



Technical Assistance Report

Project Number: 38198
May 2006

Federated States of Micronesia: Implementation of the Public Sector Capacity Building Road Map

CURRENCY EQUIVALENTS

The currency of the Federated States of Micronesia is the United States dollar.

ABBREVIATIONS

ADB	–	Asian Development Bank
FSM	–	Federated States of Micronesia
HRM	–	human resource management
SDP	–	Strategic Development Plan
TA	–	technical assistance
US	–	United States

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting Classification	–	Targeted intervention
Sector	–	Governance
Subsector	–	Financial and economic governance, public governance, civil society participation, and anticorruption
Theme	–	Governance and capacity development
Subtheme	–	Organizational capacity development

NOTES

- (i) The fiscal year (FY) of the Government and its agencies ends on 30 September.
- (ii) In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. The Federated States of Micronesia (FSM) embarked on a new era of its development during 2004–2005 for two important reasons. First, the amended Compact with the United States (Compact) came into effect in the fiscal year (FY) 2004.¹ The amended Compact requires fundamental changes in the ways the national and four state governments will manage Compact funds during the next 20 years. Second, the FSM Congress adopted the *Strategic Development Plan 2004–2005* (SDP) in May 2005. The SDP and amended Compact are closely interlinked, because the SDP is expected to guide the effective and efficient use of Compact funds to achieve the SDP's development goals.

2. Public sector capacity building is identified as one of six strategic goals in chapter 4 (public sector management) of the SDP. This strategic goal stresses the need to build a well-qualified and capable public service that delivers more effectively and efficiently. Toward this end, the Government prepared the Public Sector Capacity Building Road Map² (the Road Map) in February 2006 with technical assistance (TA) from Asian Development Bank (ADB).³

3. After completing the Road Map, the Government requested ADB to provide TA⁴ to support implementation of the Road Map. A fact-finding mission visited FSM in March 2006 to assess the relevance and scope of this TA. Discussions were held with representatives of the Government and parties concerned, and an understanding was subsequently reached on the impact, outcome, outputs, implementation arrangements, costs, financing arrangements, and terms of reference. The TA design and monitoring framework is in Appendix 1.

II. ISSUES

4. The Road Map provides a comprehensive framework for FSM-wide capacity building in three focus areas of the public sector—financial management, economic planning, and statistics. Capacity building in those focus areas is widely recognized as the most urgent and critical action to address the challenge of reduced funding under the Compact. The Public Sector Capacity Building Grant under the amended Compact should therefore be allocated for capacity building in those focus areas. In addition to the three focus areas, the Road Map includes action plans for human resource management (HRM) and human resource development as critical components, since HRM and human resource development cut across all three Road Map focus areas and significantly affect their performance. Capacity building actions and activities identified under the Road Map are prioritized, sequenced, and costed to achieve objectives in the short, medium, and long terms. These objectives serve as milestones along the way to achieving “Government Visions 2025,” the ultimate goal of the Road Map envisioned by the national and four state governments.

5. The Road Map is expected to bring a number of benefits to FSM. One of the most critical benefits is to enhance coherence of capacity building undertaken by the national and four state governments in the focus areas. The Road Map will enable FSM to comprehensively and coherently plan, implement, monitor, and assess capacity building activities of all governments. Second, the Road Map is aimed to enhance partnership for development between governments,

¹ The Compact of Free Association with the United States (the Compact) is a United States economic assistance package for FSM that began in FY1987 and was completed in FY2003. After intensive negotiation between US and FSM, the amended Compact came into force in FY2004 with an agreement that the US will provide \$92 million in grants annually until FY2023.

² The Road Map was approved by the Government in March 2006 and is now available at the FSM website of ADB.

³ ADB. 2003. *Technical Assistance to the Federated States of Micronesia for Strengthening of the Public Sector Management and Administration*. Manila (TA No. 4258-FSM).

⁴ The TA first appeared in *ADB Business Opportunities* on 26 January 2006. The TA was included in ADB's *Country Strategy and Program Update (2006–2007): Federated States of Micronesia* as “Implementation of Public Sector Capacity Building Road Map.”

aid agencies, and other stakeholders. As the Road Map is a nationwide, comprehensive capacity building program, its full implementation will require an enhanced partnership with the other development partners. Upon its successful implementation, the Road Map approach could be replicated in other Pacific developing member countries in collaboration with the development partners.

6. Although the Road Map is a major achievement of the national and four state governments, its implementation is also a major challenge for FSM. Described below are the key issues needing to be addressed.

7. First, implementation of the Road Map should be regularly monitored and evaluated. Currently, monitoring and evaluation is one of the weak functions in the governments. For example, institutional arrangements and procedures to monitor and evaluate SDP implementation have yet to be established; outputs of performance budgets have not been monitored regularly; budget outcomes and impact measurements for evaluation have yet to be developed; and monitoring and evaluation systems for staff training have not been created. Thus, organizational and staff capacity to monitor and evaluate the Road Map should be developed to make monitoring and evaluation a useful management tool for capacity building. Once created, a good model for monitoring and evaluation practices could be replicated in other programs in the FSM.

8. The second issue is the development and delivery of nationwide staff training programs in FY2007, as envisaged under the Road Map. Detailed training needs analysis for the preparation of the Road Map has identified common critical areas of staff training across the five governments in financial management, economic planning, statistics, and HRM. It was also found that a large number of staff have received ad hoc and unsystematic training that was not aimed to achieve the targeted objectives. These analyses suggest that nationwide staff training programs will help develop commonly accepted standards of staff capacity across governments, link capacity building efforts to common objectives, and save on costs through economies of scale. All governments, however, acknowledge the lack of expertise and experience in developing and managing such staff training programs. Thus, institutional, organizational, and staff capacity to manage training programs should be developed to achieve the objectives of the Road Map's focus areas and to integrate staff training into HRM.

9. The final issue is the development of critical HRM policies. An in-depth HRM situation analysis has identified a number of key issues in HRM, and the Road Map lays out the action plan for HRM capacity building over the short, medium, and long terms.⁵ Among those key actions, development of critical HRM policies is seen as the most urgent since the lack of sound HRM policies will directly affect capacity building in all three focus areas of the Road Map, including the nationwide training programs. New HRM policies urgently needing to be formulated include those for (i) recruitment and selection, (ii) work analysis and position classification, (iii) staff performance evaluation, and (iv) training. In addition to these HRM policies, their associated regulations and procedures should be developed and implemented immediately.

⁵ Key issues in HRM and human resource development are summarized in the Road Map, and in-depth situation analysis of institution, organization and human resources can be found in the inception and midterm reports I and II under TA 4258-FSM.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

10. **Impact.** The expected impact of this TA is sustained performance improvements in the economic and public financial management of the national and four state governments in line with respective “Government Visions 2025” under the Road Map.

11. **Outcome.** The expected outcome of this TA is enhanced capacity of the national and four state governments as indicated by achieving short-term objectives stipulated under the Road Map.

B. Methodology and Key Activities

12. This TA will generate three capacity building outputs that will address the issues described above. Those outputs are enhanced capacity to (i) monitor and evaluate Road Map implementation, (ii) develop and deliver the Road Map staff training programs, and (iii) manage human resources by developing and implementing four critical HRM policies.

13. The three outputs are interrelated and mutually reinforcing. Output 1 will enhance overall capacity for the governments to use the Road Map as a management tool, providing an institutional foundation to implement capacity building in all focus areas of the Road Map. Outputs 2 and 3 will directly enhance capacity by implementing some key actions identified under the Road Map. This TA will be implemented in parallel with other TAs (financial management information system by the US Government and national tax reform program by the Pacific Financial and Technical Assistance Centre) that will assist in implementing other key actions under the Road Map. As in the Road Map preparation and as described in detail below, intensive participatory approaches will be taken throughout this TA. This will help further enhance local ownership and sustainability of the Road Map while giving due attention to such local conditions as unique sociocultural characteristics in the national and state governments of the FSM.

1. Output 1: Enhanced Capacity to Monitor and Evaluate Road Map Implementation

14. The Road Map secretariat will play a central role in monitoring and evaluating implementation of the Road Map. This TA will support the secretariat to develop and institutionalize a monitoring and evaluation framework and its procedures, carry out monitoring and evaluation activities on a regular basis (biannual review), update the Road Map after a year of implementation, and build government capacity through the aforementioned activities.

15. This TA will utilize participatory approaches as were used in preparing the Road Map. Staff members will carry out monitoring and evaluation by themselves through a series of participatory workshops facilitated by the consultant team. Participatory approaches are adopted in order to build organizational and staff capacity to monitor and evaluate their activities through practice, make the monitoring and evaluation process transparent and participatory, and enhance ownership and sustainability of the Road Map as a result.

16. Participatory approaches also will be extended to involve stakeholders outside government (e.g., private sector, nongovernment organizations, civil society) for monitoring and evaluating the Road Map. Workshops will be held to disseminate the Road Map among those stakeholders and in order to reflect their views in the Road Map update. In addition, a survey on the governments’ performance in the focus areas of the Road Map will be conducted to assess citizens’ needs and satisfaction with regard to public services. The results of the survey will

provide inputs to workshops and the Road Map update. The workshops and citizen survey will be carried out in Pohnpei on a pilot basis, with a view to future expansion of citizen participation in other states.

17. The main activities of output 1 will be to (i) develop participatory monitoring and evaluation methods, a framework, and procedures suitable for Road Map implementation; (ii) conduct a series of participatory workshops at the national and four state governments and with stakeholders outside government to monitor and evaluate Road Map progress; (iii) conduct a citizen survey on service delivery in the focus areas of the Road Map; (iv) assist the Road Map secretariat in preparing the Road Map monitoring reports (Midyear and annual); (v) facilitate a Road Map update after 1 year of implementation; and (vi) enhance capacity to monitor and evaluate Road Map implementation through activities (i)–(v) above.

2. Output 2: Enhanced Capacity to Develop and Commence Staff Training Program

18. Staff training plans for the national and four state governments comprise a critical component of the Road Map. To implement the staff training plans, training coordination subcommittees will be established under the Road Map committees of respective governments and a training coordinator will be appointed at the personnel office of each government.

19. This TA will support the Road Map secretariat and training coordinators to develop nationwide training programs in collaboration with contracted local and foreign training providers under guidance of the training coordination subcommittees. It will also assist the secretariat in coordinating training delivery in collaboration with training coordinators. This TA will also assist the five governments in effectively using the Public Sector Capacity Building Grant (footnote 3) that is expected to finance a large portion of the training programs under the Road Map (estimated cost is around \$1 million for training programs delivery in FY2007). Through this support, this TA is aimed to build institutional and human resource capacity in the five governments to develop and deliver staff training programs and enhance trainees' capacities in the focus areas of the Road Map.

20. The activity to generate output 2 will be to assist the Road Map secretariat and training coordinators in developing the training programs in collaboration with contracted foreign and/or local training provider(s). This consists of the following activities: (i) provide professional advice on selecting suitable training providers, (ii) support articulation of training programs in collaboration with training provider(s) and training coordinators under guidance of the training coordination subcommittees, and (iii) assist the Road Map secretariat and training coordinators in facilitating training delivery in respective governments.

3. Output 3: Enhanced Capacity to Manage Human Resources through Developing and Implementing Four Key HRM Policies

21. It was recognized in preparing the Road Map that staff training programs cannot be effective without critically important HRM policies for (i) recruitment and selection, (ii) work analysis and position classification, (iii) staff performance evaluation, and (iv) training.

22. This TA will support personnel offices of all governments in reviewing, developing, and implementing the four critical HRM policies identified above. This support is aimed to develop policy environments in which staffs can fully utilize knowledge and skills obtained through training and thereby achieve objectives set in three focus areas of the Road Map. Output 3 will enhance the effectiveness of national training programs resulting from output 2.

23. The main activities to generate output 3 will be to (i) facilitate creation and operation of HRM policy review task forces under the Road Map committees in all governments, each consisting of the chief of personnel, two or more heads of divisions in the three focus areas, and one or two personnel specialists; (ii) conduct a series of participatory workshops for the relevant chiefs and staffs in the respective governments; (iii) provide professional advice for the HRM policy review task forces on HRM policies; (iv) facilitate preparation of new HRM policies for the national and four state governments; and (v) assist the governments with implementing the new HRM policies.

C. Cost and Financing

24. The total cost of the TA is estimated at \$750,000. The Government has requested that ADB will finance \$600,000 while the Government will contribute \$150,000 equivalent. The TA will be financed on a grant basis by ADB's TA funding program. Detailed cost estimates and the financing plan are in Appendix 2.

D. Implementation Arrangements

25. The Department of Finance and Administration will be the Executing Agency overseeing overall implementation of this Project. The Road Map secretariat, headed by the assistant secretary for personnel administration at the Department of Finance and Administration, will be responsible for facilitating and coordinating implementation of the Road Map. The consultant team will be attached to the Road Map secretariat to assist the secretariat's work. The TA will commence from July 2006, and the expected completion date is December 2007.

26. The Road Map secretariat will coordinate with federal, national, and four state Road Map committees to implement the Road Map. The federal Road Map committee will consist of representatives of the national Road Map committee and four state Road Map committees and will be chaired by the secretary for finance and administration. This committee will provide overall guidance on intergovernmental coordination issues for the Road Map secretariat. The national committee will provide guidance on issues specific to the national government, while the state committees will do so on issues specific to state governments.

27. ADB will engage the services of international and local consultants with relevant experience in all aspects of the specified scope of work. The TA will require 25.5 person-months of consulting services (23 person-months for international consultants and 2.5 person-months for a local consultant). A firm will be selected based on a simplified technical proposal under the quality- and cost-based selection process. The consultants will be engaged in accordance with ADB's *Guidelines on the Use of Consultants*⁶ and other arrangements satisfactory to ADB for the engagement of the domestic consultant. The detailed terms of reference are in Appendix 3. Office equipment will be procured according to arrangements acceptable to ADB and turned over to the Department of Finance and Administration upon completion of the TA.

IV. THE PRESIDENT'S DECISION

28. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$600,000, on a grant basis, to the Government of the Federated States of Micronesia for the Implementation of the Public Sector Capacity Building Road Map, and hereby reports this action to the Board.

⁶ ADB. 2005. *Guidelines on the Use of Consultants by ADB and Its Borrowers*. Manila.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Impact Sustained improvements in economic and public financial management of the national and four state governments in line with “Government Visions 2025” under the Road Map.</p>	<p>Consistently improved performance in public financial management, economic planning, and statistics of national and state governments in line with “Government Visions 2025” under the Road Map.</p>	<p>ADB’s country performance assessment</p> <p>ADB’s Pacific Islands Financial Management Association assessment</p> <p>ADB Pacific Islands Economic Reports</p> <p>Citizen survey report on national and state governments’ performance in financial management, economic planning, statistics, human resource management (HRM), and human resource development</p> <p>Baseline data: (original Road Map)</p>	<p>Assumption</p> <ul style="list-style-type: none"> Stable political and economic environments
<p>Outcome Enhanced capacity of the national and four state governments as indicated by achievement of short-term objectives stipulated in the Road Map.</p>	<p>Performance indicators in respective action plans under the Road Map and human resource policies approved.</p> <p>Activities for the first year completed and evaluated.</p> <p>Adjustments made to Road Map on the basis of lessons learned.</p>	<p>Midyear and annual Road Map monitoring reports</p> <p>Updated Road Map</p> <p>Baseline data: (original Road Map)</p> <p>Recommendation on new human resource policies delivered.</p>	<ul style="list-style-type: none"> Sustained firm support from the Federated States of Micronesia leadership for Strategic Development Plan and Road Map
<p>Outputs Output 1: Enhanced capacity to monitor and evaluate Road Map implementation</p> <p>1.1 Monitoring and</p>	<p>A monitoring and</p>	<p>Midyear Road Map</p>	<p>Assumptions</p> <ul style="list-style-type: none"> Official adoption of the Road Map by the national and state governments in March 2006 (confirmed).

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>evaluation framework and procedures developed and operational in all governments</p> <p>1.2 Midyear and annual monitoring reports of Road Map implementation prepared.</p> <p>1.3. Citizen survey on governments' performance in focus areas</p> <p>1.4 Updated Road Map after a year of implementation</p> <p>Output 2: Enhanced capacity to develop and commence staff training program</p> <p>Output 3: Enhanced capacity to manage human resources through developing and implementing four key HRM policies</p>	<p>evaluation framework and procedures developed by Sep 2006.</p> <p>Midyear and annual Road Map monitoring report prepared by Dec 2006 and Mar 2007, respectively.</p> <p>(i) Local consultant identified and survey framework designed by Sep 2006.</p> <p>(ii) Survey conducted by Dec 2006.</p> <p>(iii) Survey report prepared by Jan 2007.</p> <p>(i) Updated Road Map prepared and approved by Mar 2007.</p> <p>(i) Training providers selected by Nov 2006.</p> <p>(ii) Training programs developed in coordination with selected training providers by Nov 2006.</p> <p>(iii) Training programs commenced by qualified trainers by Jan 2007.</p> <p>Four HRM policies developed, approved, and commenced in implementation at:</p> <p>(i) national Government by Dec 2006,</p> <p>(ii) Pohnpei state by Dec 2006,</p> <p>(iii) Yap state by Mar 2007,</p>	<p>monitoring report</p> <p>Annual Road Map monitoring report</p> <p>Midyear Road Map monitoring report</p> <p>Annual Road Map monitoring report</p> <p>Citizen survey report</p> <p>Baseline data: (original Road Map)</p> <p>Updated Road Map</p> <p>Midyear and annual Road Map monitoring reports</p> <p>Updated Road Map</p> <p>Annual Road Map monitoring report</p> <p>Updated Road Map</p> <p>Midyear and annual Road Map monitoring reports</p> <p>Updated Road Map</p>	<ul style="list-style-type: none"> • Funds for implementing the Road Map sufficiently allocated in FY2007 budgets of the national and four state governments. • Implementation of technical assistance provided by other funding agencies to support some key actions under the Road Map.

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
	(iv) Chuuk state by Jun 2007, and (v) Kosrae state by Aug 2007.		
<p>Activities with Milestones</p> <p>Activity 1. Enhance capacity to monitor and evaluate Road Map implementation</p> <p>1.1. Develop participatory monitoring and evaluation methods, framework, and procedures that are suitable for the Road Map implementation.</p> <p>1.2. Conduct a series of participatory workshops at national and four state governments and with stakeholders outside government to monitor and evaluate the progress of actions and activities under the Road Map.</p> <p>1.3. Conduct a citizen survey on service delivery in the focus areas of the Road Map.</p> <p>1.4. Assist the Road Map secretariat in preparing the Road Map monitoring reports (biannual).</p> <p>1.5. Revise and update the Road Map after 1 year of implementation.</p> <p>1.6. Enhance institutional capacity of government counterparts for monitoring and evaluation of the Road Map through activities 1.1–1.5 above.</p> <p>Activity 2. Enhance capacity to develop and monitor staff training program</p> <p>2.1 Provide professional advice on the selection of suitable training providers.</p> <p>2.2 Support articulation of training programs in collaboration with training provider(s) and training coordinators under guidance of training coordination committees.</p> <p>2.3 Assist the Road Map secretariat and training coordinators in facilitating training delivery in respective governments.</p> <p>Activity 3. Facilitate development and implementation of four HRM policies</p> <p>3.1 Facilitate creating and operationalizing the HRM policy review task forces in the national and four state governments, each consisting of the chief of personnel, two or more heads of divisions in the three focus areas, and one or two personnel specialists.</p> <p>3.2 Conduct a series of participatory workshops for relevant chiefs and staffs in the respective governments.</p> <p>3.3 Provide professional advice for the HRM policy review task forces on HRM policies.</p> <p>3.4 Facilitate preparation of new HRM policies for respective governments.</p> <p>3.5 Assist the governments with implementing the new HRM policies.</p>			<p>Inputs</p> <ul style="list-style-type: none"> • ADB \$600,000 • Government \$150,000

ADB = Asian Development Bank, Aug = August, Dec = December, HRM = human resource management, Jan = January, Jun = June, Mar = March, Nov = November, Sep = September.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Total Cost
A. Asian Development Bank (ADB) Financing^a	
1. Consultants	
a. Remuneration and Per Diem	
i. International Consultants	413.0
ii. Domestic Consultant (local)	12.5
b. International and Local Travel	86.0
c. Reports and Communications	13.5
2. Equipment ^b	20.0
3. Workshops and Conferences (local)	15.0
4. Contingencies	40.0
Subtotal (A)	600.0
B. Government Financing^c	
1. Office Accommodation	10.0
2. Domestic Travel by Counterpart Staff	50.0
3. Remuneration of Counterpart Staff	20.0
4. Reports and Communications	20.0
5. Office Supplies	10.0
6. Miscellaneous Administration and Support Costs	40.0
Subtotal (B)	150.0
Total	750.0

^a Financed by ADB's technical assistance funding program.

^b Laptop computer, fax, projector and photocopy machine.

^c Financed by the Government of the Federated States of Micronesia.

Source: ADB estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. General

1. The consultants will work as a coherent team to deliver the tasks detailed below. The team will comprise four consultants: (i) public sector governance specialist (international, team leader), (ii) human resource management specialist (international), (iii) participatory institutional development specialist (international), and (iv) workshop and survey facilitator (local).

2. Participatory approaches that have been extensively used in preparing the Public Sector Capacity Building Road Map¹ (the “Road Map”) will be adopted to carry out the tasks. Total consultant inputs will be 25.5 person-months (23 person-months for international consultants, 2.5 person-months for the local consultant). Terms of reference for each consultant are described below.

B. Public Sector Governance Specialist/Team Leader (international, 6 person-months)

3. The public sector governance specialist (team leader) will have a strong background in public financial and economic management, capacity building, and project/program development and management. He or she will also have extensive experience of providing technical assistance within those fields in the Federated States of Micronesia (FSM) and other countries.

4. As the team leader, the specialist will oversee implementation of the three activities under the technical assistance (TA) through the duration of the project. He or she will also be responsible for supervising other consultant team members, ensuring that all work and outputs under the TA fully comply with all relevant Asian Development Bank (ADB) policies and guidelines, and working closely with the Executing Agency as well as the project team of ADB.

5. More specifically, the public sector governance specialist will do the following:

- (i) Provide professional advice, in collaboration with the other team members, to the Road Map secretariat to articulate a participatory monitoring and evaluation framework for the Road Map, design a survey framework on public service delivery in the focus areas of the Road Map, and facilitate discussions and dialogues with national and state governments.
- (ii) In collaboration with the other team members, prepare and facilitate a series of participatory workshops for monitoring and evaluation at national and four state governments.
- (iii) Assist the Road Map secretariat to facilitate preparation of Road Map monitoring reports in collaboration with other team members.
- (iv) Assist the Road Map secretariat in developing the training programs in collaboration with other team members and training provider(s), including to prepare tender documents and identify training provider(s).
- (v) Provide professional advice in financial management, economic planning, and statistics when respective governments monitor and update actions and activities in the focus areas of the Road Map.

¹ The Road Map was approved by the Government in March 2006 and is now available in the FSM website of ADB.

C. Human Resource Management Specialist (international, 10 person-months)

6. The human resource management (HRM) specialist will have a strong background in human resource management and development in developing countries, and particularly regarding HRM policies and administration. He or she will also have extensive experience of providing technical assistance within those fields in the FSM.

7. The specialist will be responsible for activity 3 (facilitate development of four HRM policies), and provide professional advice, where needed, to government counterparts in activity 2 (enhance capacity to develop and monitor staff training program).

8. More specifically, the human resource management specialist will do the following:

- (i) Review existing documents on HRM policies at the national and four state governments in the areas of (a) recruitment and selection, (b) work analysis and position classification, (c) staff performance evaluation, and (d) training.
- (ii) Analyze the existing documents and identify gaps to be filled in developing sound HRM policies (e.g., needs for amendments and/or new policies).
- (iii) Facilitate participatory workshops with HRM policy review task forces to raise awareness about the gaps and discuss ways to address those gaps in HRM policies.
- (iv) Propose recommendations for changing and/or developing concrete aspects of HRM policies, and facilitate agreements on those changes among the task force.
- (v) Assist the Road Map secretariat to facilitate the preparation of new HRM policies, taking into account recommendations under the Road Map, and formal adoption of the new policies by the respective governments.
- (vi) Provide professional advice for the Road Map secretariat and training coordinators in five governments on training program development and delivery.
- (vii) Contribute to preparing Road Map monitoring reports and an updated Road Map (with regard to HRM components) after a year of implementation.

D. Participatory Institutional Development Specialist (international, 7 person-months)

9. The participatory institutional development specialist will have a strong background in participatory approaches for planning, monitoring, and evaluating projects and programs; extensive experience in applying participatory approaches in the FSM and other developing countries; and extensive experience in providing, coordinating, and managing training programs funded by aid agencies for officials from developing countries.

10. The specialist will be responsible for activity 1 (enhance capacity to monitor and evaluate Road Map implementation) and provide professional support to the Road Map secretariat in implementing activity 2 (enhance capacity to develop and monitor staff training program).

11. More specifically, the participatory institutional development specialist will do the following:

- (i) Discuss with the Road Map secretariat and state counterparts about a relevant monitoring and evaluation framework and procedures for implementing the Road Map.
- (ii) Develop and propose a participatory monitoring and evaluation framework that best suits the needs of Road Map implementation.

- (iii) Facilitate a series of participatory workshops in collaboration with other team members to conduct monitoring and evaluation of Road Map implementation using the developed framework.
- (iv) Prepare Road Map monitoring reports in collaboration with other team members (biannual reviews).
- (v) Enhance institutional and staff capacities of the five governments to monitor and evaluate the Road Map through (i) to (iii).
- (vi) Provide professional support to the Road Map secretariat to facilitate development of training programs under output 2, in particular to prepare tender documents for selecting training providers and to formulate training programs.
- (vii) Contribute to preparation of an updated Road Map after 1 year of implementation.

E. Workshop and Survey Facilitator (domestic, 2.5 person-months)

12. The workshop and survey facilitator will be broadly networked with stakeholders outside government (e.g., businesses, nongovernment and civil society organizations in the FSM) and have extensive experience in organizing and facilitating workshops with those stakeholders. In addition, the facilitator will have analytical skills and experience in designing and conducting surveys on public service delivery or other socioeconomic issues, as well as in drafting reports on survey results. The workshops and survey will be conducted in Pohnpei as a pilot case.

13. The facilitator will contribute to activity 1 (enhance capacity to monitor and evaluate Road Map implementation) under supervision of the team leader and in close collaboration with the other team members. The facilitator will be responsible for (i) designing and conducting a citizen survey on service delivery in the Road Map focus areas, and (ii) organizing and facilitating workshops for stakeholders outside government to provide citizen inputs into the update of the Road Map after a year of implementation.

14. More specifically, the workshop and survey facilitator will do the following:

- (i) Design a survey framework suitable for the Road Map monitoring in close consultation with the team leader and other team members.
- (ii) Identify local enumerators to conduct the field survey.
- (iii) Supervise fieldwork of the enumerators, compile survey data in suitable electronic form, analyze the data with statistical software, and prepare a survey report.
- (iv) Identify key stakeholders suitable for participating in the workshops for stakeholders outside government.
- (v) Organize and facilitate the workshops with the identified key stakeholders.
- (vi) Deliver a presentation on the results of the survey in the workshops.
- (vii) Prepare a final report on (a) the survey framework and results and (b) the workshop outcomes and recommendations from participants at the workshops.

COMPACT OF FREE ASSOCIATION WITH THE UNITED STATES

1. *The Compact of Free Association between the Government of the United States of America and the Federated States of Micronesia* (the Compact) is an economic assistance package provided by the United States (US) for the Federated States of Micronesia (FSM). It began in fiscal year (FY) 1987 and ended in FY2003. After intensive negotiation between the US and FSM, *the Compact of Free Association, as Amended, between the Government of the United States of America and the Federated States of Micronesia* (the amended Compact, in short) came into force in FY2004.

2. Under the amended Compact, US economic assistance of \$92 million annually will be provided for the FSM over the 20 years from FY2004 to FY2023 (Table A4).

Table A4: United States Annual Compact Grants and Contributions to the Trust Fund
(\$ million)

Fiscal Year	Annual Grants	Trust Fund Contribution	Total Contribution
2004	76.0	16.0	92.0
2005	76.0	16.0	92.0
2006	76.0	16.0	92.0
2007	75.2	16.8	92.0
2008	74.4	17.6	92.0
2009	73.6	18.4	92.0
2010	72.8	19.2	92.0
2011	72.0	20.0	92.0
2012	71.2	20.8	92.0
2013	70.4	21.6	92.0
2014	69.6	22.4	92.0
2015	68.8	23.2	92.0
2016	67.2	24.8	92.0
2017	67.2	24.8	92.0
2018	66.4	25.6	92.0
2019	65.6	26.4	92.0
2020	64.8	27.2	92.0
2021	64.0	28.0	92.0
2022	63.2	28.8	92.0
2023	62.4	29.6	92.0
Total	1,397.6	442.4	1,840.0

3. **Decline of Compact Grants.** A new feature of the amended Compact is the establishment of the Compact Trust Fund, which was designed to provide an investment return to replace annual grants after 20 years. The US contribution to the Trust Fund started with \$16 million in FY2004 and will be raised by \$800,000 annually from FY2007 to FY2023 (Table A4). This necessitates a gradual decline in annual grants by \$800,000 from FY2007 onwards, posing a challenge of fiscal adjustment for the governments in the FSM.

4. **Public Sector Capacity Building Grants.** Annual grants under the amended Compact are earmarked for six sectors: (i) education, (ii) health, (iii) environment, (iv) private sector development, (v) infrastructure, and (vi) public sector capacity building. In FY2004, the national and four state governments spent a total of \$10.3 million from a public sector capacity building grant under the

amended Compact.¹ A large portion of this expenditure, however, was spent for “nonconforming purposes (general operation of governments not covered by sector grants).” In negotiation with the FSM, the US permitted the spending for nonconforming purposes, but it did so on the condition that the FSM agreed to transition out of using the capacity building grant for nonconforming purposes over 5 years. The FSM governments face the challenges of finding alternative sources of funds (such as own source revenues) and rationalizing expenditures to cut operational costs of governments over 5 years.

5. **Fiscal Procedures Agreement.** Implementation of the amended Compact entails a whole new accountability regime that is specified in the Fiscal Procedures Agreement. Transfer of Compact grants will take place only if the FSM will fulfill a wide range of ex ante and ex post requirements specified in this agreement.² The Fiscal Procedures Agreement was identified as a major capacity challenge for the FSM under the Road Map.

¹ Government of the Federated States of Micronesia. 2005. *FY2004 Compact Annual Report (draft)*. Pohnpei.

² Details of the Fiscal Procedures Agreement can be found in *Mid-term Report I: Institutional and Organizational Analysis* (Consultant's report for ADB TA 4258-FSM: Strengthening Public Sector Management and Administration).