

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: PAHQ

TA No. and Name TA 3765-FSM: Implementation of Performance-Based Budget Management			Amount Approved: \$350,000		
			Revised Amount: \$350,000		
Executing Agency: Department of Finance and Administration	Source of Funding: Technical Assistance Special Fund (TASF)		TA Amount Undisbursed \$46,822.19	TA Amount Utilized \$303,177.81	
Date			Completion Date		
Approval	Signing	Fielding of Consultants	Original	Actual	
13 November 2001	18 December 2001	4 February 2002	31 January 2004	31 December 2004	
			Account Closing Date		
			Original	Actual	
			31 January 2004	31 May 2005	
Description					
During the 2001 Country Programming Mission of the Asian Development Bank (ADB), the Government of the Federated States of Micronesia (FSM) requested for an advisory technical assistance (TA) for performance-based public finance management.					
Objectives and Scope					
In order to keep the momentum in implementing performance-based public finance management systems, the TA aimed to: (i) audit and analyze current systems and procedures related to financial accounting and reporting in order to address the respective deficiencies in and between financial management information system (FMIS) and budget preparation software (BPS); (ii) improve the technical systems to ensure proper monitoring; and (iii) develop performance budget management capabilities.					
The TA was to assist the Government in strengthening the implementation of performance-based public finance management and putting it on a self-sustaining basis. The TA was to strive to build upon and achieve an acceptable level of support and self-sustainability for the performance-based budgeting system on its fourth year at the national Government and in each of the four state governments.					
The original scope of the TA covered (i) audit and analysis of systems and procedures, (ii) improving the budget software, (iii) implementing the integration of the budget software and financial management systems, (iv) human resource development, and (v) performance management to derive full benefits from performance-based public finance management.					
After the review of the current systems and procedures for financial management in all four state governments and the national Government, a number of deficiencies of existing systems were identified: lack of understanding of the performance-based budgeting concepts and practices by senior officials, and inadequate capacity and resources to support decision makers in making effective use of available information. Given these deficiencies, the scope of the TA was amended to (i) improve the current operation of systems and procedures and (ii) prepare for the implementation of an integrated FMIS at all levels of government.					
Evaluation of Inputs					
The TA provided a total of 13 person-months (PMs) of consulting services: 4 PMs for financial management and reporting, 4 PMs for performance management, and 5 PMs for helping introduce an integrated FMIS. The consultant inputs were generally satisfactory. The entire effort of introducing an integrated FMIS was done in close coordination with the United States Department of Interior (USDOI). The performance of the Department of Finance and Administration, the Executing Agency, was considered less than satisfactory due to its shift in priority in FMIS implementation, while ADB's performance was satisfactory.					
Evaluation of Outputs					
The TA reviewed the current systems and procedures used for budget preparation, accounting of transactions, budget monitoring, and regular management and financial reporting by the four state governments and the national Government. The review identified a number of deficiencies in the existing systems and processes; it recommended the implementation of an FMIS supported by a comprehensive capacity building program to enhance compliance with accountability and transparency requirements and to improve focus on performance management.					
The TA was also planned to provide support to the Government to prepare the groundwork necessary to select a suitable software package for the new FMIS; measures to ensure the reconciliation procedures needed to effect the implementation of the new system were also undertaken. However, the Government decided that the required fiscal administration arrangements under the Compact II agreement called for the implementation of an "umbrella" web-based					

reporting system, supposedly to facilitate reporting on the financial systems despite their being varied from state-to-state. With this change in priority, the TA provided support to identify Compact II financial reporting and control requirements and to determine how these requirements may be complied with in the short term using the existing budget and accounting systems, and made some changes to the Budget Preparation System to simplify the budget outputs.

Subsequently, the Government shifted back its priority to the original plan to implement an integrated FMIS to be adopted by all five governments in FSM. The TA provided assistance in the preparation of users' functional specifications for the proposed FMIS. The TA also successfully supported the Government in the procurement processes of the new FMIS, including the selection of potential software vendors for the FMIS, and comparative analysis of potential vendors' presentation for the Government's decision making on selection of software for the new FMIS.

Overall Assessment and Rating

The overall performance of the TA is considered partly successful as the human resource development and performance management components of the TA were not effectively provided.

On the other hand, it is noteworthy that the TA was well handled in a flexible manner after finding out the serious problems in the Government's financial management as well as in relation to the changes in Government priority in public sector financial management. The revised focus of the TA to help introduce the integrated FMIS was well handled. With the support provided by the TA, the Government successfully introduced a new FMIS. The Government highly appreciated this aspect of the TA.

Major Lessons Learned

The commitment and ownership of the Government to the TA project is essential for successful implementation. In order to foster such ownership, it is very important to continually monitor the needs of the Government during the project implementation period.

Recommendations and Follow-Up Actions

As the Government is introducing the integrated FMIS, support for capacity building to ensure better utilization of the new system is much awaited. In this respect, ADB is now providing TA 3962-FSM: Capacity Building in Public Sector Financial Management.

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