

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: PAHQ

TA No. and Name TA 3431-FSM: Improving Capacity in Performance-based Public Finance Management Implementation			Amount Approved: \$500,000	
			Revised Amount: \$500,000	
Executing Agency Department of Finance and Administration	Source of Funding: TASF		TA Amount Undisbursed \$61,151.77	TA Amount Utilized \$438,848.23
Date			Completion Date	
Approval 25 April 2000	Signing 9 June 2000	Fielding of Consultants September 2000	Original 31 January 2001	Actual 30 August 2003
			Account Closing Date	
			Original 31 January 2001	Actual 31 May 2004
Description				
<p>In 1996, ADB provided the Federated States of Micronesia (FSM) with technical assistance (TA) to establish a performance-based budgeting (PBB) system in the national government and in the state of Yap. A follow-on TA continued the previous effort to improve the management of public resources through development and implementation of a performance-based public resource management system. The first two TAs gave the FSM national and state governments the initial support to determine whether such a budget and management tool was desirable and, if so, implement the first steps toward a performance budget. The governments were provided training in Budget Preparation System (BPS) software to help implement PBB. Although significant progress was made in the previous TAs, the current TA was designed to help FSM increase the scope of the BPS software to include lower level details of activities in the budget and refocus their PBB activities.</p>				
Objectives and Scope				
<p>The TA was intended to assist the governments of FSM in strengthening the implementation of performance-based public finance management (PBPFM) and putting it on a self-sustainable basis. TA outputs were to (i) assess progress made thus far toward implementing performance-based budgeting in the national and state governments; (ii) improve the linkages between policy making and the budgeting process, introduce systematic linkages between new policy initiatives into the budget framework, and train relevant officials in implementation; (iii) train top and middle-level public sector managers in using the new budget framework as an effective management tool; (iv) review the output indicators formulated for the FY2000 and FY2001 budgets, especially for the state governments, and provide training in costing of the outputs; (v) strengthen advocacy of the new PBPFM among the legislators at the national and state levels; and (vi) assist in further upgrading of the BPS and improving linkages with other elements of the financial management information system (MIS), train budget officers in using the BPS to enable them to handle it without further consulting inputs, and explore the most efficient ways to establish an integrated MIS, taking into consideration the latest technological developments and cost issues.</p>				
Evaluation of Inputs				
<p>The TA provided 13 person-months of consulting services, of which 5 person-months were for a performance management specialist/team leader, 5 person-months for a public finance management expert, and 3 person-months for an MIS specialist. The TA was to be undertaken for a period of 6 months and scheduled for completion in January 2001. However, changes in consultants, delays in submission of support documents, and additional activities that were subsequently accommodated under the TA, delayed the completion date to August 2003.</p> <p>A 2-month contract extension for the MIS Specialist was necessary to complete the users' specifications documentation that should have been part of the output of the initial consultancy contract.</p> <p>Another consultant was engaged for 1 month to complete the work of the MIS Specialist and to clarify the functional government financial statistics and fund/revenue coding systems to ensure conformity in Compact II reporting of the 5 governments, install new coding structures, assist government departments in the use of the new codes, and prepare (including testing of programs) computer software/programs to enable extraction of data from the BPS necessary to comply with the Compact II budget reporting requirements. An additional 2 weeks were required for the consolidation of the states' budget into the system, a workshop presentation on BPS integrity and consolidation issues, preparation of reports on BPS data structure and consolidated system, and recommendation of key components required of an FSM revised budget system. The consultants helped to make the BPS more useful in the production of the budget and Compact II reporting requirements. FSM officials were happy with the output produced.</p> <p>The consultants submitted an Inception Report, an Interim Report, a Draft Final Report, and a Final Report. The Final Report cited training-related activities for approximately 400 individuals in the 5 governments and technical assistance to various government departments; identified costs associated with results and outputs; improved the BPS system by enhancing the software functionality; delivered 50 copies of a run-time version of BPS on compact disk; developed a</p>				

BPS companion manual; created a simple budget manual including frequently asked questions and step-by-step instructions on how to develop a performance budget; provided technical assistance to legislators and appointed officials through site visits and conducted a Partnership Workshop. The performance of the consultants was rated satisfactory.

The Government counterpart team consisted of high level officials and their inputs were satisfactory. On the part of ADB staff, there was less than adequate supervision due to staffing constraints and frequent changes in staff administering the TA. Although no formal review missions were fielded, supervision and/or discussions were done either by phone, by email, or during missions taken by the Desk Officer to FSM for other purposes. ADB's performance was rated less than satisfactory.

Evaluation of Outputs

The TA achieved the objective of establishing the computer system, which supported the preparation of the national budget. Some versions of the system were also used by some state governments. The output produced was in accordance with the TOR, but the outcome was not effective. In retrospect, the system was too complicated. The International Institute of the Graduate School, The United States Department of Agriculture (USDA) developed the software in a way that only specialists who are involved in its development could understand, use, and maintain; as a result, USDA became the sole source of technical support. There was also inadequate system documentation. It was not easily understood by local staff and was not user friendly.

The MIS Specialist provided services to prepare the BPS manual. However, the manual was found lengthy; it only listed all the program source codes, which the consultant prepared in the first engagement, with descriptions of table properties, which were also supplied in the first consultancy assignment. There was no description of how the program works or a description of the data model employed. The consultant did not use the standard relational model in setting up the system. It lacked the specifications and description of how the system fits together.

Many individuals in the FSM governments did not have basic computer skills to properly use the BPS software. Moreover, there was little evidence that PBB management had taken hold in a substantive way. The public expenditure management specialist did not seem to have the requisite expertise to support users in the implementation of PBB. Training was limited, and did not achieve the basic transfer of skills at the working level.

Review missions should have been fielded by ADB soon after inception and well before completion to help in clarifying conceptual and methodological issues. Such missions could have improved the quality and timeliness of consultants' inputs.

Overall Assessment and Rating

The TA was rated partly successful because, despite the production of the required outputs, the system developed was too complicated and not easily understood by local staff, and skills transfer was limited.

Major Lessons Learned

A number of important lessons emerged from this TA. The users' specifications need to be fully developed, and outputs clearly specified, to ensure that the consultants know what is expected to be delivered; the software needs to be simplified and user friendly given the level of knowledge and technical skills of the local staff. Development of proprietary software is to be avoided because it is expensive to maintain. Training methods that are sustained and longer term should be considered, so that the transfer of knowledge is more effective. Careful supervision is needed from the inception of the TA to make sure that consultants deliver the outputs specified under the TA.

Recommendations and Follow-Up Actions

A follow-up TA on Implementation of Performance-Based Budget Management was approved in 2001. To ensure continuity in skills development, it is important that future TAs place greater emphasis on technology transfer and capacity building, as well as give consideration to alternative methods or approaches to the training of trainers.

It is also expected that the governments would be at different stages of implementation of PBB. Follow-on TA activities should be carefully developed and coordinated to ensure each government's needs are met.

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