

ASIAN DEVELOPMENT BANK

TAR: FSM 33316

TECHNICAL ASSISTANCE
(Cofinanced by the Government of the United States)

TO THE

FEDERATED STATES OF MICRONESIA

FOR

STRENGTHENING OF PUBLIC SECTOR MANAGEMENT

AND ADMINISTRATION

December 2003

CURRENCY EQUIVALENTS

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

ABBREVIATIONS

ADB	–	Asian Development Bank
DFA	–	Department of Finance and Administration
JEMCO	–	Joint Economic Management Committee
PFTAC	–	Pacific Financial and Technical Assistance Centre
PSRP	–	Public Sector Reform Program
TA	–	technical assistance
US	–	United States

NOTES

- (i) The fiscal year (FY) of the Government ends on 30 September. FY before a calendar year denotes the year in which the fiscal year ends.
- (ii) In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. The Federated States of Micronesia (FSM) is in a critical transition period, as the renewal of the Compact of Free Association (Compact)¹ between the FSM and the United States (US) is being concluded. Under the amended Compact, the Government of the FSM is expected to continue far-reaching structural adjustment policies and nationwide economic reform programs to adjust to reduced external funding. The Government has requested the Asian Development Bank (ADB) to provide technical assistance² (TA) to support these efforts. ADB Fact-Finding Missions visited the FSM in August and October 2003. Discussions were held with representatives of the Government and other concerned parties, and understanding was subsequently reached on the objectives, scope, and implementation arrangements of the proposed TA. Consultations on cofinancing arrangements were also held with the US Department of the Interior in January 2003 in Washington, DC and in September 2003 in Pohnpei. The TA framework is in Appendix 1.

II. ISSUES

2. The FSM economy is dominated by the public sector. The financial transfers under the Compact, a major source of external funding, precipitated a substantial expansion in the economy—driven by growth in public sector expenditures. With declines in the resource transfers in two major step-downs in Compact funding in FY1992 and FY1997, economic growth slowed. The economy suffered a major shock in 1997, as a reduction in financial resources available as a result of the step-down in the Compact funding worked its way through the system.

3. The impact of the Compact grants is evident in the dominance of the public sector and the extent to which aid has permitted total final consumption to exceed the domestic economy's production and trade opportunities. The value of imports is six times higher than exports, and the trade deficit was 33% of the gross domestic product in FY2002. Private sector activities are mainly in the retailing industry, servicing the public sector. The major challenge for the FSM is to transform itself from a public sector-led economy to a private sector-driven economy.

4. Economic summits at the national and state levels were organized during the period of the original Compact in advance of the major reduction in Compact transfers. The summit process paved the way for a public sector reform program (PSRP) that ADB supported through a program loan³ and associated TAs. As a result of the PSRP, the Government payroll was reduced by 30% in nominal terms and the number of public servants cut by 23%. While Government downsizing was achieved, insufficient attention was given to streamlining the machinery of government and refocusing government activities within the role and functions that only government can perform in delivering public goods.⁴

¹ The Compact came into effect in 1986. Under the Compact, the FSM received assistance over 15 years until 2001 with a transition provision for an extension of 2 more years until October 2003. The FSM is currently renegotiating the economic provisions of the Compact with the United States.

² The TA first appeared in *ADB Business Opportunities* on 14 February 2003. The TA was included in ADB. 2003. *FSM Country Strategy and Program Update (2003–2005): Federated States of Micronesia as Economic Policy Reform and Capacity Building, Phase II*. The name was modified to better reflect the objectives and scope of the TA.

³ ADB. 1997. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Federated States of Micronesia for the Public Sector Reform Program*. Manila.

⁴ ADB. 2003. *Program Performance Audit Report on the Public Sector Reform Program in the Federated States of Micronesia*. Manila.

5. Since 1995, ADB has provided substantial economic management and policy advisory TAs. These are two TAs for the economic management policy advisory team,⁵ and phase I of the Economic Policy Reform and Capacity Building TA.⁶ The main objectives of the TA projects were to (i) assist the Government in formulating an economic strategy and economic policies that will lead to more rapid and self-sustaining growth, and particularly to address the major structural problems faced by the country; (ii) help monitor policy implementation and provide feedback on the effects of structural adjustment measures; and (iii) provide training to enable the Government, in the medium term, to continue the work of policy analysis without reliance on expatriate staff.

6. A major accomplishment of the ADB TAs on economic policy management was improved understanding within the Government of sound economic policy formulation and management, and effective support for economic policy reforms in response to the major step-downs in US Compact funds. Through graduate and on-the-job training, progress has also been made in developing the capacity of a cadre of local economists with master's degrees in economics.

7. The Compact negotiations are now near completion, and while the final size of the package is yet to be finalized, the structure and outlines of the new fiscal procedures are generally well known. The amended Compact, with a duration of 20 years ending 2023, will be administered mainly through six sector grants, which are for (i) education, (ii) health care, (iii) private sector development, (iv) environment, (v) capacity building in the public sector, and (vi) public infrastructure, with priorities in the education and health care sectors. The negotiation teams of the FSM and US have proposed an amended Compact based on a \$76 million grant to cover the six sectors and a \$16 million contribution to the trust fund in the first year. The contribution to the trust fund will increase by 0.8 million annually, while the grant for the six sectors will be reduced annually by a similar amount. The trust fund will remain untouched until FY2023, at which time the fund would be expected to be of a size that would yield an annual income in perpetuity that could replace the annual contributions to the FSM budget from the Compact. All payments are inflation-indexed to two thirds of prevailing US inflation. This level of contributions to the FSM budget is a reduction of about 7% from the 2001 Compact grant level, and the further step-down every year will entail a prolonged period of adjustment. Therefore, there is a need for sound fiscal management to mitigate the immediate as well as the progressive reduction in the contribution of the Compact to the FSM budget.

8. For FY2004, more than half of the Compact grant will be allocated to the education and health sectors. The infrastructure development and public sector capacity building sectors will account for 22% and 15%, respectively. Private sector development and the environment will receive a relatively minor portion of the Compact grant. The public sector capacity building grant under the amended Compact will be used to build effective, accountable, and transparent national and local governments and other public sector institutions. In view of the current institutional capacity of the governments, the annual public sector capacity-building grant will

⁵ ADB. 1995. *Technical Assistance to the Federated States of Micronesia for a Policy Advisory Team for Economic Management*. Manila (TA-2294-FSM, approved on 31 January 1995 for \$2,500,000); ADB. 1997. *Technical Assistance to the Federated States of Micronesia for Expansion of the Economic Management Policy Advisory Team*. Manila (TA-2294-FSM, approved on 29 April 1997 for \$540,000); and ADB, 1998. *Technical Assistance to the Federated States of Micronesia Economic Policy Reform and Management*. Manila (TA 3024-FSM, approved on 2 June 1998 for \$3,876,000). TA 2294 was rated successful in the Program Performance Audit Report of FSM's Public Sector Reform Program.

⁶ ADB. 2001. *Technical Assistance to the Federated States of Micronesia for Economic Policy Reform and Capacity Building Phase I*. Manila (TA-3783-FSM, approved on 29 November 2001 for \$883,000).

play a vital role in improving the governments' capacity over the next 20 years, and should be used effectively under a comprehensive long-term plan. Currently, about \$10 million of the Government's operating costs for FY2004 were included in the public sector capacity-building grant under the amended Compact. However, the US wants to avoid financing the basic operating costs of the Government through this sector grant. To achieve a smooth transition to the amended Compact, the FSM is now required to prepare an FSM-wide transitional 5-year plan (Transition Plan) to find alternative funding sources for these operating costs over 5 years.

9. The Compact funds will be carefully managed through a Joint Economic Management Committee (JEMCO). The FSM will establish the secretariat for the JEMCO. The JEMCO will, among others, review planning and budget documents of the Government, monitor the progress of the FSM toward sustainable economic development and budgetary self-reliance, review and approve grant allocations and performance objectives, and review quarterly trust fund investment reports. The Government, and the JEMCO in particular, will require timely economic advice and assistance in a number of priority tasks, including formulation of a new economic strategy, expenditure cutting, tax reform, and adjustments in the structure and delivery of public services.

10. Another key issue is the lack of a comprehensive, longer-term capacity-building strategy to respond to the gradual withdrawal of US assistance. The responsibility for human resource management at the national level was shifted to the Department of Finance and Administration (DFA) as a result of the government restructuring during the PSRP. Since that time, the Government has not prepared a long-term human resource and institutional capacity building plan. Such a plan will be required to utilize effectively the capacity building sector grant fund of the new Compact.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

11. The long-term goal of the TA is to assist the Government in realizing its "dream of economic self-sufficiency and security"⁷ at the end of the period of the amended Compact, through achievement of the TA's purpose of timely policy advice and strengthened institutional capacities at both national and state levels. The TA will have two components: (i) Compact transition support, and (ii) preparation of a long-term institutional capacity-building Roadmap (the Roadmap).

B. Methodology and Key Activities

1. Compact Transition Support

12. To achieve a smooth transition in the FSM economy and cope with the anticipated reductions in the Compact grant funds, the Government identified immediate needs for aid agency support in two major areas: (i) preparation of the Transition Plan, and (ii) strengthening public sector financial control and management.

13. **Transition Plan.** The Transition Plan will be based on a careful review of both revenues and expenditures of the Government, and will explore the possibility of strengthening revenue-

⁷ Urusemal, J. 2003. Inauguration remarks of the President of the FSM. Outside Congress Chamber, Pohnpei, 14 July.

generating efforts as well as reducing Government's expenditures. The TA will aim to produce (i) an overall economic transition plan, and (ii) a tax reform plan. The tax reform plan will be an essential input to the overall economic transition plan. The overall economic transition plan will review both income and expenditure issues, and propose how to soften the impact of the contraction of the grant funding on the FSM economy. The tax regime and administration will also be carefully reviewed. In this respect, the introduction of a broad-based consumption tax will be explored.

14. **Strengthening Financial Control and Management.** To comply with various new fiscal management-related requirements under the amended Compact, the Government urgently needs to strengthen its capacity in financial planning, controlling, and reporting. The introduction of a uniform financial management information system across five governments in the FSM is one of the Government's top priorities in its effort to improve financial management. Under the TA, the financial work of the governments will undergo a strategic review.

2. Long-Term Public Sector Capacity Building Roadmap

15. The Roadmap will guide the Government in carrying out its institutional capacity building during the amended Compact period (2003–2023). The Roadmap will also help ensure efficient and effective use of the sector grant for capacity building from the US. The main focus of the Roadmap is to improve (i) economic planning, (ii) financial management, (iii) auditing, (iv) law enforcement, (v) immigration controls, (vi) the judiciary, and (vii) the compilation and analysis of appropriate statistical indicators. Human resource management and staff development issues will be thoroughly reviewed and incorporated in the Roadmap.

16. To formulate the Roadmap, the TA will first establish the long-term vision of the Government of its roles and functions, and its institutional framework and capacity, based on consultations with key stakeholders. Second, the TA will conduct situation analyses (or diagnostic reviews) of the national and state governments' institutional framework and capacity. The analyses will cover the commitment and vision of the leadership of the country, organizational structures and functions of offices of the governments, human resource management and staff development policy and system, human resource capacity in terms of both the number and quality of staff, skills mix and gap, top and middle management capability and staff morale, staff development opportunities, and quality and efficiency of public services.

17. Based on the thorough situation analyses (para. 16), key issues to be tackled will be identified, and short- and medium-term objectives will be defined to achieve the vision set at the beginning of the TA exercise. Detailed initial 3-year action plans will be formulated to achieve each objective. Although the action plans will depend on the issues to be identified by the thorough situation analyses, the Roadmap will include, but will not be limited to, concrete/detailed staff development plans, a plan to modify, as needed, the human resource policy of the Government, and a plan for restructuring and rationalizing each government. The action plans in the Roadmap will enable the Government to implement its capacity building efforts in a coordinated manner, and effectively use the public sector capacity building grant of the US Compact, as well as other external assistance.

18. A participatory approach will be adopted to prepare the Roadmap. In addition to interviews with concerned parties, a series of workshops will be held at both national and state levels.

C. Cost and Financing

19. The TA is estimated to cost \$1,083,000 equivalent with \$759,000 in foreign exchange and \$324,000 equivalent in local currency (Appendix 2). ADB will provide \$500,000 for the TA. The TA will be financed on a grant basis by ADB's TA funding program. The US will cofinance the TA in the amount of \$333,000 on a grant basis to be administered by ADB. The Government will contribute \$250,000 equivalent to finance the remaining local currency cost.

D. Implementation Arrangements

20. DFA will be the executing agency for the TA. The Government will ensure counterpart staff members in the national and state governments to work closely with the consultants for the institutional strengthening and fiscal management efforts. A steering committee will be established comprising the secretaries of finance, economic affairs, and foreign affairs; representatives from the state governments; and other officials as deemed appropriate. The committee will meet quarterly and be headed by the DFA Secretary. The Government will also provide all available relevant information and will facilitate the collection of socioeconomic and technical data necessary for preparing the Roadmap.

21. ADB will engage the services of international consultants with relevant experience in all aspects of the specified scope of work. The TA will require 35 person-months of consulting services. Under the Compact transition support component, 13 person-months of international individual consulting services in the areas of fiscal management and financial advice will be recruited. The Pacific Financial Technical Assistance Centre will work on tax reform-related areas in close consultation with these TA consultants. Under the Roadmap component, a consulting firm will be engaged for 22 person-months in the areas of, among others, public sector management, human resource management, and training planning. 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*. The detailed terms of reference are in Appendix 3.

22. The TA will adopt a phased-implementation approach. The Compact transition support component will be implemented first. The Roadmap component will be carried out after the first component is largely completed, so that the Roadmap can adequately incorporate the Transition Plan. The TA will be implemented for about 18 months. The first component is expected to begin in February 2004 and be completed by August 2004. The second component will start in September 2004 and will be completed in July 2005. The consultants will adopt a participatory approach to prepare the outputs. They will conduct workshops with concerned parties at both national and state levels, to maximize the various stakeholders' sense of ownership of the Transition Plan and the Roadmap.

IV. THE PRESIDENT'S DECISION

23. The President, acting under the authority delegated by the Board, has approved (i) ADB administering a portion of technical assistance not exceeding the equivalent of \$333,000 to be financed on a grant basis by the Government of the United States, and (ii) ADB providing the balance not exceeding the equivalent of \$500,000, on a grant basis, to the Government of the Federated States of Micronesia for the Strengthening of Public Sector Management and Administration, and hereby reports this action to the Board.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Goal</p> <p>Assist the Government in realizing its "dream of economic self-sufficiency and security"</p>	<p>In FY2009, achieve a balanced budget without the amended Compact grant funding for the basic operating costs under the public sector capacity building grant</p> <p>Over 20 years, sufficient capacity building efforts, including staff training, in the core functions of the Government, generally in line with the Roadmap</p>	<p>Government budget papers</p>	
<p>Purpose</p> <p>1. Support the Government to achieve a smooth transition to the amended Compact</p> <p>2. Support the Government to formulate a long-term institutional capacity building Roadmap</p>	<p>By August 2004, a 5-Year Transition Plan for the Federated States of Micronesia (FSM) adopted to achieve a balanced budget without the amended Compact grant funding for the basic operating costs under the public sector capacity building grant</p> <p>All public financial reports required under the new fiscal management arrangements of the amended Compact produced on time and accurately</p> <p>Adoption, by July 2005, of a long-term institutional capacity building plan</p>	<p>Consultant's progress reports</p> <p>Asian Development Bank (ADB) missions</p>	<p>Government is committed to continue reforms.</p> <p>Tax reform is politically accepted in the FSM.</p> <p>Government is committed to human resource development.</p>

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Outputs</p> <p>A. Compact Transition Support</p> <p>1. FSM-wide 5-year plan (the Transition Plan) including a tax reform plan and government expenditure containment plan prepared</p> <p>2. Financial advisory</p> <p>B. Institutional Capacity Building Roadmap</p>	<p>Concrete measures so that, in 5 years, basic operating costs (approximately \$10 million) will be taken out from the public sector capacity building grant under the amended Compact</p> <p>Complete a detailed diagnostic report and practical recommendations for improving financial management, control, and reporting</p> <p>By mid 2005, complete the Roadmap that will be a base document in effective use of external funding in public sector capacity building efforts</p> <p>Activities of capacity building in accordance with the Roadmap starting from FY2005</p>	<p>Consultant's progress report</p> <p>ADB missions</p> <p>Tripartite meeting</p> <p>Final report</p>	<p>The Government has strong commitment to and sense of ownership of the preparation of the transition plan.</p> <p>Required data and information are available and accessible.</p> <p>Government counterpart staff are available.</p>
<p>Activities</p> <p>A. Compact Transition Support</p> <p>1.1 Analyze recent fiscal development of FSM</p> <p>1.2 Help with tax reform and development of a broad-based non-distortionary tax system</p> <p>1.3 Design a strategy for fiscal adjustments for each government of the FSM</p>	<p>February–August 2004</p> <p>Activities completed on time</p>	<p>Progress reports from the consultants</p> <p>ADB missions</p>	<p>The Government has strong commitment to and sense of ownership of the preparation of the transition plan.</p> <p>Pacific Financial Technical Assistance Centre (PFTAC) service is available on time.</p> <p>Required data and information are available and accessible.</p> <p>Government counterpart staff are available.</p>

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>1.4 Propose alternative scenarios for fiscal management, comprising reduced expenditure and increased revenue efforts</p> <p>1.5 Propose an overall FSM-wide 5-year transition plan</p> <p>2.1 Conduct a diagnostic review of the Dept. of Finance and Administration (DFA)</p> <p>2.2 Recommend short-, medium-, and long-term solutions to the issues identified in A.2.1.</p> <p>2.3 Provide technical advice to DFA, as well as Joint Economic Management Committee secretariat</p> <p>2.4. Identify training needs of DFA</p> <p>2.5 Help introduce a new financial management information system</p> <p>B. Roadmap</p> <p>1. Establish a 20-year vision of the Government's institutional framework and capacity</p> <p>2. Conduct thorough situation analyses of the national and four state governments</p>	<p>September 2004–July 2005</p> <p>Activities completed on time</p>	<p>Progress reports</p> <p>ADB missions</p>	<p>The Government is strongly committed to the preparation of the Roadmap.</p> <p>Required data and information are available and accessible.</p> <p>Government counterpart staff are available.</p>

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>particularly in the areas of</p> <ul style="list-style-type: none"> • organizational structures and functions of the governments • management capability and staff morale • human resource capacity in terms of both the number and quality of staff • current and future staff skills mix and gap • existing staff development plan • education and training opportunities and quality of education and training institutions in the country <p>3. Based on the situation analyses, identify key issues to be tackled</p> <p>4. Define short-, medium-, and long-term objectives for each key issue to achieve the 20-year vision</p> <p>5. Prepare very detailed 3-year action plans to achieve each objective</p> <p>6. Conduct stakeholders' workshops at both national and state levels</p>			

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Inputs</p> <p>Overall, 35 person-months of international consulting services</p> <ul style="list-style-type: none"> • Fiscal management specialist (7 person-months) • PFTAC (tax expert and tax law specialist) • Financial Specialist (6 person-months) • 22 person-months of international consulting services in public sector management, human resource management, and staff development and training planning 			

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
A. Cofinanced by the Asian Development Bank and the Government of the United States^a			
1. Consultants			
a. Compact Transition Support			
i. Remuneration and Per Diem	234.0	0.0	234.0
ii. International and Local Air Travel	6.0	9.6	15.6
iii. Miscellaneous, including Local Transportation	0.0	9.0	9.0
b. Institutional Capacity Building Roadmap			
i. Remuneration and Per Diem	396.0	0.0	396.0
ii. International and Local Air Travel	24.0	18.0	42.0
iii. Workshops for the Roadmap	0.0	16.4	16.4
iv. Miscellaneous	0.0	12.0	12.0
2. Contingencies	99.0	9.0	108.0
Subtotal (A)	759.0	74.0	833.0
B. Government Financing			
1. Office Accommodation and Transport	0.0	30.0	30.0
2. Remuneration and Per Diem of Counterpart Staff	0.0	140.0	140.0
3. Domestic Travel by Counterpart Staff	0.0	30.0	30.0
4. Communications	0.0	10.0	10.0
5. Office Supplies and Equipment	0.0	7.0	7.0
6. Contingencies	0.0	33.0	33.0
Subtotal (B)	0.0	250.0	250.0
Total	759.0	324.0	1,083.0

^a \$500,000 from the Asian Development Bank's TA funding program and \$333,000 from the Government of the United States.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The consultants will ensure that all work and outputs under the TA fully comply with all relevant Asian Development Bank (ADB) policies and guidelines. The consultants' work will include, but will not be limited to, the listed tasks.

A. Compact Transition Support Component

1. Fiscal Management Specialist (international, 7.0 person-months)

2. The consultant will have strong background and experience in economic policy and fiscal management, and will work closely with officials of the Secretary of the Department of Finance and Administration (DFA), officials of the Pacific Financial and Technical Assistance Centre (PFTAC), and other consultants to prepare a 5-year transition plan for the Federated States of Micronesia (FSM). More specifically, the consultant will

- (i) review the documents related to the amended Compact fiscal management requirements;
- (ii) analyze recent fiscal development and implication of the amended Compact, as well as fiscal positions of the national and four state governments;
- (iii) assist with tax reform and development of a broad-based nondistortionary tax system suitable for the long-run development of the economy;
- (iv) identify possible measures to further contain the public expenditures of the Government;
- (v) design a strategy for fiscal adjustments for each government to maintain fiscal stability and compliance with the amended Compact;
- (vi) propose alternative scenarios of fiscal management comprising reduced expenditures and increased revenue efforts;
- (vii) review existing efforts to strengthen tax administration and the tax regime;
- (viii) incorporate a tax reform into a transition strategy;
- (ix) liaise with tax specialists from PFTAC, providing them with analyses on additional revenue needs with a view to preparing a tax reform plan; and
- (x) propose an overall FSM-wide 5-year transition plan.

2. Financial Specialist (international, 6.0 person-months)

3. The consultant will have a strong background and experience in public financial management, and will advise the Secretary of DFA on policy and technical aspects of public financial management and work closely with the local counterpart staff members. More specifically, the consultant will

- (i) conduct a diagnostic review of DFA to identify strengths and weakness of financial control and management, financial reporting, human resource management;
- (ii) categorize the identified issues into short-, medium-, and long-term solutions;
- (iii) coach government officials in DFA to increase their capacity;
- (iv) identify training needs of DFA;
- (v) help introduce a new financial management information system; and
- (vi) provide policy and technical advice to DFA and the Joint Economic Management Committee Secretariat on fiscal management and financial control and management issues.

3. Tax Expert/Tax Law Specialist¹

4. The PFTAC is expected to provide the expert to

- (i) review the existing tax regime of the FSM, including constitutional provisions at national and state levels;
- (ii) review the existing tax administration and capacity at national and state levels;
- (iii) review current fiscal conditions and requirements for the amended Compact;
- (iv) propose changes to tax administration and regime to introduce a modern tax system to meet immediate and long-term needs of the FSM;
- (v) outline details of the proposed tax structure with special attention to the introduction of new taxes including a broad-based consumption tax;
- (vi) estimate required tax rates to generate sufficient revenue to meet the FSM needs under the amended Compact;
- (vii) draft model legislations for the new tax regime, including possible administrative changes; and
- (viii) liaise with consultants under this component, and help prepare an overall FSM-wide 5-year transition plan.

B. Institutional Capacity Building Roadmap Component

1. Management Consultant Team for FSM Institutional Capacity Building Roadmap (international, 22.0 person-months)

5. The consultants will work as a coherent team to deliver the tasks outlined in para. 6. The team will comprise 2–3 consultants with expertise in (i) public sector management, (ii) human resource management, and (iii) staff development/training planning.

¹ will not be financed under the TA.

6. The main work of the team will be to

- (i) establish a 20-year vision of the Government's role and functions, as well as institutional framework and capacity;
- (ii) conduct thorough situation analyses/diagnostic reviews of the core functions of the national and four state governments, specially in the areas of economic planning, financial management, auditing, law enforcement, immigration controls, judiciary, statistics, and human resource management. The situation analyses will include, but will not be limited to
 - (a) commitment and vision of the leadership of the country;
 - (b) quality, quantity, and speed of government services and identifying causes of issues in government services;
 - (c) organizational culture, structures, functions, and business processes of the governments;
 - (d) human resource policies and management;
 - (e) capacity of Government officials, including the levels of technical skills of staff, management capability, staff morale;
 - (f) the current and future staff skills mix and gap;
 - (g) existing staff development plans of the governments and current training opportunities for government officials; and
 - (h) quality of education and training institutions to provide in-service training to government officials;
- (iii) based on the thorough situation analyses in (ii), identify key issues of the core functions of the governments;
- (iv) provide short-, medium-, and long-term objectives/recommendations for each key issue identified in (iii);
- (v) based on (iii) and (iv), prepare very detailed 3-year action plans for the national and state governments to achieve each objective. The plans should include a detailed 3-year training for government officials at all levels. Various linkages with educational institutions within the country and in the Asia and Pacific region as well as bilateral sources support should be explored;
- (vi) adopt a participatory approach to carry out (i) to (v), for example, by conducting national and state workshops with concerned parties to increase the various stakeholders' sense of ownership of the Roadmap. At the initial stage of TA implementation, conduct a vision setting/situation analysis workshop in each state, followed by several workshops to discuss (iv) and (v); and
- (vii) submit to the Government and ADB (a) an inception report within 1 month, (b) a midterm report within 3 months, (c) draft final Roadmap within 6 months, and (d) the final Roadmap at the end of the task.