) support to GoFSM on IT matters related to the FMIS through an IT Advisor. It also includes ensuring redundancy is built into the design of the ICT infrastructure and is envisioned to leverage the new telecommunications infrastructure under development in the country to provide disaster recovery solutions.

Sub-component 2.2: Expand public finance systems ($1,099,595). The objective of this sub-component is to support further digitization of public finance systems to include platforms supporting procurement and internal audit. To support achievement of the objective, activities will include: i) a needs assessment, to define the scope and functional and technical requirements of PFM processes to be digitized, beyond what is already included in the scope of the FMIS and the current contract with the vendor; ii) procurement and implementation of an online tendering portal, which would allow the government to advertise and receive tenders online; and iii) procurement and implementation of an internal audit platform. Specifications for off-the-shelf standalone systems or customizable modules will be developed based on functional and technical needs. The subcomponent will also support leveraging the use of data captured in the FMIS to support budgeting and transparency initiatives identified in Components 1 and 3.

**Component 3: Enhanced Human Resource Capacity, Communications and Change Management ($2,300,000)**. This component aims to build on the initiatives to strengthen human resource capacity, foster communications and carry out change management established under PFM I by continuing competency development activities, engaging in continued internal and external communications, and carrying out in citizen engagement activities. The component will support capacity building for core PFM functions and processes within DOFA, continue change management and transparency initiatives and increase citizen engagement in the budget cycle.

Sub-component 3.1: Enhance Human Resource Capacity for Public Finance ($1,630,000). The objective of this sub-component is to strengthen human resource capacity for public finance. To support achievement of the objective, activities will include: i) delivery of training programs established under PFM I and additional targeted certification programs in key areas (US GASB, Procurement, IA13, Budgeting); ii) establishment of training partnerships to support the development of competencies; and iii) support establishment of an accreditation function to provide oversight of a recognized certification framework. The project will support formal recognition of certifications, including within the remuneration framework of DOFA. A partnership will be established with the College of Micronesia, Career and Technical Education Center and National Public Auditor to support the establishment of the Accounting Technician program currently under development. The accreditation programs will target a gender balanced delivery to provide equal opportunities to increase competencies in targeted areas. Formal training will be complemented by on-the-job learning under Component 1 to maximize learning outcomes.

Sub-component 3.2: Change Management, Communications and Citizen Engagement ($670,000). The objectives of this sub-component are to: (i) support the management of change associated with reforms under the project and (ii) increase access to key fiscal documents and procurement and improve public finance awareness of citizens. To support achievement of the objective, activities will include: i) updating the Gender Informed Change Management and Communications Strategy and developing a Transparency and Citizen Engagement Strategy, with special provisions for targeting female citizens; ii) enhancements to the DOFA website to facilitate publication of fiscal documents and responses to citizen feedback; and iii) support for DOFA to conduct citizen engagement activities on PFM, including the development of media content in local languages where appropriate and public awareness campaigns to help citizens, civil society and the media to better understand public finance and the role of DOFA. The project will support the preparation and publishing of reports summarizing feedback from citizens and responses/actions taken. The sub-component will also support the management of change associated with the reform and improve reform awareness of internal and external stakeholders. These activities will be supported by an advisor who will support DOFA in drafting strategies and during implementation.

**Component 4: Project** Management ($1,750,000). The objective of this component is to support overall project management and coordination. The implementation agency for the project will be DOFA. The project implementation arrangements envisage a Project Implementation Unit (PIU) to support DOFA in daily activities. The PIU will include a project manager and a project officer. The project will finance the required office equipment and IT facilities at DOFA to enable and facilitate implementation. Specifically, the project will fund the purchase of computers, printers, and other required equipment and office furniture related to project management. It will also finance external audit fees for the project, as needed.

# 2. Overview of Country, Borrower and Marketplace

## a. Operational Context (Political, Economic, Sustainability, Technology)

The Federated States of Micronesia (FSM) is formed of four states: Yap, Chuuk, Pohnpei and Kosrae, over 607 islands of which 74 are inhabited. Many of the islands are extinct volcanic shields with elevations up to about 760 meters (m) and dense vegetation interiors, but some islands are “flat, small and swampy, with low-lying forested atoll islands, typically one to five meters above mean sea level flat”. The total land area is only 702 square kilometers ($km^2$) but there is 2,700 km between islands in the western-most state of Yap and islands in the eastern-most state of Kosrae.

The climate in FSM varies considerably from year to year due to the El Niño-Southern Oscillation (ENSO). Climate change impacts all aspects of life in FSM; therefore, strengthening resiliency to climate change through mitigation and adaptation strategies is critical for improving living standards in FSM and has brought climate adaptation and mitigation policies to the forefront of its Strategic Development Plan (2004-2023) and the Climate Change Act 2013.

**Political Aspects.** The FSM is a small island developing state that relies heavily on external assistance. The country maintains a close relationship with the United States (US) through a Compact of Free Association (“Compact”). Under the terms of the Compact, FSM receives yearly financial transfers, which is a source of revenue to the government. Compact of Free Association (COFA), provides grants and other benefits to the FSM. The Compact funds account for a large share of the FSM's public expenditure, including procurement of goods and services.

**Economic Aspects.** The FSM is reported to have the highest estimated rates of poverty among the nine small remote islands (PIC9) covered in the Regional Partnership Framework (RPF) for FY17 to FY21. Heavy concentration on the fishing sector coupled with import dependency exposes the country to global economic shocks and price spikes, as well as climate shocks. The country has limited resources and infrastructure, which can create challenges for procurement. Limited resources can impact the quality and quantity of goods and services available for procurement and can also limit the ability of the government to manage procurement processes effectively.

**Sustainability Aspects.** FSM is highly vulnerable to the impacts of climate change, such as sea level rise, coastal erosion, coral bleaching, droughts, and storms. These impacts may affect the availability and quality of goods and services procured by the FSM government and its partners, as well as the resilience and adaptation of the local communities and ecosystems. The FSM is also dependent on imported goods and services, especially fossil fuels, food, and machinery, which account for a large share of its greenhouse gas emissions and trade deficit. The FSM is committed to implementing the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs), which provide a comprehensive framework for addressing the economic, social, and environmental dimensions of sustainability. The FSM government and its partners may align their procurement policies and practices with the SDGs and their targets, such as poverty reduction, gender equality, health and education, biodiversity conservation, and climate action.

The FSM is also a signatory to various regional and international agreements and initiatives that promote sustainable procurement, such as the Pacific Islands Forum Leaders Declaration on Climate Change Action (2019), the Micronesia Challenge (2006), the Pacific Green Business Centre (2017), and the Sustainable Procurement Guide for Pacific Island Countries (2023). These agreements and initiatives provide guidance and support for the FSM government and its partners to adopt sustainable procurement principles and standards, such as life cycle thinking, stakeholder engagement, transparency and accountability, value for money, and innovation.

**Technological Aspects.** FSM faces significant challenges related to its small size, remoteness, geographical dispersion and environmental fragility. Digital technologies play a key role in connecting people across vast distances, to help create new income-generating opportunities, and to give access to education, markets and health services to remote populations. However, access to high-speed Internet is still limited and costly for individuals and businesses in FSM. Fixed broadband access remains relatively low at around 24 percent of the households—relying on old, expensive and difficult to maintain copper networks. The mobile broadband penetration rate is approximately 0 percent of the population. 3G services have been deployed in all four States and three LTE base stations have been installed in the main town on Pohnpei. The low penetration rates of FSM digital services are due to a combination of both relatively poor performance of the existing infrastructures, unavailability of quality services and high prices.

A key challenge will be to attract project consultants, which allows for build-up of technical and operational knowledge and continuity of services throughout the project lifetime. To address this issue, the project will retain the newly selected PIU staff. In addition, the project preparation is being supported by the Central Implementation Unit.

## Key Conclusions

The Federated States of Micronesia (FSM), spanning four states and 607 islands, has diverse topography and a vulnerable climate impacted by El Niño-Southern Oscillation (ENSO) and climate change. This necessitates strong climate resilience strategies. FSM relies significantly on external assistance, maintaining close ties with the United States through the Compact of Free Association. This agreement provides substantial financial support, which is crucial for the country's public expenditure, including procurement.

FSM faces high poverty rates among small remote islands, with heavy dependence on the fishing sector and imports. This economic structure makes the country susceptible to global economic and climate shocks, presenting challenges in procurement due to limited resources and infrastructure.

FSM is highly vulnerable to climate change, impacting the availability and quality of procured goods and services, and necessitating resilience and adaptation strategies. The nation is committed to the 2030 Agenda for Sustainable Development and aligns its procurement policies with the Sustainable Development Goals (SDGs). FSM is also engaged in various regional and international sustainability initiatives, which guide the adoption of sustainable procurement principles and standards.

FSM faces challenges due to its remoteness and fragile environment, with limited access to high-speed internet and digital services. Improving digital infrastructure is key for connectivity, education, and economic opportunities. The project builds on previous successes and focuses on retaining experienced staff and supporting them through the Central Implementation Unit to address these challenges.

### b. Client Capability and PIU Assessment

**The project implementing agency, DOFA, has broad experience implementing donor-funded projects and engaging with donor partners.** DOFA is the implementing agency for PFM I and has satisfactorily carried out project management to navigate critical legislative, technical, and procurement hurdles. DOFA will be the implementing agency for the Project and will coordinate efforts with State governments and other stakeholders. However, DOFA faces high staff turnover and has limited absorptive capacity required to implement and coordinate the project effectively.

**To address the implementing agency capacity gap, DOFA will be supported by a Project Implementation Unit (PIU).** The PIU will include a project manager and a project officer to support project implementation, including coordination with relevant national and state government institutions. Procurement and financial management officer positions will be added to the PIU during implementation. The PIU will oversee the day-to-day implementation, monitoring, and reporting of project activities, carrying out financial management and procurement of goods and consultancies with support from the Central Implementation Unit (CIU), and monitoring and reporting on results achieved by activities financed under the project. DOFA will prepare a Project Operations Manual (POM) which will set out the institutional and implementation arrangements for day-to-day project execution.

**A Project Steering Committee (PSC) and Intergovernmental Working Group (IWG) will also be maintained to enhance project coordination and oversee project implementation and results**. The PSC will support project implementation by making key decisions on strategic direction of the project and its component activities. Details on PSC membership, frequency of regular meetings, mechanisms for quorum and delegation, specific tasks, decision-making mechanisms, and reporting flows will be elaborated in the POM. The PSC will be chaired by the Secretary of Finance & Administration and include the directors, or their representatives, of each of the State Finance Offices. The PSC would include as required a technical team to deliberate on the project technical aspects and provide recommendations for PSC decision.**The Central Implementation Unit (CIU) will provide centralized support services to the project.** The CIU at FSM is a unit within DOFA that provides support to implementing agencies in the preparation, implementation, and reporting of donor-financed projects. The CIU was established in 2017 under the Investment Finance Unit in DOFA, with the objective of strengthening financial management and coordination of projects funded by development partners, such as the World Bank and the Asian Development Bank. The CIU consists of a program manager, a procurement specialist, a financial management specialist, a safeguards specialist, and other support staff. The CIU will support the PIU in undertaking procurement activities. Based on the above considerations the project will not need hands-on expanded implementation support. This arrangement may be revisited during implementation review missions in case such support may in fact be assessed as needed by the PIU.

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**Governance arrangements.** DOFA will be the implementing agency for the Project and will be responsible for reporting to WB. The national procurement system is governed by the Financial Management Regulations (FMR), which were issued by the Department of Finance and Administration (DOFA) in May 2021. The FMR provides the general rules and guidelines for the procurement of goods, works, and services by the national government agencies and entities. In accordance with paragraph 5.3 of the World Bank's Procurement Regulations, 4th Edition, dated September 2023, when approaching the national market (as specified in the Procurement Plan tables in STEP), the country's own procurement procedures may be used subject to paragraph 5.4 of the WB's Procurement Regulations and certain conditions that shall be described in the Textual Part of the Procurement Plan.

**Previous experience on similar projects.** DOFA has extensive knowledge with WB policies and procedures having successfully implemented FSM PFM I. The FSM PFM I consisted of a Project Manager, Project Officer and State Focal Points. DOFA also has a CIU staffed with Specialist Consultants in the area of Procurement, Finance, Communication, Environmental &Social and Monitoring & Evaluation. Others at CIU are the National Officers in the same areas of expertise supporting WB portfolio in the country. The PIU will be responsible for the day-to-day management of the project, including FM, procurement, consolidation of workplan and budgets, financial audit, and M&E and learning. When required, individual consultants with specific specialized skillsets and preferably familiar with WB operations will be recruited to provide support to the PIU. In addition, the CIU will provide support to the PIU.

The PIU will operate based on a Project Implementation Manual (PIM) approved by the World Bank. The POM will describe the project accountability and decision-making (ADM) and service standards for procurement. Details of the roles, responsibilities, and composition of the key actors in procurement shall be defined in detail in the POM. The POM will be updated as necessary. It will include an indicative implementation plan guiding the sequence of project activities and investments, with a level of detail to ensure that there are no capacity bottlenecks. The POM will include details on institutional and implementation responsibilities, technical aspects of all components and activities, implementation guidance related to measuring results, M&E, financing and financial management (FM) aspects, supervision and reporting provisions, applicable to procurement Regulations and plans, and access to information and governance provisions related to the project.

**WB Procurement Regulations.** General Conditions for IDA Financing IPF dated July 14, 2017, Section 5.13 states that "All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in the Procurement Regulations and the provisions of the Procurement Plan". Procurement will be carried out in accordance with the World Bank Procurement Regulations, 5th Edition, September 2023. DOFA shall also refer to the World Bank's Pacific Procurement Guidance, March 2023 which provides a flexible and simplified approach to implementing procurement activities, taking into account unique regional and local circumstances in the Pacific. The Project Officer based at the PIU will provide key support especially during project start-up and as the various procurement activities progress. All procurement transactions will be tracked through STEP[1].

**Procurement capacity and mitigation measures.** A procurement risk assessment has been carried out. The overall procurement risk rating has been assessed as substantial and may be updated from time to time. Specific risk mitigation measures are enumerated in Section 3: Procurement Risk Analysis of this PPSD.

**Complaints Management and Dispute Resolution System.** Communities and individuals who believe that they are adversely affected by a WB-supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). There is also a specific procurement-related complaints system already applicable to all World Bank funded projects, as detailed in Annex 3 of Procurement Regulations. This Annex details the procedures for administration and handling of procurement-related complaints arising in connection with contracts where Standard Procurement Documents (SPD) are required to be used. Contracts where the DOFA shall use SPDs shall be specified in the Procurement Plan for the project.

**Key Conclusions**

The Department of Finance and Administration (DOFA) has extensive experience with donor-funded projects but faces challenges due to high staff turnover and limited absorptive capacity. To address these challenges, a Project Implementation Unit (PIU) will be established, including project managers, officers, and part-time specialists to support coordination and execution.

A Project Steering Committee (PSC) and Intergovernmental Working Group (IWG) will enhance coordination and oversee project implementation and results. The PSC, chaired by the Secretary of Finance & Administration, will make strategic decisions and ensure effective collaboration between state finance offices and other stakeholders.

DOFA, as the implementing agency for the project, will follow the Financial Management Regulations (FMR) issued in May 2021, and adhere to the World Bank's Procurement Regulations for national market procurement approaches per paragraph 5.4. The PIU will operate based on a Project Operations Manual (POM) approved by the World Bank, ensuring detailed roles, responsibilities, and implementation plans are in place to avoid capacity bottlenecks. DOFA has successfully implemented FSM PFM I, demonstrating extensive knowledge of World Bank policies and procedures.

### c. Market analysis and research

#### 1. Market Sector Dynamics

[1] Systematic Tracking of Exchanges in Procurement (STEP) is an online system that helps the World Bank and Borrowers plan, record, and track key stages of the procurement process under Investment Project Financing (IPF) projects. It is designed to help Borrowers achieve value for money in procurement by transforming data into knowledge, speeding up the procurement process, and improving accountability and transparency.

**Consultant Services:** There is limited local market for some of the types of consultancy assignments envisaged under the project. Specialized assignments shall tap into the international market for high-level qualifications that may be difficult to find in the local market.

The latter positions will be advertised internationally through UNDB Online or its replacement), where postings for individual consultants are picked up and reposted in other publications like Devex. Additionally, for individual technical positions that do not fall clearly within such membership profiles, the PIU/CIU may post opportunities to LinkedIn and other relevant websites within the Region.

A limited pool of national consultants (individuals) is developing in areas of financial management, procurement, environmental and social safeguards, local government program planning and coordination, and administrative support. On the other hand, high level specialists for the conduct of specialized technical assistance would at this stage still benefit from international expertise.

The project will require the services of consulting firms requiring highly technical services. All these assignments are expected to tap into the international market (international firms may enter sub-consultancy association with local firms) due to the limited number of suitably qualified local firms to undertake such tasks.

**Goods:** The supply of some specialized goods shall be procured by the PIU on the international market such as Hardware & Telecommunication, eProcurement and License, hosting and cloud services - recurrent cost. Planning for procurement of goods should carefully consider the timing of delivery, as some items could take long delivery period due to importation and given the logistics and transport constraints.

**Non-Consulting Services:** Some non-consulting services are planned to be procured during the life of the project. These services are expected to tap both the National and International market.

## 2. Financial

It will be necessary to ensure that suppliers, service providers and consultants are paid on time. The PIU can further improve its contract management system to ensure processes are in place to anticipate and expedite contract payments in a timely manner. Since mobilizing the FSM may be particularly costly and unattractive for the international market, realistic payment terms should be specified in the procurement documents to encourage participation.

## 3. Procurement Trends

Procurement trends in the FSM have been influenced by the need to enhance transparency and address weak competition in the market. More government officials have undergone training to improve their oversight of procurement processes, ensuring compliance with documentation and competitive pricing. The FSM economy, largely reliant on US assistance, has faced challenges such as low entrepreneurship and underdeveloped tourism, which could impact procurement trends moving forward.

Contracts to be funded under FSM PFM II that are strategic and critical (relatively high value and high risk) that may require further detailed market analysis are as follows:

| Procurement Activity | Estimated Cost (US$) | Remarks |
|---|---|---|
| Technical Advisor Support to Budget Division | $ 1.0m | |
| US GASB Advisor | $ 1.0m | |
| Internal Audit - Advisor | $ 0.63m | |
| License, hosting and cloud services - recurrent cost | $ 1.1m | |
| Hardware & Telecommunication Equipment | $ 0.55m | |
| Procurement – Data and Spend Analysis | $ 0.7m | |

**Contract Management Plan.** For strategic critical contracts identified above, the DOFA through the PIU shall develop a Contract Management Plan for each identified key contract with key performance indicators and milestone events. The PIU shall monitor the performance and progress of contracts, in accordance with the Contract Management Plan, and provide timely reports to the Bank. The Bank may use the information gathered to benchmark performance. For details see Annex XI, Contract Management of the Procurement Regulations.

**Key Conclusions**

The local market for consultancy assignments is limited, necessitating international recruitment for specialized roles. Platforms such as UNDB Online and LinkedIn will be used to advertise positions. A developing pool of national consultants exists, but high-level technical expertise will still require international consultants. Consulting firms will also be sourced internationally due to a shortage of qualified local firms. Specialized goods and non-consulting services will be procured internationally, with careful planning for delivery due to logistical constraints.

Ensuring timely payments to suppliers, service providers, and consultants is critical. The PIU will enhance its contract management system to expedite payments. Realistic payment terms in procurement documents will encourage participation, especially considering the high cost and logistical challenges of mobilizing resources in FSM.

These conclusions underscore the importance of leveraging international expertise, improving financial management, and enhancing transparency to address FSM’s unique procurement challenges.

### d. Market research

**Procurement Training and Advisory Services:** The following firms have been identified as being able to provide procurement training and advisory services.

- **Chartered Institute of Procurement & Supply. (CIPS) NZ/Australia** - CIPS Australia offers a range of procurement advisory services designed to help organizations optimize their procurement processes and achieve better outcomes.
  https://www.cips.org/regional/australia-new-zealand

- **The University of the South Pacific (USP)** - The University of the South Pacific offers a Procurement and Supply program through its Pacific Technical and Further Education (Pacific TAFE). This program is nationally accredited on the Fiji Qualifications Framework (FQF) by the Higher Education Commission Fiji (HECF) and is also registered on the Pacific Register of Qualifications and Standards (PRQS).

  https://www.usp.ac.fj/pacific-tafe/procurement-and-supply/

- **McKinsey & Company** - McKinsey & Company offers a range of procurement services designed to help organizations optimize their procurement processes.

  https://www.mckinsey.com/

- **ARC Blue -** A leading consulting, training, and analytics firm specializing in procurement and supply chain. They support organizations in achieving more efficiency, value, insight, savings, social impact, sustainability, influence, and flexibility through procurement

  https://arcblue.com/

- **Deloitte** - Deloitte offers a comprehensive range of procurement advisory services designed to help organizations optimize their procurement processes and achieve better financial outcomes.

  https://www.deloitte.com/au/en.html

- **Proxima** – Proxima, part of Bain & Company[2], is a global procurement and supply chain consultancy that is part of the Bain procurement ecosystem. They offer a range of services designed to help organizations optimize their procurement processes and achieve better financial outcomes.

  https://proximagroup.com/

- **Amplify Procurement** - Amplify Procurement offers a range of advisory services designed to help organizations optimize their procurement processes. Their services are aimed at embedding agility, technology, and innovation into procurement processes to help organizations navigate the complexities of modern supply chains.

  https://www.amplifyprocurement.com.au/

**e-Procurement Systems:** The following firms have been identified as providers of eProcurement systems that link to public financial management systems.

- **Freebalance** – FreeBalance's eProcureNet system is part of their Public Expenditure Management (PEM) modules within the FreeBalance Accountability Suite. It is designed to improve transparency, efficiency, and effectiveness in public procurement, especially for emerging economies and developing countries.

  Key features include:

  - **Electronic Procurement (eProcurement):** Streamlining procurement processes to ensure they are transparent and represent value-for-money.
  - **Integration with Financial Systems:** Ensuring seamless integration with other financial systems for better control and accountability.

[2] https://www.bain.com/about/media-center/press-releases/2022/bain-acquires-proxima/

- **Compliance and Control:** Enforcing budgets as law and maintaining commitment controls throughout the procurement process.

The system helps governments achieve better economic outcomes by making public spending more efficient and transparent.

Website: https://freebalance.com/en/

- **Procurify:** Is a cloud-based eProcurement and spend management platform designed to streamline procurement processes and provide real-time visibility into spending. Known for its flexibility, Procurify can integrate with various financial systems to streamline procurement processes.
  - **Automated Approval Flows:** Streamlines the approval process for purchase orders and expenses.
  - **Real-Time Budget Tracking:** Provides visibility into budgets, helping organizations make informed spending decisions.
  - **Mobile App:** Allows users to manage procurement activities on the go.
  - **Standardized Workflows:** Creates scalable workflows to save time and promote budget discipline.
  - **Spend Visibility:** Tracks spending across locations, departments, and account codes.
  - **Supplier Management:** Facilitates better supplier relationships and performance tracking.

  Website: https://www.procurify.com/?x=1

- **Precoro:** Is a cloud-based procurement and spend management platform designed to streamline purchasing processes and improve financial control for small and midsize businesses. It offers integration capabilities with financial systems to ensure seamless procurement and financial management.

  Key Features include:
  - **Automated Approval Workflows:** Streamlines the approval process for purchase requisitions, purchase orders, and invoices.
  - **Real-Time Tracking:** Provides visibility into the status of requests and orders, ensuring timely approvals and processing.
  - **Customizable Requests:** Allows users to create various types of requests, including purchase requisitions, invoices, and vendor requests.
  - **Integration Capabilities:** Seamlessly integrates with other financial systems and tools to enhance procurement efficiency.
  - **User-Friendly Interface:** Offers an intuitive and easy-to-use interface, making it accessible for all team members.
  - **Reporting and Analytics:** Provides detailed reports and analytics to help organizations make data-driven decisions.

  Website: https://precoro.com/

- **Airbase:** Is a comprehensive procure-to-pay (P2P) solution designed to streamline procurement processes and provide real-time visibility into spending. It provides robust integration options with financial systems to enhance procurement efficiency and transparency.

  - **Guided Procurement:** Automates the intake process with a guided buying process that eliminates confusion for employees.
  - **Accounts Payable Automation:** Streamlines accounts payable processes to improve efficiency and reduce errors.
  - **Expense Management:** Manages employee expenses with automated workflows/approvals.
  - **Corporate Cards:** Integrates corporate card management to provide better control.
  - **Integration Capabilities:** Seamlessly integrates with other business systems like Jira, Docusign, Ironclad, and more.
  - **Real-Time Visibility**: Provides real-time visibility and control over procure-to-pay processes.

  Website: https://www.airbase.com/

- **Teampay:** Is an all-in-one purchasing platform designed to automate procurement processes while maintaining control and visibility for finance teams. It integrates with financial systems to manage procurement and expenses effectively.
  - **Automated Workflows:** Streamlines the approval process for purchase requests and expenses, ensuring timely approvals.
  - **Real-Time Visibility:** Provides real-time visibility into spending and procurement activities, helping finance teams maintain control.
  - **Corporate Card Management:** Integrates corporate card management to provide better control over spending.
  - **Policy Enforcement:** Automates policy enforcement, directing employees to preferred vendors and ensuring compliance before purchases are made.
  - **Vendor Management:** Offers accessible, user-friendly analytics to optimize costs across your vendor portfolio.
  - **Integration Capabilities:** Seamlessly integrates with accounting systems and other tools.

  Website: https://www.teampay.com

- **Wolters Kluwer**: Is a global leader in providing professional information, software solutions, and services across various sectors, including health, tax & accounting, corporate performance & ESG, financial corporate compliance, and legal & regulatory.
  - **Government Contracting**: Wolters Kluwer offers solutions for government contracting through electronic procurement, including e-commerce websites and Electronic Data Interchange (EDI).
  - **Compliance**: Their solutions help businesses comply with electronic procurement requirements, which are essential for doing business with the government.
  - **Integration**: The eProcurement solutions are designed to integrate seamlessly with existing systems, ensuring a smooth transition and efficient procurement processes.

  Website: https://www.wolterskluwer.com/en

- **<u>ProcurementExpress:</u>** Is a cloud-based purchase order management software designed to simplify and automate the procurement process for small and medium-sized businesses (SMBs)..
    - **Purchase Order Management**: Allows users to create, manage, and track purchase orders.
    - **Adaptable Approvals**: Customizes approval workflows to match your business hierarchy, ensuring the right people are always in control.
    - **Custom Fields**: Adds unique custom fields to meet the specific needs of your business.
    - **Invoice Scan & Match**: Uses OCR technology to match invoices to purchase orders, streamlining approvals and accounts payable processes.
    - **Batch Payments**: Executes batch payments to streamline financial operations and secure top FX rates.
    - **Punchout Chrome Add-on**: Integrates with online stores to turn online shopping carts into draft purchase orders, making online purchasing easier.
    - **Mobile App**: Provides a high-performance mobile app for users on the go or working from remote locations.

Website: https://www.procurementexpress.com/

# 3. Procurement Risk Analysis

Procurement risk analysis has been undertaken based on the assessment described above in Section 2 to identify and minimize the likelihood of a risk occurring and minimize the impact to the project. The major risks have been identified and summarized as follows, along with the recommended mitigation actions and allocation of the risk to an owner.

| Risks | Risk Rating | Risk Owner | Mitigation | Timeline |
|---|---|---|---|---|
| **The geographical isolation and remoteness of the FSM, which may fail to attract Suppliers/Consultants** | S | Shared risk between DOFA (Client) and the suppliers/consultants (market) | - Technical expert is required to review estimated cost based on the market rates.<br>- Careful procurement planning that anticipates logistics constraints affecting sourcing of goods and services, delivery, cost and monitoring.<br>- Adopt a proactive approach and ensure that when opportunities are advertised, DOFA will also communicate directly with well-known Suppliers/Consultants<br>- Pre-bidding meetings and market outreach events, to widely disseminate opportunities. | During each preparation of procurement activity and during bid/proposal evaluation. |
| **The limited capacity and skills of implementing especially in the areas of procurement planning, contract management, reporting, and auditing.** | S | PIU / CIU | - CIU to take on key supporting role in procurement as needed by PIU<br>- Ensure Project Manager and PIU Project Officer attend World Bank PD Academy[3] to ensure awareness of Bank's Procurement Framework<br>- Use Operations Manual to document procurement accountability and decision-making (ADM)<br>- Hire competent personnel and ensure competent market rates are offered to PIU staff | Training courses early on during project startup, and refresher courses periodically thereafter. |
| **Limited capacity of local consulting market and limited attractiveness of consulting opportunities may cause delays.** | S | Shared risk between DOFA and the service providers | - Adopt a proactive approach and ensure that when EOIs are advertised they also communicate directly with well-known firms/individuals.<br>- The World Bank task team may be called upon to provide details of contact information of suitably | During each preparation of procurement activity for consulting |

[3] World Bank PD Academy is a learning platform that offers online courses and resources on various topics related to development and public policy. It is part of the Open Learning Campus (OLC) of the World Bank Group

| Risks | Risk Rating | Risk Owner | Mitigation | Timeline |
|---|---|---|---|---|
| | | (market) | qualified firms and individuals as long lists. | services (both for individuals and firms). |
| **Price risk** | S | Shared risk between DOFA and the suppliers/Service Providers (market) | - Ensure price adjustment mechanism is included in contracts longer than 18 months duration for Consulting contracts<br>- Ensure appropriate price mechanism is used; allow bidding and payment in foreign currencies for imported goods<br>- Where possible, make use of the WB facility for direct payments (esp. for USD denominated contracts), to minimize forex losses due to conversion if paid from the DA. | During each preparation of procurement activity |
| **The variation in software licenses prevents a proper evaluation.** | S | PIU / CIU | - Make sure the procurement documents clearly specify how licenses should be incorporated and detail any associated costs.<br>- Make sure to address this in all pre-bid meetings. | Bid preparation |
| **The geographical isolation and remoteness of the FSM, which may increase the transportation costs and delivery time of procured goods and services, as well as the difficulty of monitoring and supervision.** | M | PIU / CIU | - The project will conduct a pre-bidding conference to inform the market about the project procurement.<br>- The project will invite international consultants and contractors to ensure the required capacity and quality is achieved.<br>- In-country contractors may also participate (as contractor or sub-contractor subject to meeting the qualification requirements), so that their capacity will also be strengthened.<br>- Pre-Bid Video conference meetings setup to inform market (local and international) of upcoming opportunities. | During each preparation of procurement activity |
| **Low bidder's participation level** | M | Shared risk between DOFA and the suppliers/Service Providers | - Advertise the requirements under the project widely and use public websites (e.g., UNDB, WB, MOF websites social media. | Procurement process |

| Risks | Risk Rating | Risk Owner | Mitigation | Timeline |
|---|---|---|---|---|
| | | (market) | | |
| **The vulnerability to natural disasters and health emergencies, such as cyclones, earthquakes, droughts, which may disrupt normal procurement processes and require fast-track or emergency procurement methods.** | M | Shared risk between DOFA and the suppliers/Service Providers (market) | - For goods, ensure sufficient lead time is incorporated in the RFQ.<br>- Planning in procurement to cover for expected delays in delivery of goods and mobilization of consultants.<br>- Maximize online platforms for consulting services as needed.<br>- Ensure compliance with ESF requirements related to occupational and safety hazards | |

# 4. Procurement Objectives

The project procurement objectives are the following:

a. To ensure procurement efficiency and value for money, that comply with the Procurement Regulations, and that contributes towards enhancing the Project Development Objective.

b. To ensure healthy market participation and realistic timeframes in all project procurement activities for goods, consulting and non-consulting services.

c. To ensure effective contract management for timely completion of the project.

# 5. Recommended Procurement Approaches for the Project

**Consulting Services (Firms)**

**Procurement Approach**:  QCBS / Open and CQS/Open for low value Firm, low Risk consulting services

| Attribute | Selected arrangement | Justification Summary/Logic |
|---|---|---|
| **Specifications** | Performance | Prepared by DOFA with support from the WB |
| **Contract Type** | Traditional – Lumpsum-based or Time-based, depending on scope and outputs | Use of proforma contract in the RFP / SPD of the WB |
| **Sustainability Requirements** | No | |
| **Pricing and costing mechanism** | **Lump Sum** – With estimated detailed costing (breakdown of remuneration of key staff, plus reimbursable expenses) only to be used to demonstrate the basis for calculation of the Contract ceiling amount, to calculate applicable taxes at contract negotiations and, if needed, to establish payments to the Consultant for possible additional services requested by the Client.<br>**Time-based** - When it is difficult to define or fix the scope and duration of the services | Appropriate to the nature of the assignment. |
| **Supplier Relationship** | Collaborative | Best for the building of relationship and effective day-to-day management to achieve excellent results. |
| **Price Adjustments** | Applicable to contracts greater than 18 months. | Appropriate to the nature and length of the assignment. |

| | | |
|---|---|---|
| **Form of Contract (Terms and Conditions)** | Based on SPD to be used as approved by the Bank<br><br>Lump Sum / Time-based | For Lump Sum Contract - Scope of the procurement activity can be clearly and accurately specified and can be linked to milestone payments at the time of selection. |
| **Selection Method** | Request for Proposal | |
| **Selection Arrangement** | Not Applicable | |
| **Market Approach** | **Type of competition:** Open / International<br>**Number of Envelopes/Stages:** Two Envelopes<br>**BAFO** - No<br>**Negotiations** – No | Appropriate for nature and scope of assignment which requires high level expertise, with limited availability in the local market. |
| **Pre/Post Qualification** | Request for Expression of Interest/ Shortlist | |
| **Evaluation Selection Method** | Quality & Cost Based Selection (QCBS) shall be the default | |
| **Rated Criteria** | Type of criteria to be used:<br>• Adequacy of methodology and work plan<br>• Relevant experience and qualifications of key staff; and<br>• Relevant experience of the firm | Appropriate to the selection method of QCBS. |
| **Contract Management Approach** | • Tracking and monitoring the consultants' activities and their costs, time, and quality with written certification by supervising staff<br>• Clear roles and responsibilities of both IA and consultants<br>• Managing relationships with the consultants and stakeholders<br>• Managing payments<br>• Proactive throughout the contract to anticipate problems and issues before they arise<br>• Ensuring that integrity is observed and upheld throughout the implementation of contract<br>• Managing problems and issues quickly, effectively, fairly, and in a transparent manner. | |
| **Key Performance Indicators** | Key measures of success for contract management:<br>• Timely delivery of contractually obligated deliverables as per | |

| | | |
|---|---|---|
| **(KPIs) - Measures** | mutually agreed plans<br>• Well managed information (shared, stored and communicated)<br>• Services meet quality acceptance criteria<br>• Teams are made up of members with expertise relevant to their assignments and are performing well.<br>• Contractually compliant with the time and quality for submission of invoices | |

## Consulting Services (Individuals)

**Procurement Approach**: Selection of Individual Consultant (INDV) – Direct for those previously working for PFM I; INDV – Open (either International or National approach as indicated in the PP).

| Attribute | Selected arrangement | Justification Summary/Logic |
|---|---|---|
| **Specifications** | Performance | Based on the TOR for the assignment. |
| **Contract Type** | Traditional – time-based shall be the default | |
| **Pricing and costing mechanism** | Time-Based with agreed unit rate per day of services plus defined reimbursable expenses, to establish ceiling for total contract amount.<br>Or<br>Lump-Sum for output-based assignments (e.g., studies), with clearly identifiable deliverables. | Appropriate to the nature of assignment. |
| **Supplier Relationship** | Collaborative | Best for the building of relationship and effective day-to-day management to achieve excellent results. |
| **Price Adjustments** | Included in contract, based on agreed index, if more than 18 months of service (for time-based contracts). | Appropriate to the nature and length of the assignment (for time-based). |
| **Form/s of Contract (Terms and Conditions)** | Time-Based with Terms and Conditions of Contract for Individual Consultant Agreement – for all PIU consultants and individual International Expert supporting the PIU.<br>Lump-Sum for those whose assignments have clearly identifiable deliverables. | Appropriate to the nature of assignment. |
| **Selection Method** | INDV - Direct Selection is proposed for those hired under the PFM I.<br>INDV - Open Competitive approach shall be used for the other consultants. | Continuing assignment for those hired using PFM I (initially hired competitively), who also performed with excellence. |
| **Selection Arrangement** | Not Applicable | |
| **Market Approach** | Open (or Direct in some cases) | Appropriate to nature of each assignment. |
| **Evaluation Selection Method** | Most experienced and best qualified from those that expressed interest. | |
| **Rated Criteria** | Not Applicable | |

## Non-Consulting Services

**Procurement Approach**: RFQ for ≤ US$0.5 m.

| Attribute | Selected arrangement | Justification Summary/Logic |
|---|---|---|
| **Specifications** | Performance | Based on the requirements for the assignment. |
| **Contract Type** | Traditional | |
| **Pricing and costing mechanism** | Lump Sum | Appropriate to the nature of assignment. |
| **Supplier Relationship** | Collaborative | Best for the building of relationship and effective day-to-day management to achieve excellent results. |
| **Price Adjustments** | N/A | |
| **Form/s of Contract (Terms and Conditions)** | Lump Sum with Terms and Conditions of Contract | Appropriate to the nature of assignment. |
| **Selection Method** | RFQ | |
| **Selection Arrangement** | Not Applicable | |
| **Market Approach** | Open - International | Not available in the local market. |
| **Evaluation Selection Method** | N / A | |
| **Evaluation of Costs** | Adjusted bid price. | |
| **Rated Criteria** | Not Applicable | |

## Goods

**Procurement Approach**: Request for Quotations (RFQ) for contracts ≤US$2.0m: Open/National (for locally available materials) and Open/International (for specialised items which are not readily available locally). Ensure sufficient lead time is considered in view of logistics and transport issues affecting timely delivery of goods which are mostly imported by local suppliers. RFB Open-International for contracts ≥ US$2.0m.

| Attribute | Selected arrangement | Justification Summary/Logic |
|---|---|---|
| **Specifications** | Conformance | Borrower shall specify internationally accepted standards with which the equipment, materials or workmanship shall comply. |
| **Sustainability Requirements** | Optional | |
| **Contract Type** | Admeasurement-Contract based on Unit Prices | For Goods this type of contract is appropriate when the required quantities are known, and unit prices are sought from Bidders |

| | | |
|---|---|---|
| **Pricing and costing mechanism** | Based on unit price of goods being procured. | |
| **Supplier Relationship** | Collaborative | Allow for the building of relationship and effective day-to-day management to achieve excellent results. |
| **Price Adjustments** | Fixed Price: The prices indicated in the quote are firm and fixed and not subject to any adjustment during contract performance. | |
| **Form of Contract (Terms and Conditions)** | Request for Quotation (RFQ) for Goods<br>Framework Agreement for regularly procured goods of same kind and specifications. | Pacific Procurement Guidance 2023 |
| **Selection Method** | Request for Quotation | This method may be more efficient than the more complex methods for procuring limited quantities of readily available off-the-shelf goods and standard specification commodities of small value. |
| **Selection Arrangement** | Framework Agreement for some goods (common specs, repeated purchases in the local market). | Pacific Procurement Guidance 2023 |
| **Market Approach** | Open – National (for goods that are locally available)<br>Open – International (for items which are not readily available locally) | Appropriate for the activity. |
| **Pre / Post Qualification** | Not Applicable | |
| **Evaluation of Costs** | Lowest evaluated price: the evaluation of the quotations and contract award shall be carried out according to the criteria specified in the RFQ. | Appropriate for this selection method. |
| **Domestic Preference** | No | |
| **Rated Criteria** | N/A | |

# 6. Preferred Arrangement for low-value, low-risk activities

Low-value/low-risk activities consist mostly of goods that may be procured locally through RFQ tapping national suppliers who have established many years of sourcing common items (e.g., equipment and office expenses) from international sources.

Individual consultants are also expected to be selected from the national/International market either through open competitive selection or direct selection in the case of those who are carried over from the previous PFM I and CIU.

Other low-value and low-risk activities may also include procurement of non-consulting services.

# 7. Summary of PPSD to inform the Bank's preparation of the PAD

The first 18 months of the overall Procurement Plan for the **PFM II** will be agreed upon and finalized by negotiations and published on the external website of the World Bank. Such Plan will be updated, as necessary. The following is a summary of the procurement activities, as well as proposed procurement methods: **Summary of Contracts for five year project implementation period.**

| Contract title, Description and Category | Estimated cost | Review Type | Procurement Approach / Competition | Selection Method | Evaluation Method |
|---|---|---|---|---|---|
| **GOODS:** | | | | | |
| Office Equipment | $30,000 | Post | Limited | RFQ | LEB |
| Hardware & Telecommunication Equipment | $85,000 | Post | Open | RFQ | LEB |
| **Sub-total** | **$115,000** | | | | |
| **CONSULTING SERVICES:** | | | | | |
| Internal government consultations and awareness activities. budget manuals & SOPs | $50,000 | Post | Open | INDV | LEB |
| Technical Advisor Support to Budget Division | $200,000 | Prior | Open | INDV | |
| US GASB Advisor | $200,000 | Prior | Open | Direct | N/A |
| Internal Audit - Advisor | $625,000 | Prior | Open | INDV | |
| Procurement Reform Consultant | $200,000 | Prior | Open | INDV | |
| FMIS Adviser | $581,875 | Prior | Open | INDV | |
| ICT Advisor | $150,000 | Post | Open | INDV | |
| HRD Advisor | $400,000 | Prior | Open | INDV | |
| Change Management Advisor | $100,000 | Post | Open | INDV | |
| Enhancement of DOFA website | $25,000 | Post | Open | INDV | |
| Project Manager | $1,289,195 | Post | Direct | Direct | |
| Project Officer | $400,000 | Post | Direct | Direct | |
| **Sub-total** | **$4,021,070** | | | | |
| **NON-CONSULTING SERVICES:** | | | | | |
| | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| eProcurement system & data and spend analysis | $700,000 | Post | Open | RFB | Rated Criteria |
| Internal Audit Platform | $100,000 | Post | Open | RFQ | |
| Advisor – Citizen Engagement and Communications | $100,000 | Post | Open | RFQ | |
| **Sub-total** | **$900,000** | | | | |
| **Grand Total** | **$5,036,070** | | | | |

# Annex 1: Procurement Plan (18-Months)

**PROCUREMENT PLAN (Textual Part)**

**Project information: FSM Strengthening Public Financial Management II (P181237)**

**Project Implementation agency: Department of Finance and Administration (DOFA)**

**Date of the Procurement Plan: November 2024**

**Period covered by this Procurement Plan: March 2025 -September 2026**

**Preamble**

In accordance with paragraph 5.9 of the "World Bank Procurement Regulations for IPF Borrowers" (September 2023) ("Procurement Regulations") the Bank's Systematic Tracking and Exchanges in Procurement (STEP) system and Contract Management System will be used to prepare, clear and update Procurement Plans and conduct all procurement transactions for the Project.

This textual part along with the Procurement Plan tables in STEP constitute the Procurement Plan for the Project. The following conditions apply to all procurement activities in the Procurement Plan. The other elements of the Procurement Plan as required under paragraph 4.4 of the Procurement Regulations are set forth in STEP.

***The Bank's Standard Procurement Documents:*** shall be used for all contracts subject to international competitive procurement and those contracts as specified in the Procurement Plan tables in STEP. Rated Criteria shall be used for all International Competitive Procurement with exceptions.

1. Open Competitive Procurement: Such arrangements shall be subject to paragraph 5.4 of the Procurement Regulations and the following conditions.

(i) No domestic preference over foreign bidders shall be granted to national bidders in bid evaluation, nor shall foreign bidders be asked or required to form joint ventures with or be subcontractors to national bidders in order to submit a bid.

(ii) The Pacific procurement bidding template documents agreed with the Bank shall be used. The Borrower may use an approved electronic procurement system, acceptable to the Bank, for conducting the procurement process.

2. National Procurement Arrangements Other Than National Open Competitive Procurement:

If the Borrower is approved to use its own national open competitive procurement arrangements as set forth in Procurement Regulations which may be considered for National use, such arrangements shall be subject to paragraph 5.4 of the Procurement Regulations and the following conditions:

1. The procurement is open to all eligible firms from any country.
2. The request for bids/request for proposals document shall require the Bidders/Proposers submitting Bids/Proposals present a signed acceptance at the time of bidding, to be incorporated in any resulting signed contracts, confirming application of, and compliance with, the Bank's Anti-Corruption

Guidelines, including without limitation the Bank's right to sanction and the Bank's inspection and audit rights.

3. Publication of contract award information.
4. Rights for the Bank to review procurement documentation and activities; and
5. An effective complaints mechanism.

**Leased Assets** as specified under paragraph 5.10 of the Procurement Regulations: Not Applicable.

**Procurement of Second-Hand Goods** *as specified under paragraph 5.11* of the Procurement Regulations: Not Applicable.

**Domestic Preference** *as specified under paragraph 5.51* of the Procurement Regulations ***(Goods and Works)***: Not Applicable.

**Hands-on Expanded Implementation Support (HEIS)** *as specified under paragraphs 3.10 and 3.11* of the Procurement Regulations: Applicable

Works: Not Applicable

**18-month Procurement Plan**

| No | Reference No./Description | Procurement Category | Procurement Method | Review Type | Market Approach | Est. Amount (US$) | Estimate date for Contract Signature |
|---|---|---|---|---|---|---|---|
| **COMPONENT 1 - Enhanced PFM Framework, processes, and controls** | | | | | | | |
| 1 | Legislative reform consultant | CS | INDV | Post | Open - International | $100,000.00 | 2026-03-01 |
| 2 | Technical Advisor Support to Budget Division | CS | QCBS | Prior | Open - International | $200,000.00 | 2025-06-01 |
| 3 | Internal government consultations and awareness activities. budget manuals & SOPs | NCS | RFQ | Post | Open - International | $50,000.00 | 2026-02-01 |
| 4 | US GASB Advisor | CS | DIR | Prior | Open - International | $200,000.00 | 2025-03-31 |
| 6 | Internal Audit – Advisor | CS | INDV | Prior | Open - International | $200,000.00 | 2026-03-31 |
| 7 | Procurement reform consultant | CS | INDV | Prior | Open - International | $200,000.00 | 2026-04-01 |
| | | | | | | | **$ 950,000.00** |
| **COMPONENT 2 - Expand Core Financial Management Information Systems** | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 1 | FMIS Adviser and Needs Assessment | CS | INDV | Prior | Open - International | $194,292.00 | 2025-03-31 |
| 2 | ICT Adviser | CS | Direct | Post | N/A | $75,000.00 | 2025-03-31 |
| 3 | Hardware & telecommunication Equipment | Goods | RFQ | Post | Open - International | $85,000.00 | 2026-09-01 |
| 4 | eProcurement system & Procurement data and spending analysis | NCS | RFB | Prior | Open - International | $700,000.00 | 2025-08-31 |
| | | | | **$ 1,054,292.00** | | | |
| **COMPONENT 3 - Modernize the management of the Education sector** | | | | | | | |
| 1 | HRD Advisor | CS | INDV | Post | Open - International | $102,000.00 | 2025-04-01 |
| 2 | Change Management advisor | CS | INDV | Post | Open - International | $50,000.00 | 2025-08-01 |
| 3 | Adviser– citizen engagement and communications and translation | CS | INDV | Post | Open - National | $100,000.00 | 2026-03-01 |
| 4 | Enhancement of DOFA website | CS | INDV | Post | Open - International | $25,000.00 | 2025-08-01 |
| | | | | **$ 277,000.00** | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **COMPONENT 4 - Project Management.** | | | | | | | |
| 1 | Project Manager | CS | Direct | Post | N/A | $258,000 | 2025-03-01 |
| 2 | Project Officer | CS | Direct | Post | N/A | $80,000 | 2025-03-01 |
| 3 | Office Equipment | Goods | RFQ | Post | Open - National | $30,000 | 2025-06-30 |
| | | | | | | | **$258,000** |
| | **TOTAL** | | | | | | **$ 2,539,292.00** |

**PROCUREMENT PLAN** **Micronesia, Federated States of : Strengthening Public Financial Management II Project**

## General Information

**Country:** Micronesia, Federated States of
**Bank's Approval Date of the Original Procurement Plan:** 2025-08-18
**Revised Plan Date(s): (comma delineated, leave blank** 2025-09-24
**Project ID:** P181237
**GPN Date:**
**Project Name:** Strengthening Public Financial Management II Project
**Loan / Credit No:** IDA / E4120
**Executing Agency(i** Department of Finance and Administration

### WORKS

| Activity Reference No. / Description | Loan / Credit No. | Component | Review Type | Method | Market Approach | Procurement Process | Prequalification (Y/N) | High SEA/SH Risk | Procurement Document Type | Estimated Amount (US$) | Actual Amount (US$) | Process Status | Draft Pre-qualification Documents | | Prequalification Evaluation Report | | Draft Bidding Document / Justification | | Specific Procurement Notice / Invitation | | Bidding Documents as Issued | | Proposal Submission / Opening / Minutes | | Bid Evaluation Report and Recommendation for Award | | Signed Contract | | Contract C ion |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Planned | Actual | Planned | Actual | Planned | Actual | Planned | Actual | Planned | Actual | Planned | Actual | Planned | Actual | Planned | Actual | Planned |

### GOODS

| Activity Reference No. / Description | Loan / Credit No. | Component | Review Type | Method | Market Approach | Procurement Process | Prequalification (Y/N) | Estimated Amount (US$) | Actual Amount (US$) | Process Status | Draft Pre-qualification Documents | | Prequalification Evaluation Report | | Draft Bidding Document / Justification | | Specific Procurement Notice / Invitation | | Bidding Documents as Issued | | Proposal Submission / Opening / Minutes | | Bid Evaluation Report and Recommendation for Award | | Signed Contract | | Contract Completion | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | Planned | Actual | Planned | Actual | Planned | Actual | Planned | Actual | Planned | Actual | Planned | Actual | Planned | Actual | Planned | Actual | Planned | Actual |

### NON CONSULTING SERVICES

| Activity Reference No. / Description | Loan / Credit No. | Component | Review Type | Method | Market Approach | Procurement Process | Prequalification (Y/N) | Estimated Amount (US$) | Actual Amount (US$) | Process Status | Draft Pre-qualification Documents | | Prequalification Evaluation Report | | Draft Bidding Document / Justification | | Specific Procurement Notice / Invitation | | Bidding Documents as Issued | | Proposal Submission / Opening / Minutes | | Bid Evaluation Report and Recommendation for Award | | Signed Contract | | Contract Completion | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | Planned | Actual | Planned | Actual | Planned | Actual | Planned | Actual | Planned | Actual | Planned | Actual | Planned | Actual | Planned | Actual | Planned | Actual |

### CONSULTING FIRMS

| Activity Reference No. / Description | Loan / Credit No. | Component | Review Type | Method | Market Approach | Contract Type | Estimated Amount (US$) | Actual Amount (US$) | Process Status | Terms of Reference | | Expression of Interest Notice | | Short List and Draft Request for Proposals | | Request for Proposals as Issued | | Opening of Technical Proposals / Minutes | | Evaluation of Technical Proposal | | Combined Evaluation Report and Draft Negotiated Contract | | Signed Contract | | Contract Completion | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | Planned | Actual | Planned | Actual | Planned | Actual | Planned | Actual | Planned | Actual | Planned | Actual | Planned | Actual | Planned | Actual | Planned | Actual |

### INDIVIDUAL CONSULTANTS

| Activity Reference No. / Description | Loan / Credit No. | Component | Review Type | Method | Market Approach | Contract Type | Estimated Amount (US$) | Actual Amount (US$) | Process Status | Terms of Reference | | Invitation to Identified/Selected Consultant | | Draft Negotiated Contract | | Signed Contract | | Contract Completion | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | Planned | Actual | Planned | Actual | Planned | Actual | Planned | Actual | Planned | Actual |
| FM-DOFA-506942-CS-INDV / Legislative reform consultant | IDA / E4120 | | Post | Individual Consultant Selection | Open - International | | 100,000.00 | 0.00 | Pending Implementation | 2025-09-12 | | 2025-10-31 | | 2025-11-21 | | 2025-12-26 | | 2026-12-26 | |
| FM-DOFA-506951-CS-CDS / US GASB Advisor | IDA / E4120 | | Post | Direct Selection | Direct - International | | 200,000.00 | 0.00 | Pending Implementation | 2025-10-10 | | 2025-10-20 | | | | 2025-12-24 | | 2026-12-24 | |
| FM-DOFA-506953-CS-INDV / Procurement reform consultant | IDA / E4120 | | Post | Individual Consultant Selection | Open - International | | 200,000.00 | 0.00 | Pending Implementation | 2025-10-17 | | 2025-12-05 | | 2025-12-26 | | 2026-01-30 | | 2027-01-30 | |
| FM-DOFA-506954-CS-INDV / FMIS Advisor | IDA / E4120 | | Post | Individual Consultant Selection | Open - International | | 194,292.00 | 0.00 | Pending Implementation | 2025-11-07 | | 2025-12-26 | | 2026-01-16 | | 2026-02-20 | | 2027-02-20 | |
| FM-DOFA-506956-CS-CDS / FMIS Focal Point (Pohnpei) | IDA / E4120 | | Post | Direct Selection | Direct - National | | 350,000.00 | 0.00 | Pending Implementation | 2025-11-21 | | 2025-12-01 | | | | 2026-02-04 | | 2027-02-04 | |
| FM-DOFA-506957-CS-CDS / FMIS Focal Point (Chuuk) | IDA / E4120 | | Post | Direct Selection | Direct - National | | 350,000.00 | 0.00 | Pending Implementation | 2025-11-21 | | 2025-12-01 | | | | 2026-02-04 | | 2027-02-04 | |
| FM-DOFA-506958-CS-CDS / FMIS Focal Point (Kosrae) | IDA / E4120 | | Post | Direct Selection | Direct - National | | 350,000.00 | 0.00 | Pending Implementation | 2025-11-21 | | 2025-12-01 | | | | 2026-02-04 | | 2027-02-04 | |
| FM-DOFA-506959-CS-CDS / FMIS Focal Point (Yap) | IDA / E4120 | | Post | Direct Selection | Direct - National | | 350,000.00 | 0.00 | Pending Implementation | 2025-11-21 | | 2025-12-01 | | | | 2026-02-04 | | 2027-02-04 | |
| FM-DOFA-506960-CS-CDS / ICT Advisor | IDA / E4120 | | Prior | Direct Selection | Direct - International | | 75,000.00 | 0.00 | Under Implementation | 2025-11-28 | 2025-09-10 | 2025-12-08 | 2025-09-11 | | | 2026-02-11 | | 2027-02-11 | |
| FM-DOFA-506963-CS-INDV / HRD Advisor | IDA / E4120 | | Post | Direct Selection | Direct - International | | 272,590.00 | 0.00 | Under Implementation | 2025-12-19 | 2025-09-04 | 2025-12-29 | | | | 2026-03-04 | | 2027-03-04 | |
| FM-DOFA-506964-CS-INDV / Change Management Advisor | IDA / E4120 | | Post | Individual Consultant Selection | Open - International | | 50,000.00 | 0.00 | Pending Implementation | 2025-12-26 | | 2026-02-13 | | 2026-03-06 | | 2026-04-10 | | 2027-04-10 | |
| FM-DOFA-506966-CS-CDS / Support of DOFA Website | IDA / E4120 | | Post | Direct Selection | Direct - International | | 25,000.00 | 0.00 | Pending Implementation | 2025-12-26 | | 2026-01-05 | | | | 2026-03-11 | | 2027-03-11 | |
| FM-DOFA-506968-CS-CDS / Communications Officer | IDA / E4120 | | Post | Direct Selection | Direct - National | | 70,000.00 | 0.00 | Pending Implementation | 2025-08-26 | | 2025-09-05 | | | | 2025-11-09 | | 2026-11-09 | |
| FM-DOFA-506969-CS-CDS / Project Manager | IDA / E4120 | | Post | Direct Selection | Direct - International | | 258,000.00 | 0.00 | Canceled | 2025-08-26 | 2025-08-27 | 2025-09-05 | | | | 2025-11-09 | | 2026-11-09 | |
| FM-DOFA-506971-CS-CDS / Project Officer | IDA / E4120 | | Post | Direct Selection | Direct - National | | 80,000.00 | 0.00 | Pending Implementation | 2025-08-26 | | 2025-09-05 | | | | 2025-11-09 | | 2026-11-09 | |
| FM-DOFA-506973-CS-CDS / Procurement Officer | IDA / E4120 | | Post | Direct Selection | Direct - National | | 80,000.00 | 0.00 | Canceled | 2025-08-26 | | 2025-09-05 | | | | 2025-11-09 | | 2026-11-09 | |
| FM-DOFA-506977-CS-INDV / Treasury Advisor | IDA / E4120 | | Post | Individual Consultant Selection | Direct - International | | 248,100.00 | 0.00 | Under Implementation | 2025-08-26 | 2025-09-01 | 2025-09-05 | 2025-09-11 | 2025-09-26 | 2025-09-11 | 2025-10-31 | | 2026-10-31 | |
| FM-DOFA-506978-CS-CDS / Data Migration Specialist | IDA / E4120 | | Post | Direct Selection | Direct - National | | 40,000.00 | 0.00 | Under Implementation | 2025-08-26 | 2025-09-10 | 2025-09-05 | | | | 2025-11-09 | | 2026-11-09 | |

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| FM-DOFA-510714-CS-INDV / Procurement Officer | IDA / E4120 | | Post | Individual Consultant Selection | Open - National | | 80,000.00 | 0.00 | Under Implementation | 2025-09-01 | 2025-09-24 | 2025-10-20 | | 2025-11-03 | | 2025-12-01 | | 2027-12-01 | |
| FM-DOFA-510716-CS-INDV / Finance Management Officer | IDA / E4120 | | Post | Individual Consultant Selection | Direct - National | | 80,000.00 | 0.00 | Under Implementation | 2025-09-05 | 2025-09-24 | 2025-09-15 | | 2025-10-06 | | 2025-11-10 | | 2027-04-14 | |
| FM-DOFA-512424-CS-INDV / PFM Project Manager | IDA / E4120 | | Prior | Individual Consultant Selection | Open - International | | 258,000.00 | 0.00 | Under Implementation | 2025-09-10 | 2025-09-14 | 2025-10-19 | | 2025-11-09 | | 2025-12-07 | | 2026-01-25 | |
| FM-DOFA-514949-CS-INDV / Finance Consultant National Government | IDA / E4120 | | Post | Individual Consultant Selection | Open - International | | 150,000.00 | 0.00 | Pending Implementation | 2025-09-25 | | 2025-10-18 | | 2025-11-08 | | 2025-12-13 | | 2026-08-15 | |
| FM-DOFA-514950-CS-INDV / Finance Consultant State of Pohnpei | IDA / E4120 | | Post | Individual Consultant Selection | Open - International | | 150,000.00 | 0.00 | Pending Implementation | 2025-09-26 | | 2025-11-29 | | 2025-12-20 | | 2026-01-24 | | 2026-09-26 | |
| FM-DOFA-514951-CS-INDV / Finance Consultant State of Yap | IDA / E4120 | | Post | Individual Consultant Selection | Open - International | | 150,000.00 | 0.00 | Pending Implementation | 2025-09-26 | | 2025-11-29 | | 2025-12-20 | | 2026-01-24 | | 2026-09-26 | |
| FM-DOFA-514953-CS-INDV / Finance Consultant State of Chuuk | IDA / E4120 | | Post | Individual Consultant Selection | Open - International | | 150,000.00 | 0.00 | Pending Implementation | 2025-09-26 | | 2025-11-29 | | 2025-12-20 | | 2026-01-24 | | 2026-09-26 | |
| FM-DOFA-514954-CS-INDV / Finance Consultant State of Kosrae | IDA / E4120 | | Post | Individual Consultant Selection | Open - International | | 150,000.00 | 0.00 | Pending Implementation | 2025-09-26 | | 2025-11-29 | | 2025-12-20 | | 2026-01-24 | | 2026-09-26 | |