

Document of  
**The World Bank**  
**FOR OFFICIAL USE ONLY**

Report No: 126142-MH

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF SDR 6.20 MILLION  
(US\$9 MILLION EQUIVALENT)

TO

THE REPUBLIC OF THE MARSHALL ISLANDS

FOR A

PROJECT TO STRENGTHEN BUDGET EXECUTION AND FINANCIAL REPORTING  
SYSTEMS

May 8, 2018

Governance Global Practice  
East Asia and Pacific Region

This document is being made publicly available prior to Board consideration. This does not imply a presumed outcome. This document may be updated following Board consideration and the updated document will be made publicly available in accordance with the Bank's policy on Access to Information.

## CURRENCY EQUIVALENTS

(Exchange Rate Effective March 31, 2018)

Currency Unit = United States Dollar (US\$)

---

SDR 0.68782 = US\$1

---

US\$1.45386 = SDR 1

## FISCAL YEAR

October 1 – September 30

## ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
CAPI	Computer Assisted Personal Interviewing
COTS	Commercial Off-the-shelf
CQS	Selection Based on the Consultants' Qualifications
DA	Designated Account
DFAT	Australia Department of Foreign Affairs and Trade
DIDA	Division of International Development Assistance
DP	Development Partner
EPPSO	Economic Policy Planning and Statistical Office
ESMP	Environmental and Social Management Plan
EU	European Union
FM	Financial Management
FMIS	Financial Management Information System
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GRS	Grievance Redress System
HIES	Household Income and Expenditure Survey
HR	Human Resource
ICT	Information and Communication Technology
IFR	Interim Financial Report
IMF	International Monetary Fund
IPF	Investment Project Financing
IRR	Implementing Rules and Regulations
IT	Information Technology
MoF	Ministry of Finance
MoHHS	Ministry of Health and Human Services
MOU	Memorandum of Understanding
NSP	National Strategic Plan

NTA	National Telecommunications Authority
OAG	Office of the Auditor General
OIA	Office of Insular Affairs
PACTAM	Pacific Technical Assistance Mechanism
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFTAC	Pacific Financial Technical Assistance Centre
PIC	Pacific Island Country
PIM	Project Implementation Manual
PPO	Procurement Policy Office
PPSD	Project Procurement Strategy for Development
PSC	Public Service Commission
PSS	Public School System
RCU	Reform Coordination Unit
RMI	Republic of Marshall Islands
RPF	Regional Partnership Framework
SCD	Systematic Country Diagnostic
SDD	Statistics for Development Division
SLA	Service-Level Agreement
SOE	State-Owned Enterprise
SPC	Pacific Community
SRS	System Requirements Study
STEP	Systematic Tracking of Exchanges in Procurement
TTL	Task Team Leader

Regional Vice President: Victoria Kwakwa

Country Director: Michel Kerf

Senior Global Practice Director: Deborah L. Wetzel

Practice Manager: Fily Sissoko

Task Team Leader(s): Saeeda Sabah Rashid, Robert J. Gilfoyle

BASIC INFORMATION

Country(ies)	Project Name	
Marshall Islands	Project to Strengthen budget execution and financial reporting systems	
Project ID	Financing Instrument	Environmental Assessment Category
P163131	Investment Project Financing	B-Partial Assessment

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input checked="" type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Disbursement-linked Indicators (DLIs)	<input checked="" type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	

Expected Approval Date	Expected Closing Date
30-May-2018	25-Sep-2023

Bank/IFC Collaboration
No

Proposed Development Objective(s)

The objective of the project is to improve the completeness, reliability and timeliness of Government’s annual financial statements, and the availability of reliable socioeconomic statistics.

Components

Component Name	Cost (US\$, millions)
Strengthening the Public Financial Management Environment	0.50

Financial Management Information System (FMIS)	4.48
Change Management and Human Resource Development	0.97
Household Income and Expenditure Survey (HIES) Implementation	0.65
Project Management	2.40

### Organizations

Borrower: The Republic of the Marshall Islands  
 Implementing Agency: Ministry of Finance

### PROJECT FINANCING DATA (US\$, Millions)

#### SUMMARY

Total Project Cost	9.50
Total Financing	9.50
of which IBRD/IDA	9.00
Financing Gap	0.00

#### DETAILS

##### World Bank Group Financing

International Development Association (IDA)	9.00
IDA Grant	9.00

##### Non-World Bank Group Financing

Counterpart Funding	0.50
Borrower	0.50

#### IDA Resources (in US\$, Millions)

	Credit Amount	Grant Amount	Total Amount
National PBA	0.00	9.00	9.00
<b>Total</b>	<b>0.00</b>	<b>9.00</b>	<b>9.00</b>

Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2018	2019	2020	2021	2022	2023	2024
Annual	0.10	1.60	1.80	2.66	1.64	1.00	0.21
Cumulative	0.10	1.70	3.50	6.16	7.80	8.80	9.00

INSTITUTIONAL DATA

Practice Area (Lead)	Contributing Practice Areas
Governance	Poverty and Equity

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Gender Tag

Does the project plan to undertake any of the following?	
a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF	Yes
b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment	Yes
c. Include Indicators in results framework to monitor outcomes from actions identified in (b)	Yes

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	Moderate
2. Macroeconomic	Moderate
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Substantial

6. Fiduciary	● Substantial
7. Environment and Social	● Low
8. Stakeholders	● Moderate
9. Other	
10. Overall	● Substantial

## COMPLIANCE

### Policy

Does the project depart from the CPF in content or in other significant respects?

☐ Yes ☒ No

Does the project require any waivers of Bank policies?

☐ Yes ☒ No

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	✓	
Performance Standards for Private Sector Activities OP/BP 4.03		✓
Natural Habitats OP/BP 4.04		✓
Forests OP/BP 4.36		✓
Pest Management OP 4.09		✓
Physical Cultural Resources OP/BP 4.11		✓
Indigenous Peoples OP/BP 4.10		✓
Involuntary Resettlement OP/BP 4.12		✓
Safety of Dams OP/BP 4.37		✓
Projects on International Waterways OP/BP 7.50		✓
Projects in Disputed Areas OP/BP 7.60		✓

### Legal Covenants

Sections and Description

Section I.A.2

#### PFM Steering Committee

To this end, the Recipient shall maintain until the Closing Date, the PFM National Steering Committee, chaired by the Chief Secretary (or such other person which the Association has confirmed in writing to the Recipient as acceptable to the Association), and comprised of representatives from, inter alia, the Auditor General's Office, the Public Service Commission, the Office of the Attorney General, the Office of the President, and the Economic Planning Policy, and Statistics Office, and with an institutional framework, functions, and resources satisfactory to the Association as shall be required for the Project.

#### Sections and Description

##### Section I.A.4

#### PFM Working Group

To this end, the Recipient shall maintain until the Closing Date, the PFM Working Group, chaired by the Secretary of Finance (or such other person which the Association has confirmed in writing to the Recipient as acceptable to the Association), and comprised of representatives from, inter alia, the Ministry of Finance, the Economic Planning Policy and Statistical Office, the Ministry of Health and Human Services, and the Public School System, and with an institutional framework, functions, and resources satisfactory to the Association as shall be required for the Project.

#### Sections and Description

##### Dated Covenant:

##### Section I.B.1

#### Project Implementation Manual

The Recipient shall prepare and adopt, by no later than three (3) months after the Effective Date, a manual, in form and substance acceptable to the Association, setting forth the arrangements and procedures for implementation of the Project, including: (a) the institutional arrangements for day to day execution of the Project; (b) the implementation arrangements for Environmental and Social Management Plan; (c) budgeting, disbursement, and financial management arrangements; (d) procurement arrangements and the Procurement Plan; (e) Project monitoring, reporting, and evaluation arrangements; (f) performance indicators for the Project; and (g) the division of responsibilities and cooperative arrangements between the PFM National Steering Committee, the PFM Working Group, Project Implementation Unit, HEIS Implementation Team, the Ministry of Finance, the Ministry of Health and Human Services, Public School System, and EPPSO ("Project Implementation Manual").

#### Sections and Description

##### Section II.2

#### Mid-Term Review

The Recipient shall: (a) not later than January 31, 2021 (or such other date as the Association may agree in writing), prepare and furnish to the Association a mid-term report, in such detail as the Association shall reasonably request, documenting progress achieved in the carrying out of the Project during the period preceding the date of such report, taking into account the monitoring and evaluation activities performed pursuant to paragraph 1 of this



Section II, and setting out the measures recommended to ensure the continued efficient carrying out of the Project and the achievement of its objective during the period following such date; and (b) review with the Association such mid-term report, on or about the date one month after its submission, carry out a mid-term review of the Project, and thereafter take all measures required to ensure the continued efficient implementation of the Project and the achievement of its objectives, based on the conclusions and recommendations of the mid-term report and the Association’s views on the matter.

Sections and Description

Section I.A.5

Project Implementation Unit

The Recipient shall maintain until the Closing Date the Project Implementation Unit within the Ministry of Finance with mandate, composition and resources satisfactory to the Association, which shall be responsible for providing day to day management of Project implementation. Without limitation to the generality of the foregoing, the Project Implementation Unit shall be chaired by the Secretary of Finance (or such other person which the Association has confirmed in writing to the Recipient as acceptable to the Association), and shall also include the following key staff, or be supported by specialists within the Ministry of Finance each with terms of reference, qualifications and experience satisfactory to the Association: (a) a Project Manager; (b) an Assistant Project Coordinator; (c) additional technical specialists as may be needed; (d) a procurement specialist; (e) a safeguards specialist; (f) a communications specialist; (g) a monitoring and evaluation experts; and (i) a financial management specialist.

Sections and Description

Section I.A.6

HIES Implementation Team

The Recipient shall maintain until such date as is required for the effective implementation of Part 4 of the Project as agreed in writing by the Association, the HIES Implementation Team, within the EPPSO, with mandate, composition and resources satisfactory to the Association, which, with support from the Project Implementation Unit, shall be responsible for implementation of Part 4 of the Project. Without limitation to the generality of the foregoing, the HIES Implementation Team shall be chaired by the Director of EPPSO (or such other person which the Association has confirmed in writing to the Recipient as acceptable to the Association) and include the following minimum key staff, each with terms of reference, qualifications and experience satisfactory to the Association: (a) a HIES manager; (b) a fiscal officer; (c) an assistant project coordinator; and (d) technical specialists as required.

Conditions

MARSHALL ISLANDS  
 PROJECT TO STRENGTHEN BUDGET EXECUTION AND FINANCIAL REPORTING SYSTEMS

**TABLE OF CONTENTS**

<b>I. STRATEGIC CONTEXT .....</b>	<b>9</b>
A. Country Context .....	9
B. Sectoral and Institutional Context .....	10
C. Higher Level Objectives to which the Project Contributes .....	12
<b>II. PROJECT DEVELOPMENT OBJECTIVES.....</b>	<b>13</b>
A. PDO.....	13
B. Project Beneficiaries.....	13
C. PDO-Level Results Indicators.....	13
<b>III. PROJECT DESCRIPTION.....</b>	<b>14</b>
A. Project Components.....	14
B. Project Cost and Financing.....	17
C. Lessons Learned and Reflected in the Project Design .....	18
<b>IV. IMPLEMENTATION.....</b>	<b>19</b>
A. Institutional and Implementation Arrangements.....	19
B. Results Monitoring and Evaluation .....	20
C. Sustainability .....	21
D. Role of Partners.....	21
<b>V. KEY RISKS .....</b>	<b>22</b>
A. Overall Risk Rating and Explanation of Key Risks.....	22
<b>VI. APPRAISAL SUMMARY.....</b>	<b>23</b>
A. Economic and Financial Analysis.....	23
B. Technical.....	23
C. Financial Management.....	24
D. Procurement .....	24
E. Social (including Safeguards).....	25
F. Environment (including Safeguards) .....	25
G. Other Safeguard Policies (if applicable).....	25

H. World Bank Grievance Redress.....	26
<b>VII. RESULTS FRAMEWORK AND MONITORING .....</b>	<b>27</b>
<b>ANNEX 1: DETAILED PROJECT DESCRIPTION .....</b>	<b>46</b>
<b>ANNEX 2: IMPLEMENTATION ARRANGEMENTS.....</b>	<b>54</b>
<b>ANNEX 3: IMPLEMENTATION SUPPORT PLAN .....</b>	<b>66</b>



## I. STRATEGIC CONTEXT

### A. Country Context

1. **The Republic of the Marshall Islands (RMI) is one of the world's smallest, most isolated, and vulnerable nations.** The country consists of 29 atolls and 5 isolated islands (24 of which are inhabited) and has a total land mass of just 181 km<sup>2</sup> set in an area of over 1.9 million km<sup>2</sup> in the Pacific Ocean. The population of the RMI is estimated at 53,066<sup>1</sup> in 2016, of which the two largest urban centers, Majuro (the nation's capital) and Ebeye, have populations of 28,000 and 9,614, respectively. The RMI was consolidated into the Trust Territory of the Pacific Islands governed by the United States during the Second World War. It became self-governing in 1979 and achieved formal independence in 1986.

2. **The RMI faces many of the development challenges common to small, remote economies with dispersed populations.** Small size and remoteness increase the costs of economic activity and make it difficult to achieve economies of scale. Remoteness also imposes transport costs that increase the costs of trade and fundamentally constrain competitiveness of exports of goods and services in world markets. These same factors also increase the cost and complexity of providing public services. Moreover, geographical characteristics, including populations centered on small, low-lying atolls, make the country extremely vulnerable to natural disasters. As with other Pacific Island Countries (PICs), the RMI suffers from gender inequalities in terms of access to economic opportunities and markets, access to endowments, women's voice and agency, and vulnerability to emerging risks.<sup>2</sup> The PIC governments, in partnership with the development community, are working in various ways to reduce these gender inequalities; however, overall analysis and policy making with respect to poverty reduction and shared prosperity in nine Pacific Island countries (PIC9) are severely constrained by the paucity and low quality of data, particularly gender-disaggregated data.

3. **These barriers have led to an undiversified economic base and persistent current account deficits.** With limited export and domestic production opportunities, public administration and social services constitute the largest share of the economy—approximately 44 percent of gross domestic product (GDP). The fisheries sector comprises around 12 percent of GDP, while manufacturing makes up less than 1 percent. Copra and fisheries are the most significant exports, while the country is almost completely reliant on imports for food, fuel, and other basic needs. With substantial constraints to export-led growth, the RMI is heavily dependent on aid and other fiscal transfers. Grant inflows largely finance the current account deficit. Aid and fiscal transfers, primarily from the United States, support reasonable though declining standards of living for most of the population.

4. **The country is highly dependent on financial transfers from the United States.** In 1983, the RMI signed a 'Compact of Free Association' (Compact) with the United States. An amended Compact became effective in 2004 and runs until 2023. Since its inception, the Compact has provided large external financial transfers to support the Government in delivering key services (particularly education and health) and substantial public sector investment. Under the Amended Compact, the RMI receives payments of an inflation-adjusted US\$57.7 million per year over 2004–2013 and US\$62.7 million per year from 2014 to 2023. This comprises US\$35.2 million in sector grants (rising to US\$37.2 million in 2014), US\$15.0 million (rising to US\$18.0 million in 2014) for U.S. military use and operating rights—which the RMI Government

<sup>1</sup> 2011 RMI census.

<sup>2</sup> World Bank: Consolidated Country Gender Action Plan for nine Pacific Island Countries FY17–21.



uses to compensate landowners on the Kwajalein Atoll—US\$7.0 million to be placed in a Compact Trust Fund, and US\$500,000 for an annual audit. After the Amended Compact expires in 2023, investment income from the Trust Fund is expected to replace the grants, but current projections indicate that the Trust Fund income will fall short of what is needed to replace Compact grants in 2024. Helping to address this situation through strengthening public financial management (PFM), will be crucial for the RMI's long-term fiscal sustainability.

## B. Sectoral and Institutional Context

5. **The public sector of the RMI plays an important role in service delivery, economic growth, development, and sustainability.** An effective government is therefore critical to ensure efficiency, effectiveness, accountability of public expenditure, and adequate service delivery to the poor. Strengthened PFM systems are key to improving the management and efficiency of public expenditure.

6. **Recent assessments have identified a range of weaknesses in the RMI's PFM systems and economic, social, and poverty data collection.** These assessments include the 2012 Public Expenditure and Financial Accountability (PEFA) assessment and a risk assessment for the Ministry of Finance (MoF) conducted by the U.S. Graduate School in April 2016.<sup>3</sup> The last Household Income and Expenditure Survey (HIES) data available are from 2002. To address these weaknesses, in August 2014 the Government developed a PFM Reform Roadmap for a three-year period. In addition, a National PFM Steering Committee was established in April 2016 for monitoring and facilitating the roadmap's implementation for which the period was extended to 2020.

7. **The PFM Reform Roadmap has 30 sets of initiatives from which the MoF has identified six 'key areas' for focus.** Development partners (DPs) have emphasized the need for prioritization and sequencing to match the absorptive capacity. The 'key areas' include (a) Accounting, (b) Medium-Term Budgeting Framework Improvement, (c) Procurement System Improvement, (d) Aid Coordination and Management Improvement, (e) Tax Administration and Non-Tax Revenue Management Improvement, and (f) State-Owned Enterprise (SOE) Oversight and Management Improvement. Human resource (HR) management is a cross-cutting area.

8. **The Government has identified the need to implement a new financial management information system (FMIS) as a critical element for achieving the objectives of the key areas.** A commercial accounting software, 4-Gov, has been in use by the Government since 2003. A support services contract is in place but the MoF has been receiving diminishing support because the software is being phased out. Requests for enhancements and addition of a module for HR management have been declined. The software is used centrally for ex post recording of expenditures. It does not have budget preparation and commitment control modules to exercise appropriation and commitment control. 4-Gov was initially hosted in the cloud of a U.S.-based firm, but later moved on-premise due to connectivity issues. Majuro and Ebeye have been connected through submarine cable, though the backup of the cable connectivity will likely take a few years to be laid out. FMIS solutions can contribute to the efficiency and equity of government operations and can help governments comply with domestic and international

---

<sup>3</sup> Graduate School United States. 2016. *Republic of the Marshall Islands. Ministry of Finance Risk Assessment*. Majuro. The report identified three high-risk areas: system deficiencies, management deficiencies, and continuing delays in the annual single audit. The report recommended the acquisition of a new FMIS coupled with HR development, training, and process improvements.



financial regulations and reporting standards. However, in the current form, the MoF is unable to achieve many of these benefits.

9. **Achievement of the objectives in the PFM Reform Roadmap will require more than a change in hardware and software.** As learned from experience<sup>4</sup> in supporting several governments in FMIS interventions across the world, it is essential to recognize that any FMIS can only deliver on expected benefits of technology if it is supported by an appropriate legal, regulatory, and monitoring framework and required human resources are in place to operate the system. Over the past few years, the MoF has been through a period of staff shortages and high staff turnover. A significant number of positions (23 out of 101) remains unfilled. Qualified staff are leaving the MoF for better-paid, less-demanding jobs and the remaining staff are overworked and sometime underqualified, with no support through training opportunities or written guidance. The resulting loss of institutional knowledge is evident, especially in the quality of data input and in the lack of consistent application of accounting principles in basic operations. Without a current set of standard operating procedures, new employees to the MoF do not have clear guidance on functional and operational responsibilities. Training opportunities for staff are almost nonexistent on both the operation of the system and on technical topics regarding accounting and financial reporting.

10. **The Government has been unable to meet the single audit submission requirement for the past five years and the compliance audit report has noted several recurring deficiencies in internal controls.** A single audit is due for submission to the U.S. Department of the Interior's Office of Insular Affairs within nine months of the end of the fiscal year. Since FY2011,<sup>5</sup> the Government has consistently missed this deadline due to delays in the preparation of the financial statements and availability of information and documents for audit. Submission has on average been delayed by five months. Contrary to normal practices, the MoF largely relies on support from the external auditor to prepare the annual financial statements. The financial statements have received an unqualified audit opinion with emphasis of matter<sup>6</sup> on certain accounting treatments. The compliance audit report on internal controls over financial reporting and compliance with standards has consistently noted several deficiencies, including questionable expenditures, lack of documentation and outstanding reconciliation among various records.

11. **The Office of the Auditor General (OAG) conducted a compliance audit for procurement in 2017 which highlighted several issues affecting the procurement processes.** These include an outdated regulatory framework and serious deficiencies in the implementation of procurement policies. The Procurement Code 1988, which provides the legal framework for procurement processes was formulated nearly three decades ago. It does not include modern instruments for public procurement, that is, the use of information and communication technology (ICT)-related tools such as online shopping, electronic portal for bid opportunity/result notification. Implementing rules and regulations (IRR) are yet to be prepared and issued. In the absence of established procedures to guide practitioners, public procurement is inefficient and time-consuming as there are several practices and rules which fill the gap of formal IRR.

---

<sup>4</sup> [World Bank Study](#): "Financial Management Information Systems: 25 Years of World Bank Experience on What Works and What Doesn't", April 2011.

<sup>5</sup> Except for fiscal year 2016 when external consultants were engaged to assist in the accounting function and the deadline was achieved with great effort.

<sup>6</sup> Emphasis of Matter is a paragraph included in the auditor's report that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements (International Standard on Auditing 706).



The Procurement Code provided for the establishment of a Procurement Policy Office (PPO) for oversight and enforcement but this office has not been operationalized.

12. **Shortcoming in poverty and economic data is preventing serious policy planning and analysis on matters related to poverty reduction and provision of basic services.** The last HIES in the RMI was carried out in 2002, despite the international guidelines that data collections take place every three years, making the RMI one of the most data-deprived countries in the region. In the absence of a recent HIES, it is impossible to accurately examine trends in poverty and other quality of life indicators. This knowledge gap has seriously compromised policy discussion and budgeting, especially on matters related to poverty reduction and provision of basic services. In addition, the Economic Policy Planning and Statistical Office (EPPSO) responsible for collecting and disseminating statistics in the RMI, faces severe financial and staffing constraints and low technical capacity. There is a need to develop a sustainable program of data collection that facilitates regular poverty monitoring and provides more continuous inputs to policy adjustments. Moreover, immediate action is needed to strengthen the capacity of the EPPSO and implement a comprehensive household survey that provides updated information on living conditions in the RMI to facilitate and inform national policy discussion on poverty alleviation. ICT tools can be used to reduce survey costs, improve data quality, and enhance the management of surveys.

### **C. Higher Level Objectives to which the Project Contributes**

13. **The project is aligned with the objectives of the World Bank Group's Regional Partnership Framework (RPF) FY17–21 for PIC9, including the RMI<sup>7</sup>.** The following focus areas are identified in the RPF for the World Bank Group's support: (a) fully exploiting the available economic opportunities; (b) enhancing access to employment opportunities; (c) protecting incomes and livelihoods; and (d) strengthening the enablers of growth and opportunities (macroeconomic management, infrastructure, and addressing knowledge gaps). Specifically, the proposed project supports objectives under the fourth focus area that calls for improving fiscal management and addressing knowledge gaps, for example, through technical assistance to national statistical offices. Improving public expenditure management is one of the 12 high priority areas identified through the Systematic Country Diagnostic (SCD)<sup>8</sup> underpinning the RPF. Given the important role and disproportionately large size of the public sector in PIC9, sound public expenditure management is essential to the achievement of most of PIC9 objectives. Strengthening public sector capacity, PFM, and transparency and accountability are some of the channels identified in the RPF to support a more effective government.

14. **In 2014, the Government of the RMI developed a medium-term plan, the National Strategic Plan (NSP) to achieve sustainable, equitable, and measurable development reflecting the priorities and culture of the Marshallese people.** The NSP extends to 2020 and is wide ranging as it seeks to achieve this objective through an improved quality of life for every citizen in all areas including, but not limited to, health, education, energy, food security, law and order, gender equality, employment opportunities, and disaster mitigation. Good governance appears as a separate sector in the NSP with PFM reform as one of

---

<sup>7</sup> World Bank Group. 2017. Regional Partnership Framework: For Kiribati, Republic of Nauru, Republic of The Marshall Islands, Federated States of Micronesia, Republic of Palau, Independent State of Samoa, Kingdom of Tonga, Tuvalu, and Vanuatu, FY17-FY21. Report No. 100997-EAP

<sup>8</sup> World Bank Group. 2016. Systematic Country Diagnostic for the Eight Small Pacific Island Countries: Priorities for Ending Poverty and Boosting Shared Prosperity. Report No. 102803-EAP



the strategic areas,<sup>9</sup> including targets to implement the PFM Reform Roadmap and reduce the extent of audit findings in the annual audit.

15. **The proposed project will help establish and strengthen the underlying public financial systems,** which are 'key to improving the management and efficiency of public expenditure' as noted in the RPF, and would improve the quality of economic and poverty statistic to facilitate public policy planning and analysis. For governments, the FMIS constitutes a fundamental part of public expenditure management. Automation of government financial management (FM) processes has become an integral part of most public expenditure management reform programs, because the availability of timely and accurate information is critical to the economic management of government finances. The assistance will be coordinated with the other DPs, including the Asian Development Bank (ADB), International Monetary Fund (IMF), European Union (EU), and the U.S. government, and focus on providing support in areas where the World Bank has a comparative advantage.

16. **The proposed project will address project-specific gaps in relation to the participation and progression of women in the workforce.** The project will try and address obstacles to women gaining access to technical and managerial positions in the MoF as well as in the Ministries of Health and Education. The project supports the World Bank Group's Twin Goals of ending extreme poverty and boosting shared prosperity as it will also contribute to strengthening voice and agency for disadvantaged groups through increased transparency of budget and spending by ensuring that citizens can provide feedback through the MoF website. Substantive changes to systems and procedures will establish platforms for the collection of gender-disaggregated data to inform key PFM processes.

## **II. PROJECT DEVELOPMENT OBJECTIVES**

### **A. PDO**

17. The PDO is to improve the completeness, reliability and timeliness of Government's annual financial statements, and the availability of reliable socioeconomic statistics.

### **B. Project Beneficiaries**

18. The primary beneficiaries of the proposed project include the MoF, Ministry of Health and Human Services (MoHHS), Public School System (PSS), EPPSO, OAG, and line ministries. The project will contribute to strengthening the Government's capacity to manage public resources efficiently and support those responsible for fiscal management thereby benefitting the citizens of the RMI at large through improved allocation and utilization of resources and potential efficiency in government services.

### **C. PDO-Level Results Indicators**

19. The achievement of the PDO will be measured through the following PDO-level results indicators:

---

<sup>9</sup> Strategic areas for good governance sector in NSP: (a) Public Administration; (b) Public Financial Management and Reform; (c) Law, Justice, and Public Safety; (d) Legal and Regulatory; (e) SOE Management and Reform; and (f) Macroeconomic Planning.





- (a) Annual financial statements prepared by the MoF to meet completeness, quality, and timeliness criteria for 'B' score for Performance Indicator 29 of the PEFA Framework<sup>10</sup>
- (b) Production and public release of statistical abstract featuring key findings from the HIES
- (c) New FMIS used for preparation of budget and recording of revenue and expenditure transactions

### III. PROJECT DESCRIPTION

#### A. Project Components

20. The project is designed to respond to the Government's most urgent needs under the PFM Reform Roadmap in collaboration with support being provided by other DPs. The project will be implemented under five complementary components briefly described in the following paragraphs. A detailed project description is provided in annex 1.

#### **Component 1: Strengthening the Public Financial Management Environment (US\$500,000)**

21. The objective of this component is to improve the legal and regulatory framework of the PFM and procurement system. This component will have two subcomponents.

##### *Subcomponent 1.1: Aligning the Legal, Regulatory, and Operating Environment (US\$300,000)*

22. The objective of this subcomponent is to ensure that the legal and regulatory framework and the procedural guidance for business processes governing budget formulation, budget execution, and financial reporting for revenues and expenditures are internally consistent, aligned with the applicable accounting guidance<sup>11</sup> and streamlined for efficiency. The U.S. government reporting requirements are very specific and complex. However, there are well-established guidelines and frameworks in place which can serve as a resource when updating the government procedures and regulations.

23. The project will finance the (a) review of legal and regulatory framework leading to preparation of a proposal for amendments to existing laws and regulations or new guidelines, as required, for approval by competent authority; (b) formulation of a new chart of accounts with appropriate structure and classification to facilitate management, statistical, and fiscal reporting; and (c) preparation of a Financial Operations Manual detailing functional roles and responsibilities including specific responsibilities related to the operation of FMIS.

##### *Subcomponent 1.2: Support for Procurement Reform (US\$200,000)*

24. The objective of this subcomponent is to support the Government's procurement reforms,

---

<sup>10</sup> [https://pefa.org/sites/default/files/PEFA%20Framework\\_English.pdf](https://pefa.org/sites/default/files/PEFA%20Framework_English.pdf).

<sup>11</sup> The RMI Government has adopted accounting principles generally acceptable in the United States of America (US GAAP) and adheres to the requirements set by the Governmental Accounting Standards Board of the United States of America (US GASB). The external auditor is required to report on compliance with the 'Uniform Guidance' regarding Compact funds that is, U.S. Office of Management and Budget *Compliance Supplement* and *Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, cost Principles and Audit Requirements of Federal Awards*.



including update of the Procurement Code; issuance of its IRR; creation and strengthening of the PPO; standardization of procurement documents, forms, and templates; development of the generic procurement manual; training; and creation of a career stream in the bureaucracy to professionalize procurement practitioners. Public procurement suffers from deficiencies in the regulatory framework and in implementation.

25. The project will finance (a) review of existing legal framework and preparation of a proposal for amendments; (b) preparation of IRR for the revised Procurement Code; and (c) standardization of procurement documents, forms, and templates.

### **Component 2: Financial Management Information System (US\$4,480,000)**

26. The objective of this component is to implement a new FMIS which will support effective management of public resources and improve financial reporting for management and accountability. Given the low capacity environment, a gradual, incremental sequencing strategy will be used in building up the new system, which will include modules for budget preparation, commitment control and cash management, general ledger, payroll, fixed assets, accounts payable, accounts receivable, and financial reporting.

27. The project will finance (a) services for system security and functionality review and updates to address most urgent operational requirements in the current FMIS system; (b) the conduct of a system requirements study to determine technical and functional specifications for a new FMIS; (c) the procurement and implementation of the FMIS (commercial-off-the-shelf [COTS] package) at key sites including a document management system; (d) site preparation; (e) hardware, including servers, computers, networking, and other accessories; (f) data center<sup>12</sup> arrangements for primary and disaster recovery centers;<sup>13</sup> (g) end-user training on system usage and technical support; (h) subscriptions for service-level agreement (SLA) with telecom provider; (i) preparation of a policy framework (policy, standards, and guidance) for security and usage of information technology (IT) assets (hardware, software, and Internet) in government offices; and (j) technical consultants on PFM, IT security, and technical support. In the design of the new chart of accounts, necessary provisions will be made to allow tracking of special programs such as those directed at encouraging gender parity. To support ongoing efforts in medium-term budgeting and performance monitoring, the new FMIS will include capabilities to support data collection on outputs and beneficiaries, including gender-disaggregated information.

### **Component 3: Change Management and Human Resource Development (US\$970,000)**

28. The objective of this component is to support the successful implementation of the FMIS with active stakeholder engagement and development of individual competencies and institutional capacity needed to sustain FMIS operations and related PFM functions. The project will support capacity building

---

<sup>12</sup> Data center is a facility used to house computer systems/servers and associated components, such as telecommunications and storage systems. It generally includes redundant or backup power supplies, redundant data communications connections, environmental controls (for example, air conditioning and fire suppression), and various security devices.

<sup>13</sup> A disaster recovery center is a location where an organization can relocate following a disaster, such as fire, flood, security threat, or other disruptive event. This is an integral part of the disaster recovery plan and wider business continuity planning of an organization. A backup or alternate site can be another data center location operated by the organization, or contracted through a company that specializes in disaster recovery services.



in the MoF and other agencies with key roles in the PFM cycle such as the OAG. This component will have two subcomponents.

*Subcomponent 3.1: Change Management (US\$290,000)*

29. The introduction of an FMIS especially the replacement of an existing system is a disruptive change affecting stakeholders across the public sector. During the implementation stage, service delivery is likely to deteriorate before it improves as understanding of the new system increases. This subcomponent will support the preparation and implementation of a gender-sensitive communications and change management strategy.

30. The project will finance (a) preparation of a communications and change management strategy; (b) the design, production, and delivery of communication materials using traditional and social media; (c) outreach events to disseminate information regarding the project interventions; (d) establishment of user forums and feedback platforms; and (e) enhancement of the MoF website to facilitate information dissemination.

*Subcomponent 3.2: Human Resource Development (US\$680,000)*

31. The objective of this subcomponent is to support the usage of the FMIS and sustainability of project interventions through a HR development strategy to build a pool of staff possessing the competencies needed to achieve desired outcomes from PFM systems, processes, and institutions. The U.S. government's competency frameworks established for accountants and other finance professionals will be a useful resource. Building on the HR skills assessment for the MoF conducted by the ADB and working closely with the ADB-funded HR staff in Reform Coordination Unit (RCU), the project will develop a holistic strategy for developing the skills for existing and potential staff for the MoF, whilst ensuring opportunities for the advancement of women. The HR development strategy will include short and medium actions and a long-term vision. In the short term, workplace policies will be introduced to enhance productivity coupled with hand-holding support from external consultants. In the medium term, the MoF will work with the Public Service Commission (PSC) to prepare or update job descriptions, and employee records, proceed to workload analysis of each section/unit and based on results, review the MoF staffing plan and number of positions appropriate for the new FMIS and business procedures.

32. Training will include end-user training in the use of the FMIS; technical training for administration and management of the FMIS (information security, networking, and application software) and training on the use of information from the system for fiscal analysis and planning. Use of embedded trainers and development of e-learning courses will be considered in addition to partnerships with local, regional, and international institutions for delivery of certification and degree courses in required areas of competencies and tailored courses for PFM. Gender-disaggregated data will be captured for project beneficiaries for which activities will be designed as gender neutral, that is, providing equal opportunities for education and training to the current and potential employees and developing associated HR policies which promote gender parity.

33. The project will finance (a) preparation of a competency framework for PFM-related roles across the government, (b) preparation of a training plan for existing staff in the MoF, (c) development of training partnerships and bespoke training courses with local and international institutions, (d) short-term



technical assistance to build capacity in selected areas, and (e) engagement of a firm for internal audit and capacity building from the fourth year of project life.

#### **Component 4: Household Income and Expenditure Survey (HIES) Implementation (US\$650,000)**

34. The objective of this component is to strengthen the capacity of the national statistics organization (EPPSO) to conduct and publicly release the results of an HIES that meets international quality standards. The project will support introduction of better methods for gathering information such as the inclusion of food consumed outside the household for poverty measurement, as well as computer-assisted personal interviewing (CAPI) with tablet computers and electronic data transmission to improve data quality substantially with real-time data checks. By eliminating data entry, not only is a potential source of error removed, but the lag between collection and review is virtually eliminated, allowing for rapid identification and correction of problem areas. The project aligns the RMI with other countries in the Pacific region in generating harmonized, comparable estimates, and the RMI will be the pilot country for updated methods that will be rolled out to other countries in the region.

35. The project will finance (a) fieldwork for the HIES, including training and transportation costs for interviewers and supervisors; (b) goods and materials to support data collection; (c) technical assistance for data analysis and dissemination; and (d) capacity building of the statistics function of EPPSO. The project will also finance technical assistance to be provided by the Statistics for Development Division (SDD) of the Pacific Community (SPC), a regional coordinating body. Support from the SDD ensures comparable best practice methods are used for pilot testing, sampling, training, fieldwork, supervision, verification, cleaning, and analysis and ensures that training materials and pedagogy are effective and of high quality.

#### **Component 5: Project Management (US\$2,400,000)**

36. The objective of this component is to support overall project management and coordination. Since design and roll-out of the FMIS will cause disruption across the government, strong leadership will be critical. The PFM National Steering Committee will need to play a proactive role to serve as a trusted forum to allow sharing of information and achieving collaboration and coordination across various stakeholders. A Project Implementation Unit (PIU) will be established with specific responsibilities to support and coordinate implementation of project activities. The PIU will work in coordination with the Division of International Development Assistance (DIDA) within the MoF for FM, procurement, safeguards, communications, and monitoring. The project will finance (a) external consultancies required for project staffing, (b) technical consultancies, (c) office and other equipment, and (d) travel and operational costs.

### **B. Project Cost and Financing**

37. The project will be financed by an IDA grant using the Investment Project Financing lending instrument. An amount of US\$9 million has been allocated for the project. Counterpart funds include staff time, office space, utilities and supplies, secretarial assistance, and other in-kind contributions funded by government. A Project Preparation Advance for US\$990,000 was signed on October 15, 2017, for carrying out activities relating to the preparation of the project, its effectiveness and implementation readiness and to support the preparation of strategies, studies, and documents required for project implementation. Expenditures incurred until the effectiveness of the project will be recovered from the

project funds.

Project Components	Project Cost (US\$)	IDA Financing (US\$)	Trust Funds	Counterpart Funding (US\$)
<b>1. Strengthening the Public Financial Management Environment</b>	<b>600,000</b>	<b>500,000</b>	—	<b>100,000</b>
1.1 Aligning the Legal, Regulatory, and Operating Environment	300,000	300,000	—	—
1.2 Support for Procurement Reform	300,000	200,000	—	100,000
<b>2. Financial Management Information System (FMIS)</b>	<b>4,530,000</b>	<b>4,480,000</b>	—	<b>50,000</b>
<b>3. Change Management and Human Resource Development</b>	<b>1,120,000</b>	<b>970,000</b>	—	<b>150,000</b>
3.1 Change Management	340,000	290,000	—	50,000
3.2 Human Resource Development	780,000	680,000	—	100,000
<b>4. Household Income and Expenditure Survey (HIES) Implementation</b>	<b>650,000</b>	<b>650,000</b>	—	—
<b>5. Project Management</b>	<b>2,600,000</b>	<b>2,400,000</b>	—	<b>200,000</b>
<b>Total Costs</b>	<b>9,500,000</b>	<b>9,000,000</b>	—	<b>500,000</b>
Total Project Costs	9,500,000	9,000,000	—	500,000
Front-End Fees	—	—	—	—
<b>Total Financing Required</b>	<b>9,500,000</b>	<b>9,000,000</b>	—	<b>500,000</b>

### C. Lessons Learned and Reflected in the Project Design

38. The project design has benefitted from the World Bank's extensive experience in projects supporting modernization of PFM systems, processes, and institutions particularly the implementation of an FMIS.<sup>14</sup> Some of the lessons learned and incorporated in project design are listed below:

- (a) Consider absorptive capacity of the Government and be pragmatic rather than ambitious in scope and time line.
- (b) Adopt a phased approach focusing first on priority areas with a high level of commitment from the Government.
- (c) Investments in information systems should be informed by a review of business processes

<sup>14</sup> [World Bank Study](#): "Financial Management Information Systems: 25 Years of World Bank Experience on What Works and What Doesn't", April 2011. Hashim, Ali. 2014. *A Handbook on Financial Management Information Systems for Government: A Practitioners Guide for Setting Reform Priorities, Systems Design, and Implementation*. Africa Operations Services Series; World Bank, Washington, DC.



to identify opportunities for process reengineering and recognize the institutional, technological, and connectivity aspects in designing the appropriate solution and level of automation.

- (d) Start implementation of core systems to establish budget control before moving on to support more advanced reforms.
- (e) Avoid complex project design. Use of simple off-the-shelf software packages using flexible procurement approaches works well for small island economies and low-capacity settings.
- (f) Strong government ownership is essential, which can be achieved through close coordination with the Government in the design of project activities that should be responsive to the Government's declared priorities.
- (g) For large system investments, change management needs to be embedded in the project planning and implementation from the beginning rather than adding it on after commencement of rollout
- (h) Building HR skills to operate and manage systems during the life of the project is critical to sustainability.
- (i) Coordination is essential for proper sequencing of government efforts and support from DPs.

#### **IV. IMPLEMENTATION**

##### **A. Institutional and Implementation Arrangements**

39. **The MoF is the implementing agency.** Within the MoF, the PIU established under the Secretary of Finance will be responsible for managing the project, including coordination with other DP-funded projects and activities on PFM reform implementation. A dedicated project manager is being recruited for the PIU, in addition to procurement and FM specialists in the MoF's DIDA. A staff with expertise in communications may also be brought on board at an early stage to support the development of messaging around the PFM Reform Roadmap and associated action plan.

40. Three main bodies constitute the project governance arrangements, which are (a) PFM National Steering Committee to provide strategic guidance and decisions for the implementation of the project, (b) PFM Working Group comprising technical leads from within the MoF and relevant line ministries (MoHHS and PSS), and (c) a PIU housed in the MoF to be responsible for the day-to-day operations and supervision of project consultants and to support the proceedings of the PFM National Steering Committee and the PFM Working Group. The PIU is to facilitate the coordination within the MoF and across the government. Together, these bodies should provide platforms for interministerial collaboration, two-way communication of information among stakeholders, and coordination among departments and agencies to be affected by the changes.

41. The PFM National Steering Committee is tasked with monitoring and evaluation of the PFM Reform Roadmap and provides the management and coordination structure for PFM reform. Formal



terms of reference were drafted and adopted by the cabinet in December 2016. A PFM Working Group has been established for detailed deliberation on system design, features, functionality, and so on, which can prepare and recommend issues for the decision of the Steering Committee.

42. **For Component 4 on HIES implementation, EPPSO is the responsible agency.** EPPSO has appointed an HIES manager from its Statistics and Analysis Unit as the focal point for this activity, who will be supported by technical specialists as needed. The HIES manager will also work closely with DIDA, which will provide support for procurement and FM.

43. For project management, the PFM PIU and the HIES Implementation Team will work closely with DIDA, which is to provide shared project support services for World Bank projects. Staff are being hired to build a fungible pool of skills for FM, procurement, safeguards, communications, and monitoring and evaluation. Costs of such services will be shared among the World Bank-funded projects.

## **B. Results Monitoring and Evaluation**

44. **Progress toward the PDO will be monitored through reporting on the PDO-level and intermediate-level results indicators.** A Results Framework with project-specific indicators and actionable monitoring arrangements has been developed jointly with the MoF, EPPSO, and other stakeholders. This will be used for monitoring of implementation progress and results of project implementation. Overall monitoring and coordination of project activities will be performed by the MoF as the implementing agency. The PIU under the Secretary of Finance will have overall responsibility for monitoring and evaluation of the different components/activities in accordance with the indicators included in the Results Framework (Section VII). The PIU will gather data for monitoring and evaluation from the relevant units in the Government, including EPPSO for Component 4. No later than 45 days after each semester, the PIU will submit semester progress reports to the World Bank, covering all project activities, including procurement and financial summary reports. The project will also submit the Annual Work Plan and Budget for the World Bank's no-objection.

45. The World Bank will monitor implementation progress during biannual implementation support missions (the first one to take place six months after effectiveness) which will provide a detailed analysis of implementation progress toward achieving the PDOs and include an evaluation of FM and a post-review of procurement activities. During the missions, the World Bank will work with the MoF to obtain feedback on progress and consider any adjustments to ongoing activities.

46. No later than January 2021 (or such other date as agreed with the World Bank), the MoF will carry out a midterm review of the project and prepare and furnish to the World Bank a midterm report documenting progress achieved in the implementation of the project during the period preceding the date of such report, considering the monitoring and evaluation activities performed and setting out the measures recommended to ensure the continued efficient implementation of the project and the achievement of its objectives during the period following such date. It will also review with the World Bank, the said midterm report, on or about the date one month after its submission and thereafter take all measures required to ensure the continued efficient implementation of the project and the achievement of its objectives. At the end of the project, the World Bank will prepare an Implementation Completion and Results Report to evaluate the project and draw lessons. This report will include an assessment of the project by the Government.





### **C. Sustainability**

47. **Strong ownership is in place for PFM reforms led by the Chief Secretary who chairs the PFM National Steering Committee.** The project has been designed to respond to the most urgent needs of the Government as expressed in the PFM Reform Roadmap and through request for support to the World Bank. The Secretary of Finance has led the discussions on project preparation which have included stakeholders within the MoF and the broader PFM National Steering Committee membership.

48. **Avoiding a potential ‘fiscal cliff’ in 2024 is a strong motivation for implementation and sustainability of PFM reforms.** The Government of the RMI has a sizeable Trust Fund which was established as part of the Compact to replace the Compact grants upon their expiration. According to current projections, income from the Trust Fund is unlikely to fully replace the grants. Leading up to the end of the current Compact period in 2023, a critical challenge for the Government is to build the capacity to plan, manage, and monitor revenue and expenditures such that an appropriate balance is maintained between using some of the increased revenue to address current development challenges, building fiscal buffers to be able to deal with volatility, and saving for the future. Better resource management will lead to greater fiscal space. The project will contribute to this agenda by strengthening financial reporting for better decision making and transparency.

49. **Project design includes measures for sustainability.** Change management and HR development have been included to address the underlying causes of failure of the FMIS currently in use. Ease of use and reliable vendor support will be essential criteria in the selection of the new FMIS. The Government is aware of and has committed to finance the annual maintenance and support costs for the FMIS and RMS as well as related expenses such as subscriptions for stable Internet connectivity from budgetary resources after the project closing date. A cloud architecture and COTS is recommended to minimize the need for high-level technical expertise within the Government which will remain in short supply in the short to the medium term. External consultants will be playing an important role during implementation, both from the World Bank and from other DPs regarding support to PFM reforms. The engagement of a firm to provide internal audit and capacity-building support is included from the fourth year of the project when it is anticipated that the new FMIS implementation will be substantially complete and a cohort of trained staff will be available in the MoF to manage the system.

### **D. Role of Partners**

50. **Several resources are available to the MoF for supporting its PFM reform agenda.** The Government is yet to establish a formal mechanism for coordination among the DPs. Currently, the MoF is reformulating the PFM Reform Roadmap, which can then serve to provide a framework for DP coordination.

51. **Alongside the World Bank, key partners supporting PFM reforms include the ADB, IMF, EU, and the governments of Australia and the United States.** Details are provided in Annex 2. The ADB has recently approved a three-year grant of US\$2 million which will establish an RCU in the MoF for supporting implementation of the PFM Reform Roadmap and strengthening the monitoring of SOEs. The EU has a regional program to support PFM strengthening initiatives largely implemented through the IMF’s Pacific Financial Technical Assistance Centre (PFTAC). Under European Development Fund-11, the current budget support program for the RMI, the Government is yet to submit a proposal to the EU for utilization of





€700,000 reserved for 'support measures'. Some part of these funds will be used for PFM reforms. U.S. Graduate School, contracted by the U.S. government, and PFTAC continue to make available technical assistance for PFM in selected areas.

## V. KEY RISKS

### A. Overall Risk Rating and Explanation of Key Risks

52. The overall risk rating is Substantial primarily due to the limited technical capacity of the implementing agencies, limited experience in implementing World Bank projects, and the need to coordinate among various DPs supporting the implementation of the PFM Reform Roadmap.

53. This is also a new engagement for the World Bank, both in the sector and in the country. Lack of prior engagement and the logistical challenges of travel to the country for face-to-face dialogue impact the frequency and cost of implementation support missions.

54. **Institutional capacity risks for implementation and sustainability are Substantial.** There is a substantial likelihood that inadequate institutional capacity for implementing and sustaining the operation may adversely affect the PDO. This risk is primarily relevant for Component 2. Staff technical skills are inadequate, turnover is frequent, and staff have limited access to relevant training. The Government has been relying on external consultants to support their operations. Persons with skills and experience in finance and accounting are in high demand within the RMI from both the public and private sector. Sustainability of the project interventions is dependent on the ability of the Government to recruit, train, and retain staff with skills necessary to operate and maintain the FMIS. Interventions through Component 3.2 are targeted toward mitigating this risk.

55. Connectivity of sufficient quality will be critical for the operation of the FMIS. Mitigation measures include the use of creative technical solutions in the architecture of the FMIS such as cloud-based systems and the execution of an SLA with the National Telecommunications Authority (NTA) to secure the required level of service.

56. For Component 4 implemented by EPPSO, the risk to implementation and sustainability is considered Moderate. The proposed project will support the engagement of an international consultant to support EPPSO in implementation of the HIES. The involvement of the SPC, placement of a person for continuous support during the survey implementation, close supervision by the World Bank team, and the relatively short duration of the activity greatly reduce the risk of implementation. It is anticipated that capacity built within EPPSO during the conduct of the HIES will be sustained.

57. The PFM reform agenda is supported by several DPs and will require close coordination. The World Bank will maintain active contact with other DP agencies, both at the project and the regional level to avoid duplication of activities.

58. **Fiduciary risk is Substantial.** FM and procurement for the project will be the responsibility of DIDA in the MoF which was only recently established and hence has limited experience working on World Bank supported projects. The inclusion of Component 4 implemented by EPPSO increases the risk as DIDA will have to coordinate with another implementing agency. The scale-up of World Bank financed projects in the RMI increases the number of projects managed by DIDA and this may overextend their limited



resources. Risks related to procurement are primarily due to the limited experience of DIDA with implementing procurement following World Bank procedures which is exacerbated by the nature and size of contracts to be processed under this project. There has been delay in establishing the PIU in the MoF. However, the recruitment of the project manager is at an advanced stage. The recruitment of a procurement specialist has been finalized and a finance manager is already on board. DIDA and PIU staff will be continuously provided with relevant procurement training and implementation support by the World Bank task team. A Project Implementation Manual (PIM) will be prepared.

## VI. APPRAISAL SUMMARY

### A. Economic and Financial Analysis

59. The economic and financial justification of the proposed project rests on its contribution to economic governance through improved public expenditure management. The potential of the FMIS in the Government to improve effective service delivery and increase participation, transparency, and accountability to citizens, their elected representatives, and creditors is widely recognized by the literature and practitioners.<sup>15</sup> Public procurement reforms should help improve the quality and efficiency in spending and the HIES will provide information directly contributing toward improved planning for strategic allocation of resources.

60. Capacity-building programs embedded in the project, aimed at sustaining the reforms, will also ensure the availability of the right type of human resources to pursue evolving reform actions needed to manage the macro-fiscal position of the country in the medium to long term. For the RMI, improvement in quality and timeliness of financial reporting is particularly important since failure to do so can have an impact on the ability of the Government to access funds from the United States under the Compact. The project will directly be supporting the capacity of the Government to achieve such improvement.

61. The major benefits of the project—in strengthening oversight and management of the budget that can lead to greater transparency and performance in government operations—are difficult to quantify and measure. While the costs are identifiable, the benefits are largely indirect and will continue to be realized beyond the project life. The effective return on investments will ultimately be in the form of better performing public institutions and more effective and efficient use of financial and human resources. Additionally, second-tier benefits will accrue to the private sector (contractors/suppliers) and to the public at large from improvements in the efficiency, effectiveness, and accountability of public spending and public services.

### B. Technical

62. **The project is strategically relevant to the realization of the broader development goals of the Government.** A key bottleneck to economic growth stems from the inefficiencies in the current PFM

---

<sup>15</sup> Chan, James L. and Qi Zhang. 2013. Government Accounting Standards and Policies. In Richard Allen, Richard Hemming and Barry H. Potter. *The International Handbook of Public Financial Management*. New York: Palgrave Macmillan: 742-766; Dener, Cem, Joanna Watkins, and William Leslie Dorotinsky. 2011. *Financial Management Information Systems: 25 Years of World Bank Experience on What Works and What Doesn't*. A World Bank Study. Washington, DC: World Bank; Hashim, Ali. 2014. *A Handbook on Financial Management Information Systems for Government: A Practitioners Guide for Setting Reform Priorities, Systems Design, and Implementation*. Africa Operations Services Series. Washington, DC: World Bank.



systems, processes, and institutions. The project activities will contribute toward removing these inefficiencies and supporting the overall capacity development of those responsible for fiscal management and economic governance. There is explicit recognition in the country's development plan to introduce reforms that support sound, accountable, and transparent public finance, which is at the core of the project design.

63. **The project is considered technically sound.** It is designed to address critical weaknesses and gaps in the core PFM architecture of the country and aspires to build a sound foundation to support the development of the RMI. Previous experience with a similar project in the RMI or the North Pacific countries either by the Government, the World Bank, or another DP is lacking. The project design includes flexibility to adjust to actual costs and progress. Focus of the project is the new FMIS. Once the major procurement packages are awarded, the allocation of funds to project activities will be revisited and scaled up or limited as required. Sustainability of project activities is also a key focus of the project design.

### **C. Financial Management**

64. An FM assessment of the two implementing agencies, the MoF and EPPSO, and more specifically DIDA, a division of the MoF, which will be responsible for fiduciary aspects, was carried out in accordance with the 'Principles Based Financial Management Practice Manual', effective March 1, 2010. Under the World Bank's Directive: Investment Project Financing, the recipient and implementing agencies are required to maintain FM systems, including accounting, financial reporting, and auditing systems, adequate to ensure accurate and timely information regarding the project resources and expenditures. Overall, the assessment found that the FM arrangements satisfy the requirements as stipulated in the directive subject to the implementation of agreed actions and mitigating measures. DIDA is responsible for FM arrangements of the whole project, including Component 4, which is to be implemented by EPPSO. DIDA is a newly formed office within the MoF and currently has limited capacity. A finance manager, employed in 2017, is solely responsible for the FM requirements for the current DIDA portfolio. With the current staff levels, there is a risk of overextending DIDA's current resources. Therefore, the FM assessment has recommended the appointment of an FM officer but the timing for this appointment will be subject to an assessment of the scope of the work required and the capacity of the recently appointed DIDA accountant. The PIM will include a section for budgeting, disbursement, and FM arrangements. The sharing of services with other World Bank projects will require processes to ensure that expenditures are properly recorded and documented and associated fund flows closely monitored.

### **D. Procurement**

65. Procurement under this project will follow the World Bank Procurement Regulations for IPF Borrowers (July 2016, revised November 2017, Procurement Regulations). Key risks relating to procurement will largely be mitigated with the recruitment of a procurement specialist in DIDA to provide technical assistance to the project. The World Bank task team will provide relevant procurement training and implementation support and the Systematic Tracking of Exchanges in Procurement (STEP) application will be used to prepare, clear, and update Procurement Plans and conduct all procurement transactions for the project. Accordingly, all the procurement activities under the proposed project will be entered into, tracked and monitored online through the system. The PIM will include a Procurement Module to guide procurement implementation. Details for procurement arrangements are in Annex 2.



### **E. Social (including Safeguards)**

66. Social impacts from technical advisory, capacity building, and the FMIS under Components 1, 2, and 3 are considered low. The HIES under Component 4 is a building block for understanding the information on living conditions in the RMI to facilitate and inform national policy discussion on poverty alleviation, to improve health and well-being in the longer term. The methods used to survey people are consistent with the safeguard policies. Physical works related to cable laying and renovations are likely to be no more than a nuisance and good consultation is proposed to mitigate impacts. Physical works will avoid private land where possible, and voluntary land owner agreement will be sought before cable laying where it cannot be avoided. No resettlement will be necessary. A grievance redress mechanism is included in the Environmental and Social Management Plan (ESMP).

### **F. Environment (including Safeguards)**

67. Climate change screening has confirmed that this project is not exposed to climate and geohazards now or in the future. Technical solutions for the FMIS include provisions for 'climate-proofing' the system, that is, an off-site disaster recovery center, the use of cloud-based architecture, and an electronic document management system to digitally secure data and documents. Improving FM capacity may slightly improve the country's resilience to prepare for and respond to future disasters.

68. Most impacts from the proposed physical works (minor building renovations and underground network cabling to improve the Government's connectivity) have been assessed as minor in the ESMP. Moderate impacts could occur from uncontrolled run off from cabling and from poor waste management. The project is classified as Category B and an ESMP dated March 22, 2018 has been prepared in accordance with OP 4.01 (Environmental Assessment). The mitigation measures will manage the potential impacts from the small-scale works, including a consultation plan and instructions for the contractor's bid documents. The ESMP was disclosed on the World Bank's external website in country on March 22, 2018.

69. DIDA is in the process of recruiting a full-time safeguards adviser who will be responsible for managing safeguards on this project. The adviser will have the skills to undertake consultations, manage contractors and obtain any environmental permits necessary from the Environmental Protection Authority.

### **G. Other Safeguard Policies (if applicable)**

70. The project does not envisage any resettlement or additional land requirement and resettlement or land acquisition activities are not eligible for funding under this project.

71. **Citizen engagement.** The project will help establish tools and systems that can provide a foundation for citizen engagement. The MoF website will be enhanced to provide a platform for dissemination of information on budget and expenditures once reliable financial reports are available. The budget is seen as an anchorage for citizen engagement. The disclosure of information on the use of public funds to facilitate citizen participation and awareness on key financial information are potential entry points for citizen engagement in the PFM arena. Over the project life, the website will establish functionality to serve as an active two-way portal for citizen outreach—gathering citizen feedback on public services leading to participatory budgeting mechanisms.



72. **Gender.** The recently finalized HR skills assessment for the MoF under ADB support, has captured some gender-disaggregated data for the current workforce. Female employees constitute 39.7 percent of the total MoF workforce as of June 2017. This female participation rate is higher than the national rate of 35.4 percent.<sup>16</sup> However, the share of women in MoF management positions is low compared to males reflecting impediments for women to attain higher levels within the organization. A competency framework for the MoF will be developed under the project and the project will invest in collection and analysis of gender-disaggregated data to identify the factors leading to the lower female workforce participation rate than males, and potential inhibitors to women achieving higher-level management and technical positions within the MoF. Moreover, the new FMIS will include capabilities to support data collection on outputs and beneficiaries, including gender disaggregated information. These project interventions are a critical first step for establishing an adequate basis for consideration of targeted interventions such as gender-based budgeting in the next phase of PFM reforms.

#### **H. World Bank Grievance Redress**

73. **Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS).** The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

---

<sup>16</sup> Stocktaking of the gender mainstreaming capacity of Pacific island governments: Republic of the Marshall Islands/fmi edited by Treva Braun, Secretariat of the Pacific Community, Noumea, New Caledonia. 2012



## VII. RESULTS FRAMEWORK AND MONITORING

### Results Framework

#### Project Development Objective(s)

The objective of the project is to improve the completeness, reliability and timeliness of Government's annual financial statements, and the availability of reliable socioeconomic statistics.

PDO Indicators by Objectives / Outcomes	DLI	CRI	Unit of Measure	Baseline	End Target
<b>To improve the completeness, reliability and timeliness of Government's annual financial statements</b>					
PDO-1: Completeness, quality and timeliness criteria met for Annual Financial Statements by MoF			Text	Single audit submission deadline (9 months after year-end) not met	AFS for FY2022 submitted for audit by Dec 31, 2022
PDO-3: New FMIS used for preparation of budget and recording of revenue and expenditure transactions			Text	Accounting software 4-Gov in use but being phased out	New FMIS used for recording revenue and expenditure transactions and preparation of budget for FY2024
<b>To improve the availability of reliable socioeconomic statistics</b>					
PDO-2: Production, publication of statistical abstract featuring key findings from the HIES			Text	No HIES data available since 2002	Statistical abstract featuring key findings from HIES published



Intermediate Results Indicators by Components	DLI	CRI	Unit of Measure	Baseline	End Target
<b>Strengthening the Public Financial Management Environment</b>					
IR-1: Procedures Manual updated with detailed guidance			Text	Manual available but lacking detailed procedures for all functions	Procedures Manual in place with detailed guidance for budget formulation, accounting, internal controls, payroll, fixed assets, cash management and financial reporting
IR-2: New chart of accounts adopted to facilitate management, financial and statistical reporting			Text	"D" score in 2012 PEFA PI-5; economic classification used for execution and reporting, but not for preparation and appropriation. No functional or sub-functional classification.	New COA meets criteria for "A" score for PI-4
IR-3: Update to Public Procurement Code and Implementation Guidance issued			Text	Code in need of update and no implementation guidance available	Updated Public Procurement Code and IRR in use for public procurement
<b>Financial Management Information System</b>					
IR-4: Financial data integrity achieved to meet			Text	"D" score in 2012 PEFA PI-22. Bank account reconciliation and clearance of suspense and advance accounts delayed and incomplete	Criteria for "B" score for PI-27 fully met
IR-5: In-year budget reports prepared and published by MoF to meet PEFA Framework			Text	In-year budget reports not prepared and not published	In-year budget reports prepared and cleared for publication on MoF website meeting criteria for timing, accuracy, coverage and comparability to meet criteria of "B" score for PI-28



Change Management and Human Resource Development					
IR-6: Competency framework with gender targets adopted for PFM related jobs across govt			Text	No competencies for PFM related roles defined. Gender targets not identified.	Competency framework specifying minimum skillsets required adopted for PFM related jobs across government and used for recruitment and training to build gender-balanced workforce
IR-7: Number of staff completing external training programs in PFM related disciplines			Number	0.00	50.00
IR-8: Gender-sensitive communications conducted for the project for awareness and building ownership			Text	No communication strategy; regular updates and information not released for government staff and citizens.	MoF website enhanced and regularly updated with information for government staff and citizens with functionality developed for capturing and summarizing feedback.
IR-9: Transparency and citizen engagement in budget preparation and execution			Text	MoF website exists but does not provide platform for receiving citizen feedback.	MoF website includes functionality to capture citizen feedback. Information on budget preparation stages, final budget and quarterly updates on budget execution posted regularly including: a) Summary presented in a citizen-friendly format understandable by non-technical audience; b) Summary of citizen feedback received and government response
IR-10: Training plan developed to meet standards set in competency framework and address skills gaps			Text	No training plans in place	Training plans in place for MoF staff
IR-11: Number of external training program partnerships for certification and degree courses in PFM			Text	No external training program partnerships in place	Four (4) external training program partnerships for certification and





					degree courses in PFM related disciplines
<b>Household Income and Expenditure Survey (HIES) Implementation</b>					
IR-12: Household Income and Expenditure Survey (HIES) fieldwork and data cleaning completed			Text	HIES not conducted since 2002	HIES data cleaning completed and documented

**Monitoring & Evaluation Plan: PDO Indicators**

<b>Indicator Name</b>	PDO-1: Completeness, quality and timeliness criteria met for Annual Financial Statements by MoF
<b>Definition/Description</b>	<p>Annual financial statements prepared by MoF to meet completeness, quality and timeliness criteria for “B” score for PI-29 of the PEFA Framework (<a href="http://www.pefa.org">www.pefa.org</a>) described below:</p> <p>PI-29.1: Financial reports for budgetary central government are prepared annually and are comparable with the approved budget. They contain information on at least revenue, expenditure, financial assets, financial liabilities, guarantees, and long-term obligations.</p> <p>PI-29.2: Financial reports for budgetary central government are submitted for external audit within 6 months of the end of the fiscal year.</p> <p>PI-29.3: Accounting standards applied to all financial reports are consistent with the country’s legal framework. The majority of international standards have been incorporated into the national standards. Variations between international and national standards are disclosed and any gaps are explained. The standards used in preparing annual financial reports are disclosed.</p>
<b>Frequency</b>	<p>Annual progress monitored against following end of year targets:</p> <p>Yr1: Requirements for new COA determined and first draft prepared</p> <p>Yr2: New COA adopted, new FMIS procured and implementation initiated</p> <p>Yr3: Rollout of budget module of new FMIS initiated</p> <p>Yr4: AFS for FY2021 prepared by MoF staff meeting "B" score criteria for PI-29.1 and PI-29.3</p>
<b>Data Source</b>	MoF
<b>Methodology for Data Collection</b>	Joint assessment by MoF and World Bank based on Public Expenditure and Financial Accountability (PEFA) framework for assessing public financial management ( <a href="http://www.pefa.org">www.pefa.org</a> )
<b>Responsibility for Data Collection</b>	Project Implementation Unit



<b>Indicator Name</b>	PDO-3: New FMIS used for preparation of budget and recording of revenue and expenditure transactions
<b>Definition/Description</b>	
<b>Frequency</b>	Bi-Annual progress monitored against the following end of year targets: Yr1: Requirements for new FMIS defined and procurement initiated Yr2: FMIS rollout initiated and tested in MoF, Majuro for recording expenditure transactions Yr3: FMIS budget module tested in MoF and rollout initiated and tested in Ebeye for recording expenditure transactions Yr4: FMIS rollout initiated and tested in MoHHS and PSS offices for recording expenditure transactions and budget preparation
<b>Data Source</b>	MoF
<b>Methodology for Data Collection</b>	Project progress report
<b>Responsibility for Data Collection</b>	Project Implementation Unit



<b>Indicator Name</b>	PDO-2: Production, publication of statistical abstract featuring key findings from the HIES
<b>Definition/Description</b>	Production and public release of statistical abstract featuring key findings from the Household Income and Expenditure Survey (HIES)
<b>Frequency</b>	One-time progress monitored against following targets: Year1: HIES preparatory activities initiated Year2: HIES fieldwork and data cleaning completed Year3: Statistical abstract featuring key findings from HIES published
<b>Data Source</b>	EPPSO
<b>Methodology for Data Collection</b>	Project progress report
<b>Responsibility for Data Collection</b>	Project Implementation Unit

**Monitoring & Evaluation Plan: Intermediate Results Indicators**

<b>Indicator Name</b>	IR-1: Procedures Manual updated with detailed guidance
<b>Definition/Description</b>	Procedures Manual updated with detailed guidance for budget formulation, accounting, internal controls, payroll, fixed assets, cash management and financial reporting
<b>Frequency</b>	Bi-annual updates on progress targets as follows: Yr2: Draft for update to SOP Manual prepared. Yr3: Updated SOP Manual issued. Yr4: Updated SOP Manual in use for accounting functions in MoF.
<b>Data Source</b>	MoF
<b>Methodology for Data Collection</b>	Project progress report
<b>Responsibility for Data Collection</b>	Project Implementation Unit



<b>Indicator Name</b>	IR-2: New chart of accounts adopted to facilitate management, financial and statistical reporting
<b>Definition/Description</b>	New chart of accounts (COA) to facilitate management, financial and statistical reporting adopted, meeting “A” score criteria for PI-4 on Budget Classification as per PEFA Framework described below: Budget formulation, execution, and reporting are based on every level of administrative, economic, and functional classification using GFS/COFOG standards or a classification that can produce consistent documentation comparable with those standards. Program classification may substitute for sub-functional classification if it is applied with a level of detail at least corresponding to sub-functional classification.
<b>Frequency</b>	Bi-annual progress monitored for end of year targets: Yr1: Requirements for new COA determined and draft prepared Yr2: New COA adopted by PFM Steering Committee Yr3: New COA in use for budget execution and used for budget formulation pilot Yr4: New COA in use for budget formulation, budget execution and financial reports
<b>Data Source</b>	MoF
<b>Methodology for Data Collection</b>	Self-assessment based on PEFA framework for assessing public financial management ( <a href="http://www.pefa.org">www.pefa.org</a> )
<b>Responsibility for Data Collection</b>	Project Implementation Unit



<b>Indicator Name</b>	IR-3: Update to Public Procurement Code and Implementation Guidance issued
<b>Definition/Description</b>	After update, Procurement Code and IRR to include requirements for maintaining records of contracts, preference for competitive methods, public access to information, and a complaints mechanism.
<b>Frequency</b>	Bi-annual progress monitored against following end of year targets: Yr1: Draft of updates required to Public Procurement Code prepared Yr2: Proposed updates to Public Procurement Code endorsed by Cabinet Yr3: IRR developed and issued based on updated Public Procurement Code Yr4: Training for application of updated Public Procurement Code developed
<b>Data Source</b>	MoF
<b>Methodology for Data Collection</b>	Project progress report
<b>Responsibility for Data Collection</b>	Project Implementation Unit



<b>Indicator Name</b>	IR-4: Financial data integrity achieved to meet “B” score for PI-27
<b>Definition/Description</b>	<p>Criteria for "B" score for PI-27:</p> <p>PI-27.1: Bank reconciliation for all active central government bank accounts takes place at least monthly, usually within 4 weeks from the end of each month.</p> <p>PI-27.2: Reconciliation of suspense accounts takes place at least quarterly within two months from the end of each quarter. Suspense accounts are cleared in a timely way, no later than the end of the fiscal year unless duly justified.</p> <p>PI-27.3: Reconciliation of advance accounts takes place at least quarterly within two months from the end of each quarter. Most advance accounts are cleared in a timely way</p> <p>PI-27.4: Access and changes to records is restricted and recorded, and results in an audit trail.</p>
<b>Frequency</b>	<p>Bi-annual progress reviewed against following end of year targets:</p> <p>Yr1: New FMIS procured and procedures for achieving data integrity drafted</p> <p>Yr2: Criteria for "B" score for PI-27.1, 27.2 and 27.3 fully met</p> <p>Yr3: Access and changes to financial records is restricted and recorded and results in an audit trail</p> <p>Yr4: Criteria for "B" score for PI-27 fully met</p>
<b>Data Source</b>	MoF
<b>Methodology for Data Collection</b>	Joint assessment by the MoF and World Bank based on PEFA framework for assessing public financial management
<b>Responsibility for Data Collection</b>	Project Implementation Unit





<b>Indicator Name</b>	IR-5: In-year budget reports prepared and published by MoF to meet PEFA Framework “B” score of PI-28
<b>Definition/Description</b>	<p>In-year budget reports prepared and published by MoF to meet criteria of “B” score for PI-28 based on PEFA Framework (<a href="http://www.pefa.org">www.pefa.org</a>) described below:</p> <p>PI-28.1: Coverage and classification of data allows direct comparison to the original budget with partial aggregation. Expenditures made from transfers to de-concentrated units within central government are included in the reports</p> <p>PI-28.2: Budget execution reports are prepared quarterly, and issued within four weeks from the end of each quarter</p> <p>PI-28.3: There may be concerns regarding data accuracy. Data issues are highlighted in the report and the data is consistent and useful for analysis of budget execution. An analysis of the budget execution is provided on at least a half-yearly basis. Expenditure is captured at least at payment stage.</p>
<b>Frequency</b>	<p>Bi-annual progress monitored against the following end of year targets:</p> <p>Yr1: Template for In-year budget reports prepared and approved by Project Steering Committee</p> <p>Yr2: In-year budget reports prepared for at least two calendar quarters</p> <p>Yr3: In-year budget reports prepared for at least two consecutive calendar quarters meeting criteria for accuracy and coverage and comparability for "C" score of PI-28.1 and 28.3</p> <p>Yr4: In-year budget reports prepared and cleared for publication on MoF website for at least two consecutive calendar quarters meeting criteria for accuracy and coverage and comparability for "B" score of PI-28.1 and 28.3 and timeliness for "C" score for PI-28.2</p>
<b>Data Source</b>	MoF website
<b>Methodology for Data Collection</b>	Joint assessment by MoF and World Bank based on PEFA framework for assessing public financial management ( <a href="http://www.pefa.org">www.pefa.org</a> )
<b>Responsibility for Data Collection</b>	Project Implementation Unit



<b>Indicator Name</b>	IR-6: Competency framework with gender targets adopted for PFM related jobs across govt
<b>Definition/Description</b>	Competency framework specifying minimum skillsets (education, knowledge, experience) adopted for PFM related jobs across government and used for gender-informed recruitment and development of training plans
<b>Frequency</b>	Bi-annual progress monitored against following end of year targets: Yr1: Competency framework drafted Yr2: Competency framework adopted by Public Service Commission for all PFM related jobs with targets to build gender-balanced workforce Yr3: Competency framework used as basis for preparing training plans with targets to increase female employment at technical and managerial level in MoF Yr4: Competency framework used as basis for recruitment and training plans with targets to increase female employment at technical and managerial level in MoF
<b>Data Source</b>	MoF, Public Service Commission
<b>Methodology for Data Collection</b>	Project progress report
<b>Responsibility for Data Collection</b>	Project Implementation Unit



<b>Indicator Name</b>	IR-7: Number of staff completing external training programs in PFM related disciplines
<b>Definition/Description</b>	Gender disaggregated data to be captured on number of staff
<b>Frequency</b>	Bi-annual progress to be monitored against following end of year targets: Year 2: 5.00 Year 3: 10.00 Year 4: 15.00
<b>Data Source</b>	MoF
<b>Methodology for Data Collection</b>	Project Progress Reports
<b>Responsibility for Data Collection</b>	Project Implementation Unit



<b>Indicator Name</b>	IR-8: Gender-sensitive communications conducted for the project for awareness and building ownership
<b>Definition/Description</b>	Gender-sensitive communications conducted for the project for awareness and building ownership and platforms for feedback established and used to gather and respond to citizens and direct project beneficiaries.
<b>Frequency</b>	Bi-annual progress monitored against following end of year targets: Yr1: Gender-sensitive change management and communication strategy adopted Yr2: 1) Three (3) project outreach events conducted and report summarizing feedback published; 2) Media Collaterals prepared and distributed. Yr3: MoF website enhanced and launched with gender-sensitive content and design, including functionality to capture feedback from beneficiaries Yr4: MoF website regularly updated with relevant information. Summary of feedback received published quarterly with government response
<b>Data Source</b>	MoF website
<b>Methodology for Data Collection</b>	Project Progress Report
<b>Responsibility for Data Collection</b>	Project Implementation Unit



<b>Indicator Name</b>	IR-9: Transparency and citizen engagement in budget preparation and execution
<b>Definition/Description</b>	Transparency and citizen-engagement in planning and utilization of public funds as evidenced by timely publication of information in citizen-friendly format, platforms for receiving feedback operational and summary of feedback received published with government response.
<b>Frequency</b>	Bi-annual progress to be monitored against the following end of year targets: Year 3: MoF website enhanced to include functionality for capturing feedback from project beneficiaries (government staff and citizens) Year 4: MoF website regularly updated with information on budget preparation stages, final budget and quarterly updates on budget execution posted regularly including: a) Summary presented in a citizen-friendly format understandable by non-technical audience; b) Summary of citizen feedback received and government response
<b>Data Source</b>	MoF website
<b>Methodology for Data Collection</b>	Review of website; Updates in Project Progress Reports
<b>Responsibility for Data Collection</b>	Project Implementation Unit



<b>Indicator Name</b>	IR-10: Training plan developed to meet standards set in competency framework and address skills gaps
<b>Definition/Description</b>	Training plan to include targets for building gender balanced work force in MoF at technical and managerial level
<b>Frequency</b>	Bi-annual progress monitored against following end of year targets: Yr1: Competency framework developed to define requirements for training especially targeting gender specific skill-gaps Yr2: Identification of training needs to address skill gaps especially for women to qualify for technical and managerial level positions Yr3: Training plan developed to develop skills as per Competency Framework and targets for increased female participation at technical and managerial level Yr4: Training plans in place for MoF staff to develop skills as per Competency Framework and targets for increased female participation at technical and managerial level
<b>Data Source</b>	MoF
<b>Methodology for Data Collection</b>	Project Progress Reports
<b>Responsibility for Data Collection</b>	Project Implementation Unit



<b>Indicator Name</b>	IR-11: Number of external training program partnerships for certification and degree courses in PFM
<b>Definition/Description</b>	Number of external training program partnerships for certification and degree courses in PFM-related disciplines
<b>Frequency</b>	Bi-annual progress monitored against following end of year targets: Yr1: Competency framework to form basis of defining training needs drafted Yr2: Identification of training needs Yr3: Two (2) external training program partnerships for certification and degree courses in PFM related disciplines Yr4: One further external training program partnership for certificate / degree courses in PFM related discipline
<b>Data Source</b>	MoF
<b>Methodology for Data Collection</b>	Project progress report
<b>Responsibility for Data Collection</b>	Project Implementation Unit



<b>Indicator Name</b>	IR-12: Household Income and Expenditure Survey (HIES) fieldwork and data cleaning completed
<b>Definition/Description</b>	
<b>Frequency</b>	One-time against following targets: By the end of Year 1: HIES preparatory activities initiated, including sample design, development of survey instrument and training materials, and CAPI pilot test By the end of Year 2: a) HIES successfully administered to households according to sample design; and b) HIES data cleaning process documented, with raw and clean data sets and associated documentation appropriately archived
<b>Data Source</b>	Project progress report; EPPSO
<b>Methodology for Data Collection</b>	Regular reports from EPPSO
<b>Responsibility for Data Collection</b>	EPPSO, Project Implementation Unit





## **ANNEX 1: DETAILED PROJECT DESCRIPTION**

**COUNTRY:** Republic of Marshall Islands

**Project to Strengthening systems for budget execution and financial reporting systems in the Republic of Marshall Islands**

1. **The proposed project is designed to support the implementation of selected measures in the government's PFM Reform Roadmap.** These include system improvements to support accounting, public procurement and improved fiscal and statistical information. HR management is a cross-cutting area which is also supported through the project interventions.

2. **The proposed project is organized into five components:** (a) Strengthening the Public Financial Management Environment, (b) Financial Management Information System (FMIS), (c) Change Management and Human Resource Development, (d) Household Income and Expenditure Survey (HIES) Implementation, and (d) Project Management.

### **Component 1: Strengthening the Public Financial Management Environment (US\$500,000)**

3. The objective of this component is to improve the legal and regulatory framework of the PFM and procurement system.

#### *Subcomponent 1.1: Aligning the Legal, Regulatory, and Operating Environment (US\$300,000)*

4. Legal and regulatory framework and the business processes and procedures governing budget formulation, budget execution, and financial reporting for revenues and expenditures will be reviewed and updated with the objective of ensuring consistency among issuances, alignment with accounting framework, streamlining for efficiency, and ensuring that authorizing environment and guidance for the operations of an FMIS are in place. The U.S. government reporting requirements are very specific and complex. However, there are well-established guidelines and frameworks in place that can serve as a resource when updating the government procedures and regulations.

5. A firm will be engaged to perform these activities. Outputs include draft amendments or new directives for approval by the competent authority. Areas covered include the following:

- (a) Ensuring legal basis of new FMIS architecture, for example, provisions for use of digital signatures, digital storage of documents, bank transfers for payment, and so on.
- (b) Preparation of an Operations Manual detailing functional roles and responsibilities including specific responsibilities related to processes in the FMIS. Procedures should ensure the establishment of a strong internal control framework across the budget cycle. Business process reengineering to the extent necessary to ensure compliance with regulatory requirements in an efficient manner. This will include revisions that may be required to include requirements and guidance specific to the selected FMIS.



- (c) New chart of accounts for compliance with latest Government Finance Statistics (GFS) classification and appropriate structure to facilitate management, financial, and statistical reporting. This should also allow tracking of sectoral expenditure and projects and special programs such as those directed at building climate-change resilience, improving nutrition, and encouraging gender parity.

*Subcomponent 1.2: Support for Procurement Reform (US\$200,000)*

6. Public procurement in the RMI is an area with need for reform. There are deficiencies in both the regulatory framework and in implementation. The Procurement Code 1988, which provides the legal framework for procurement processes was formulated nearly three decades ago. It does not include modern instruments for public procurement, that is, the use of ICT-related tools such as online shopping, electronic portal for bid opportunity/result notification, and eventually e-procurement. It has remained without IRR and there are several practices and rules which fill the gap of formal IRR. The PPO required by the existing Procurement Code was also not established and thus the oversight and enforcement functions are not being performed.

7. In the medium term, the reforms include the updating and modernization of the Procurement Code and issuance of its IRR; creation and strengthening of the PPO; standardization of procurement documents, forms, and templates; development of generic procurement manual that can be adapted for use by various procuring entities; training; and creation of a career stream in the bureaucracy to professionalize the procurement practitioners.

8. The activities under this subcomponent include the engagement of a consultant with expertise and experience in procurement reforms to prepare a proposal for amendments to the Procurement Code, including requirements for maintaining records of contracts, preference for competitive methods, public access to information, and a robust complaints mechanism. This would entail a review of relevant existing documents—laws, issuances, studies and assessments—and consultations with stakeholders within the government, private sector (in and out of the country), and civil society organizations/academia. In addition to modernization of the policy and procedural framework in the Procurement Code, the review will also look at the institutional arrangements for policy and operations functions to be performed. The project activities will include support for preparation of IRR to support operationalization that will be done once there is consensus and approval of the update to the Procurement Code. An omnibus Procurement Code and associated rules and regulations are needed.

**Component 2: Financial Management Information System (US\$4,480,000)**

9. The objective of this component is to implement a new FMIS which will support effective management of public resources and improve financial reporting for management and accountability. Project scope will include the MoF, MoHHS, and PSS offices in Majuro and Ebeye. The extent of functions to be decentralized to line ministries will be determined by the PFM National Steering Committee in accordance with procedures detailed in the PIM.

10. A System Requirements Study (SRS) will be conducted to determine the technical specifications and requirements of a new FMIS. Based on these requirements, an FMIS will be selected. While detailed requirements will be determined through the formal SRS, scope and salient features of the required FMIS



include (a) a simple COTS software application with minimal customization to manage complexity, cost, user skill requirements, and availability of technical support; (b) cloud-based architecture to reduce implementation and operational cost of the system; and (c) inclusion of an electronic document management system. Among other things, the application should support Government's current efforts to introduce medium-term budgeting and performance monitoring. Scope will include modules for budget preparation, commitment control and cash management, general ledger, payroll, fixed assets, accounts payable, accounts receivable, and financial reporting.

11. Stable connectivity is essential for the operation of a cloud-based architecture. The MoF has faced difficulty in securing the required service. The project will fund subscriptions for a SLA with the Marshall Islands NTA to assure the required level of service. A similar arrangement is in place for the MoHHS.

12. Necessary arrangements, to the satisfaction of the MoF, will be required in the design of the FMIS to ensure that the access to government records is limited to authorized personnel only and the risk of leakage and destruction is minimized. None of the activities under this component will entail new construction. Space for facilities and equipment will be provided within existing government buildings.

13. Given the low-capacity environment, a gradual, incremental sequencing strategy will be used in building up the new system, starting with a manageable system component, stabilizing it, evaluating and improving it, and then building lessons learned into the next component. Substantial concerns have been raised on the integrity of the internal control structure within the existing system, 4-Gov. Since the implementation of the new FMIS is not expected to occur in the immediate or next fiscal year, the current system would need to be operational for at least two fiscal years. A short assignment by the current vendor is therefore part of the project activities to review and address the most urgent security and operational functions in 4-Gov. For example, user access differentiation is currently not in place.

14. The activities will also include support for the Government to prepare a policy framework (policy, standards, and guidelines) for security and usage of IT assets (hardware, software, and Internet) in government offices.

15. Another important issue is financial sustainability of the reforms and systems after project completion. Experience from other countries shows that the initial cost of an FMIS is small in comparison to the total cost of maintaining the system going forward. The Government is committed to meeting these expenses through its budgetary and DP resources.

16. In November 2013, the RMI enacted the Marshall Islands Public School Act which purpose is "to establish an autonomous public school system; to provide for a National Education Board and Commissioner of Education; to provide for independent personnel and financial management, budgeting, etc." The Act commenced on November 25, 2014. In fiscal year 2015–2016, the PSS developed a transition plan for assuming transaction processing for the Compact Education Sector grant by 2017–2018. An accounting package was purchased, installed, and operationalized. The management of non-personnel-related general fund expenditures was undertaken by the PSS in 2016–2017. A review was conducted in August 2017 by U.S. Graduate School, on behalf of the U.S. Department of Interior, to assess the readiness of the PSS to assume Compact grant-related financial operations from the MoF. The review concluded that the cost of setting up an independent financial operation in the PSS may not be feasible. It recommended that in the instance that a new FMIS is selected and implemented by the MoF, it would be



advisable to extend the same system to PSS.

### *Three-Country Solution*

17. Both the RMI and the Federated States of Micronesia are signatories to the roadmap for strengthening PFM for application as part of the tools for implementing the Forum Compact on Strengthening Development Coordination in the Pacific, signed in 2010. In January 2018, the heads of finance in the governments of Republic of Palau and Federated States of Micronesia met in Palau to discuss their common requirement for a new FMIS. The RMI Minister of Finance was unable to join. A memo was issued to document the agreements made and the countries committed to formulate a memorandum of understanding (MOU) to allow the three governments and their funders to share relevant documents and information related to the procurement of a new FMIS without restricting the timing or procurement process of any one country. Each government also agreed to appoint a focal person to facilitate the implementation of the MOU. The cooperation will be across the definition of requirements, vendor search and vetting, and maintenance and support.

18. It is clearly understood that each country will establish its own contract and legal relation with the selected vendor. Information that may be shared include the following:

- (a) Documents such as requirements analysis, request for proposals, formats, and vendor demo scripts
- (b) Current status of the Government's process
- (c) Major events where another government may participate such as vendor demonstrations
- (d) Feedback from references and other information on probable vendors

19. Should the three countries select a common vendor, it would provide a strong incentive to the vendor for the establishment of a maintenance and support center in one of the countries for timely incident response. In addition, the countries may share costs for a disaster-recovery site as well.

### **Component 3: Change Management and Human Resource Development (US\$970,000)**

20. The objective of this component is to support the successful implementation of the FMIS with active stakeholder engagement and development of individual competencies and institutional capacity needed to sustain the FMIS and related PFM functions. This aims to address capacity constraints arising largely from frequent staff turnover and challenges in retention of qualified technical staff in both finance and IT skills. The project will support building capacity in the MoF and other agencies with key roles in PFM such as the OAG.

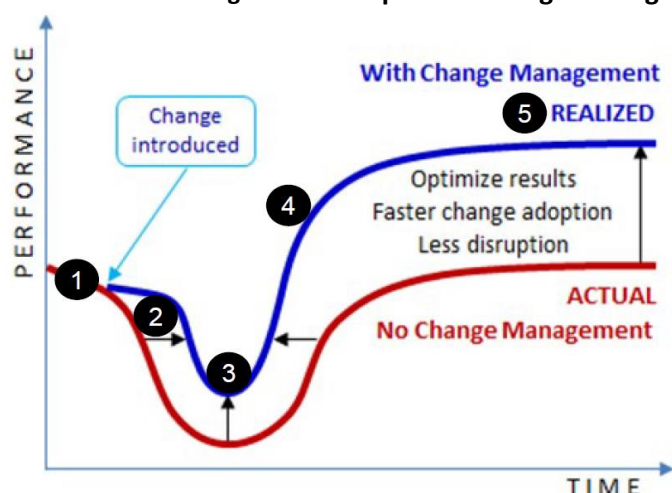
#### *Subcomponent 3.1: Change Management (US\$290,000)*

21. The journey to secure the adoption of change to achieve results and reduce disruption is often referred to as a change journey, as illustrated in figure 1.1. The change journey can be mapped to the stages of the project, with the corresponding challenges identified and change management activities proposed to meet these challenges. It is critical to determine and apply the level of change management



effort needed to secure the required results and return on investment to fulfil the project objectives.

**Figure 1.1.: Purpose of Change Management and Change Journey**



As these relate to the FMIS project stages, they include ① mobilization, ② solution design, development, testing and training, ③ start of rollout, ④ end of rollout and ⑤ monitoring and evaluation of the change.

Source: Change Management for Governance and Public Sector Reform Projects, World Bank Group e-learning Module, September 2014.

22. The activities proposed under this subcomponent are to design and implement a change management and communications strategy for the project. Change champions will be identified to facilitate the implementation of the project, monitor progress, and promptly respond to any issues as these arise. Regular outreach activities will be conducted to inform stakeholders of progress and upcoming activities. Supported by the communications specialist in DIDA, communications materials using traditional and social media will be produced for disseminating, seeking feedback, and establishing user forums.

### *Subcomponent 3.2: Human Resource Development (US\$680,000)*

23. To support the usage of the FMIS and sustainability of the project initiatives eventually leading to improved public expenditure management, an HR development strategy will be developed and implemented. The objective is to build a pool of staff possessing the competencies needed to deliver the required PFM functions. Training builds development capacity only when trainees have adequate resources and incentives to implement learning in the workplace. This includes nonmonetary incentives such as merit-based promotion systems and opportunity to pursue professional development. The strategy will include a review of the HR management policy environment relevant to the project objectives, for example, staff incentives, position descriptions, career development, and so on, and recommend areas for improvement.

24. As part of the training initiatives, this subcomponent will also provide support to enhance capacity for fiscal analysis and planning, which can contribute to improved project evaluation and prioritization. Strengthened fiscal analysis and expenditure management is important as authorities manage the transition due to the expiration of Compact sector grants in 2023.

25. A competency framework will be developed to specify the minimum skillsets required in each job



function both in the MoF and for equivalent roles across the government. The U.S. government's competency frameworks established for accountants and other finance professionals will be a useful resource in developing the framework for the RMI. This can serve as a lever for implementing change in mindset and must be future oriented with regard to the desired structure and performance standards.

26. An HR skills assessment for the MoF was conducted by ADB in August 2017. Based on the findings and recommendations of the report and the competency framework, a technical training plan will be developed. The resulting capacity-building program will be designed with flexibility to include customized interventions, when required to meet emerging needs. Training will cover key technical areas, such as budgeting, accounting and the application of the U.S. Uniform Guidance, to equip staff with skills to fully and effectively use the new systems. Training for the FMIS will include end-user training to all potential users; technical training for system administration and management (information security, networking, and application software); and training on the use of information from the system for fiscal analysis and planning.

27. Partnerships with local, regional, and international institutions will be developed using a cost-effective partnership model that incorporates adequate incentives for the learning institutions to sustain the engagement beyond the life of the project. The U.S. Graduate School already provides a couple of training events each year on emerging technical topics. Locally, the College of Marshall Islands and University of South Pacific-Majuro campus can institutionalize the delivery of certification and degree courses including tailored courses for PFM. The American Association of Government Accountants has a presence in the South Pacific and offers online resources for training and technical updates. Use of embedded trainers and development of e-learning will also be considered. The objective is to establish mechanisms for enabling new entrants into the civil service to perform their functions in PFM-related roles and perpetuate the supply of suitably trained staff well beyond the life of the project.

28. As part of the project activities, the following outputs will be prepared and approved by the PFM National Steering Committee:

- (a) Change management and communications strategy
- (b) Competency framework for PFM roles across the government
- (c) Training partnerships—in-country and external
- (d) Staff training plans

29. The project will support the engagement of an international consultant during the first two years of project life. The consultant will work with the ADB-RCU to prepare the proposed strategy, framework, and training plan. The team will work with the Government on capturing gender-disaggregated data for those receiving training and capacity building under the project and ensure that the interventions are gender neutral, that is, providing equal opportunities for education and training to current and potential employees.

30. As part of the activities for capacity building, the project will support the engagement of a firm for a program of internal audit and capacity building from the fourth year of project life. The firm will





report to the Secretary of Finance and conduct quarterly reviews to provide (a) a report on gaps that need to be addressed in preparation for the external audit and (b) training for staff on topics identified from the audit findings. A focus will be to mentor and develop the existing internal audit function in the MoF.

31. During the implementation phase of the FMIS, existing MoF resources may need to be supplemented by external specialists. The ADB-RCU staff can support with the additional burden on the staff during the change process by hand-holding to ensure that regular outputs and services of the MoF are continued. The unfilled positions in the MoF are fully budgeted and recruitment is under way. Innovative mechanisms such as twinning and salary top-ups are also under consideration. Over time, the HR development strategy should enable hiring and training new staff because streamlined procedures within the MoF will be more aligned with international standards and there will be larger pool of potential new staff hires, contractors, and vendors to draw on.

#### **Component 4: Household Income and Expenditure Survey (HIES) Implementation (US\$650,000)**

32. The objective of this component is to strengthen the capacity of the national statistics organization (EPPSO) to conduct and publicly release the results of an HIES that meets international quality standards. The project will fund all aspects of survey operations, including preparation activities, implementation and supervision of survey fieldwork, data cleaning, analysis and dissemination, capacity-building activities, and project management. An international consultant will also be recruited to provide overarching operational support throughout.

33. Preparatory activities will include sample design; the development of the survey instrument and accompanying training materials; a CAPI pilot test; the implementation of a national nonstandard unit survey covering local harvest and sales measures (if necessary); the purchase of necessary materials, including tablet computers; publicity and outreach to encourage participation; and classroom training for supervisors and enumerators for a period of approximately three weeks, followed by a field test before the launch of the survey.

34. The survey fieldwork will be undertaken by teams of interviewers, each with a supervisor. The actual collection of data will be preceded by a household listing operation in the selected enumeration areas, with fieldwork following over 12 months. Supervision and quality control mechanisms will be developed to ensure high-quality data collection. The project will also finance the necessary goods and assistance to ensure the proper cleaning, analysis, and archiving of data.

35. The SDD of the SPC, a regional coordinating body, will provide capacity-building support to EPPSO throughout the project. Support from the SDD SPC ensures that comparable best practice methods are used for pilot testing, sampling, training, fieldwork, supervision, verification, cleaning, and analysis and ensures that training materials and pedagogy are effective and of high quality.

#### **Component 5: Project Management (US\$2,400,000)**

36. The objective of this component is to support overall management and coordination of the project across the government. A PIU housed in the MoF will be responsible for the day-to-day operations and supervision of project consultants. The PIU is to facilitate the coordination within the MoF and across the government. For Component 4 on HIES implementation, EPPSO is the responsible agency. EPPSO has



appointed an HIES manager from its Statistics and Analysis Unit as the focal point for this activity, who will be supported by technical specialists as needed. For project management, the PIU and HIES Implementation Team will work closely with DIDA, which will provide shared project support services for World Bank projects, including FM, procurement, safeguards, communications, and monitoring and evaluation. The project manager and technical consultants will be recruited internationally. The cost for international consultants in the North Pacific is unusually high, including a premium for full-time assignments due to geographic isolation, poor connectivity, and low capacity in-country. Technical specialists will be engaged for full-time support in the initial years of the project with part-time support in the latter half for knowledge transfer to and hand-holding of government staff. The project will finance (a) contract staffing for the project, (b) consultancies and non-consultancies, (c) office and other equipment, (d) travel and operational costs, and (e) training and workshops.





## **ANNEX 2: IMPLEMENTATION ARRANGEMENTS**

### **COUNTRY: Republic of Marshall Islands**

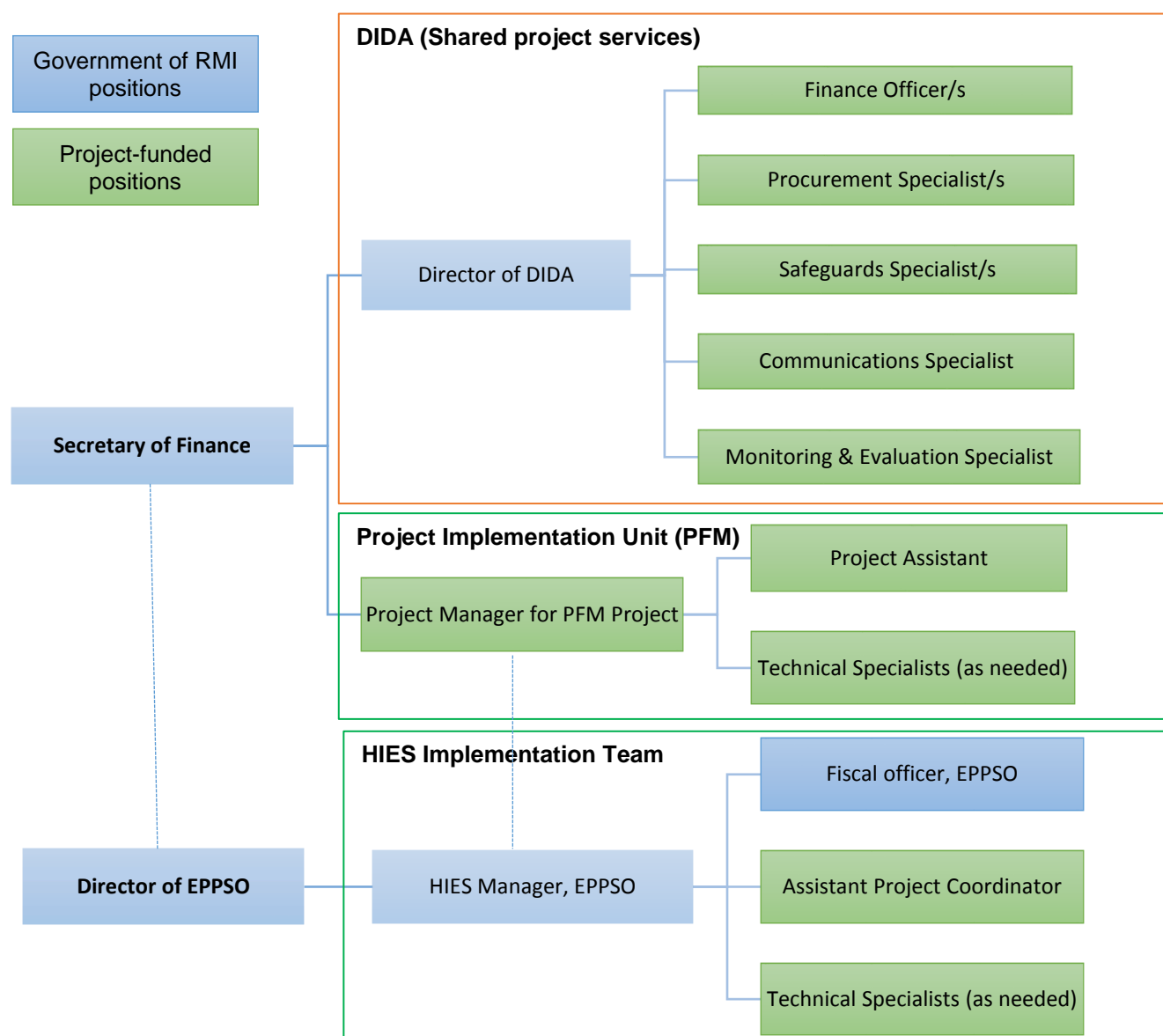
#### **Project to Strengthening systems for budget execution and financial reporting systems in the Republic of Marshall Islands**

1. The MoF is the implementing agency for the project. Within the MoF, the PIU established under the Secretary of Finance will be responsible for managing the project, including coordination with other DP-funded projects and activities on PFM reform implementation. A dedicated project manager is being recruited for this project.
2. Specifically, for Component 4 on Household Income and Expenditure Survey (HIES) Implementation, the EPPSO is the responsible agency. EPPSO has appointed a manager for HIES from its Statistics and Analysis Unit as the focal point for this activity. The HIES manager and the fiscal officer will be supported by an assistant project coordinator to be recruited under the project, as well as technical specialists as needed.
3. For project management, the PIU and HIES Implementation Team will work closely with the MoF's DIDA, which is to provide shared project support services for World Bank-funded projects. Staff are being hired to build a fungible pool of skills for FM, procurement, safeguards, communications, and monitoring and evaluation. Costs of such services will be shared among the World Bank-funded projects.
4. The project manager will oversee day-to-day implementation, monitoring, and reporting of project activities, including coordination with relevant stakeholders within government as well as with other DP-supported projects, for example, ADB-supported PFM RCU; organization of Steering Committee and Operational Working Group meetings; procurement of goods and consultancies with support from the procurement specialist in DIDA; ensuring safeguards requirements are satisfied with support from the safeguards adviser in DIDA; ensuring FM requirements are satisfied with support from the financial manager in DIDA; and monitoring and reporting on results achieved by activities financed under the project. An assistant will provide secretarial support to the PIU. Technical specialists may be engaged as needed during the implementation. The project manager will be supervised by the Secretary of Finance.
5. The project will finance (a) full-time and part-time specialists (including with skills in finance, procurement, safeguards, communications, and monitoring and evaluation) to strengthen the capacity of the DIDA to manage and monitor DP-funded projects and (b) full-time and part-time specialists (including a project manager and project assistant) and incremental operating costs to support the PIU for the PFM Improvement project.
6. A PIM, to be prepared by the project manager and approved by the MoF, will set out (a) the institutional arrangements for day-to-day execution of the project; (b) the implementation arrangements for ESMP; (c) budgeting, disbursement, and FM arrangements; (d) procurement arrangements and the Procurement Plan; (e) project monitoring, reporting, and evaluation arrangements; (f) performance indicators for the project; (g) the division of responsibilities and cooperative arrangements between the project entities, including the PFM National Steering Committee, the PFM Working Group, the PIU, HIES



Implementation Team, DIDA, MoF, MOHHS, PSS, and EPPSO; and (h) the procedures and arrangements for identifying and involving additional public offices as may be required for the project.

**Figure 2.1. Project Management Structure**



7. Under the PFM Reform Roadmap, the PFM National Steering Committee is tasked with monitoring and evaluation of the PFM Reform Roadmap and provides the management and coordination structure for PFM reform. The PFM National Steering Committee was established in April 2016, and formal terms of reference were adopted by the Cabinet in December 2016. This body is chaired by the Chief Secretary and its membership includes the Finance Secretary, Auditor General, Chair of the PSC, the Attorney General, and representatives from the Office of the President and EPPSO. In addition, line ministry



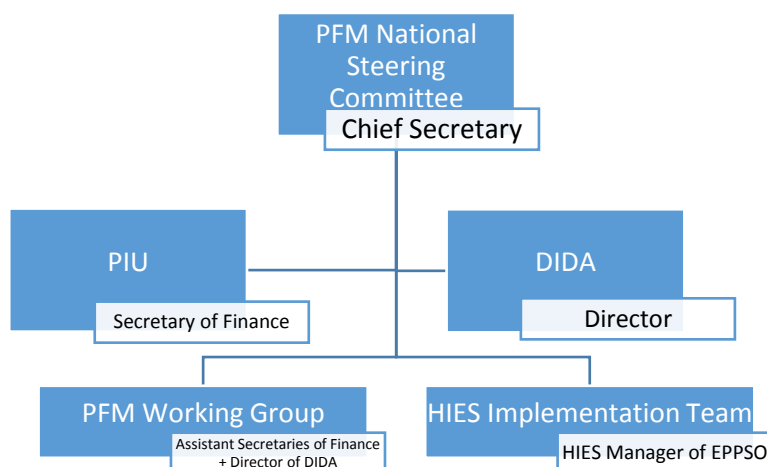
representatives from the Ministry of Education, MoHHS, Ministry of Foreign Affairs, and Ministry of Internal Affairs can be co-opted as needed. The MoF provides Secretariat support to the Steering Committee. In addition, a PFM Working Group has been established for the implementation of the PFM Reform Roadmap Action Plan. Close coordination and collaboration will be required among the stakeholders across the government to implement the PFM Reform Roadmap and associated action plan, for which a formal coordination mechanism has been established at two levels.

8. The PFM National Steering Committee will serve as the project's Steering Committee, including the Chief Secretary and key officials from the MoF and other stakeholder agencies. The Steering Committee shall make key decisions related to the project as recommended by the Operational Working Group described in the following paragraphs.

9. The PFM Working Group will serve as the Project's Operational Working Group to support the Steering Committee. This is chaired by the Secretary of Finance, and the membership includes all Assistant Secretaries of Finance and the Director of DIDA and representatives from EPPSO, Ministries of Health, and PSS. Relevant officials will be consulted for specific topics such as budget, accounting, IT, revenue, payroll, and so on, as required. As the FMIS is developed, input will also be sought from line ministries as well as other users, including the OAG. The MoF shall be responsible for seeking input from relevant stakeholders to understand user needs and build buy-in. The PFM Working Group will serve as the forum for detailed deliberations on the development of system design, features, and functionalities. This group will also be the one finalizing terms of reference, conducting technical evaluation of proposals and review of consultant deliverables. Based on its discussions, the group shall prepare recommendations to be taken up by the Steering Committee for decision.

10. These bodies are to facilitate collaboration and two-way communication of information among the stakeholders, as well as coordination among relevant ministries and agencies who will be affected by the changes and new systems.

**Figure 2.2. Project Governance Arrangements**



11. Roles and responsibilities in relation to the project:

**(a) PFM National Steering Committee**



- (i) Chair: Chief Secretary.
  - (ii) Membership: Finance Secretary, Auditor General, Chair of the PSC, the Attorney General, and representatives from the Office of the President and the EPPSO. Line ministry representatives from the Ministry of Education, MoHHS, and others can be invited as needed.
  - (iii) Functions of the Steering Committee are to review progress reports from the PFM Working Group; advise on policy issues, problems, and constraints raised by the PFM Working Group; review recommendations put forward by the PFM Working Group; provide guidance and support to the PFM Working Group to enable achievement of the project objectives; monitor and direct necessary implementation actions to be taken by offices outside of the MoF; and ensure the project work is clearly integrated into, and supportive of, any restructuring and reform programs of the Government.
  - (iv) The committee will meet on a quarterly basis.
- (b) **PFM Working Group**
- (i) Chair: Secretary of Finance.
  - (ii) Membership: Assistant Secretaries of Finance, Director of DIDA, representatives from the EPPSO, MoHHS, PSS, and others as needed and relevant to agenda for discussion.
  - (iii) Functions of the Working Group are to finalize terms of reference, conduct technical evaluation of proposals, and review consultant deliverables for the project; conduct detailed deliberations and user consultations on the development of FMIS design, features and functionalities and prepare the recommendations to be taken up by the Steering Committee for decision.
  - (iv) The Working Group will meet on a monthly basis.
- (c) **PIU, MoF**
- (i) Head: Project manager reporting to the Secretary Finance.
  - (ii) The functions of the PIU are to provide day-to-day project planning and implementation; provide Secretariat support to operationalizing and running the Steering Committee and Operational Working Group; procure and supervise technical consultants; and monitor and evaluate project progress, including reporting.
- (d) **HIES Implementation Team**
- (i) Head: Manager reporting to the Director of EPPSO.
  - (ii) The functions of the HIES Implementation Team are to provide day-to-day project planning and implementation; procure and supervise field personnel and technical



consultants; and monitor and evaluate project progress, including reporting.

(e) **DIDA**

- (i) Head: Director.
- (ii) The functions of DIDA relevant to the project are to provide shared services (finance, procurement, safeguards, and communications) to World Bank projects and monitor and evaluate overall portfolio of World Bank projects.

### **Financial Management**

12. DIDA within the MoF maintains the financial accounts and provides FM support to World Bank projects and hence will be responsible for the fiduciary aspects of this project. DIDA currently has a finance manager. This project provides for an additional FM officer in DIDA as a mitigating measure, to ensure that the FM arrangements satisfy the requirements as stipulated in World Bank Directive: Investment Project Financing. The FM risk of the project is assessed as Substantial primarily because DIDA will be providing FM support for Component 4 implemented by EPSSO, and the capacity of DIDA to manage the FM aspects of multiple projects is unknown until these projects come on stream and are under implementation.

13. **Budgeting arrangements.** The RMI has a Budget Coordinating Committee which develops, formulates, and coordinates the government budget process. The MoF serves as Secretariat for the committee that comprises Chief Secretary (Chair), Secretary Finance and representatives from the offices of EPSSO, PSC, Clerk of Cabinet, Attorney General, and Secretary of Foreign Affairs and Trade. Project funds will be included in the estimates and in-year reporting subject to the timely notification to the government. The budget section of the MoF is responsible for the monitoring of the government budget throughout the year and will be requested to work closely with DIDA fiduciary staff to assist in the budget preparation and monitoring of this project. The government accounting system has the capacity to compare actual costs to budget, which will assist in the monitoring of the budget. Budgeting will be on an activity basis summarized by component and should be reviewed at least every six months by both the budget section of the MoF and the project team.

14. **Accounting arrangements.** The 4-Gov system has a chart of accounts, and transactions or line items can be further classified by cost center, organization (department/division), and geography if required. This system can maintain accounting records that meet the World Bank's reporting requirements for this project. A new chart of accounts will be developed for the new FMIS and the project accounts will be incorporated in the new system. A separate cost center will be opened to account for transactions under Component 4 implemented by EPSSO, with all related payments centralized in the MoF. The new FMIS will include capability to account for World Bank-financed projects and it is anticipated that there will be a transition period during which both the existing 4-Gov system and the new FMIS will be running in parallel, after which the 4-Gov system will be decommissioned. There will be provision to finance a project FM officer if required and FM capacity will need to be able to adapt to changing FM systems and maintaining accounts on parallel systems for a short time. They will also require skills to identify variances in the information produced by the two parallel systems.



15. **Internal controls.** The Government of the RMI uses a Standard Operations Procedure Manual, which outlines the internal controls and procedures. However, compliance within agencies has often been poor. This risk should be mitigated by ensuring that the project accountant is aware of the Standard Operations Procedure Manual requirements and that compliance to the manual is included in the terms of reference of the position. To enhance the controls, all project purchase orders will be approved by the Secretary of Finance before release. An internal auditor has recently been hired within the MoF and may be able to provide additional oversight. This project includes an activity to engage a firm mainly as a capacity-building measure to strengthen the internal audit function and to address internal control and other issues identified during project implementation. The PIM will include a section budgeting, disbursement, and FM arrangements that will reference relevant government legislation, procedures, and the Standard Operations Procedure Manual and will outline in more detail FM arrangements specific to the project.

16. **Flow of funds.** Funds will flow from the World Bank directly into the existing Designated Account (DA) established for World Bank projects. Project expenditures will be tracked through the government accounting system and paid from the Treasury account. Before completing a replenishment withdrawal application, the equivalent funds expended from the Treasury account will be transferred from the DA into the Treasury account; hence, the DA will be replenished by that amount. Adequate documentation will be required to be maintained to ensure easy reconciliation of payments made from the Treasury account to payments authorized by the project. For larger project payments, the direct payment disbursement method can be chosen by the MoF and the withdrawal application enables funds to flow directly from the World Bank to the supplier. Where direct payments are used as the disbursement method, the transactions must be incorporated into the project accounts.

17. **Financial reporting.** Financial reporting will be fully integrated into the government accounting system. The project will be allocated a cost center, and subaccounts will be created to reflect the specific activities. Reports will initially be generated from the 4-Gov accounting system and will ultimately be generated by the new FMIS. The financial reports will include an analysis of actual expenditure for the current period, year to date and for the cumulative amount to date, and outstanding commitments, compared against total project budget. The project will be required to prepare half-yearly (semester) interim financial reports (IFRs) in a format agreed with the World Bank. The IFRs will be prepared by the project accountant in consultation with the MoF and will be required to be submitted not later than 45 days after the end of the reporting period. There remains a risk of limited financial information provided in the IFRs due to difficulties of staff extracting information from 4-Gov. This will be overcome during the life of the project, which will address reporting issues in the specifications for the new FMIS and provides training to MoF staff.

18. **Audit.** The audit of project funds will be incorporated in the National Accounts and hence will be disclosed as a note in the National Accounts, with submission due nine months after the end of the fiscal year. There is a risk that through an oversight, the project information is not included in a note to the accounts. To reduce the risk, each year the World Bank will formally write to the MoF advising them of the projects that need to be included in the disclosed World Bank Project Note. Currently, the audit of the National Accounts is subcontracted by the public auditor to a private contractor. The MoF, the public auditor, and the World Bank will agree on the information required to be disclosed. The National Accounts will be published on the OAG's website.



## Disbursements

19. The project will use four disbursement methods: (a) advance, (b) reimbursement, (c) direct payment, and (d) special commitment.

20. Project funds will be deposited into a segregated DA which is used for World Bank-financed projects implemented through government ministries. The current DIDA FM resources indicate there is capacity to track the funds for individual projects separately. The monthly reconciliation for the DA should include a breakdown of the balance by each project source. The documentation required for the replenishment of the advance will be the Statement of Expenditure. While supporting documentation will not be required to be sent, the project will be expected to retain documentation for audit and review by World Bank staff.

21. The finance manager will prepare all withdrawal applications along with accompanying documentation and submit to the Director, DIDA, and the MoF for checking, signing, and submitting to the World Bank.

22. The disbursement tables showing categories of expenditure and amounts eligible for financing are shown below, and are also to be found in the legal agreement. Note that if there is discrepancy, the version referred to in the Legal Agreement takes precedence over the tables shown below.

**Table 2.1. Financing Agreement Disbursement Categories and Amounts**

Category	Amount of the Financing Allocated		Percentage of Expenditures to be Financed (inclusive of Taxes)
	SDR	US\$	
(1) Goods, works, non-consulting services, consulting services, Training and Workshops, and Operating Costs for the Project	5,500,000	8,010,000	100%
(2) Refund of Preparation Advance	700,000	990,000	Amount payable pursuant to Section 2.07 of the General Conditions
<b>TOTAL AMOUNT</b>	<b>6,200,000</b>	<b>9,000,000</b>	

## Procurement

23. **Applicable procurement procedures.** For contracts financed in whole or in part by the IDA grant, procurement would be carried out in accordance with the World Bank's 'Procurement Regulations for IPF Borrowers: Procurement in Investment Project Financing' (Procurement Regulations) dated July 2016, and revised November 2017, and the provisions stipulated in the Financing Agreement. Under the proposed project, the World Bank's planning and tracking system, STEP, will be used to prepare, clear, and update Procurement Plans and conduct all procurement transactions for the project. Accordingly, all the





procurement activities under the proposed project will be entered into, tracked, and monitored online through the system.

24. **Procurement capacity and risk assessment.** Procurement Capacity and Risk Assessment for DIDA-MoF was conducted during various project preparation missions (September 2017 and January 2018). The procurement risk is assessed as High. DIDA has started implementing projects financed by the World Bank using the old Procurement and Consultants Guidelines only very recently. There is very limited experience in implementing procurement procedures following the new Procurement Regulations. DIDA has not done any procurement of major contracts similar to the nature and size as under this project. It also has inadequate staffing and capacity in procurement processing. These are contributing to the delays in the activities under the Project Preparation Advance for establishing the PIU in the MoF.

25. To mitigate these risks and strengthen the procurement capacity of DIDA, the following measures have been established and agreed to be implemented: (a) DIDA is in the final stages of recruiting a procurement specialist to provide technical assistance to World Bank projects, including the proposed project; (b) DIDA and PIU staff will be continuously provided with relevant procurement training and implementation support by the World Bank task team; (c) STEP system will be used to prepare, clear, and update Procurement Plans and conduct all procurement transactions for the proposed project and all the procurement activities under the proposed project will be entered into, tracked and monitored online through the system; and (d) a PIM with a Procurement Module will be prepared to guide the project in the procurement implementation.

26. **Procurement strategy.** Based on the project requirements, operational context, economic aspects, technical solutions and market analysis, a Project Procurement Strategy Document (PPSD) has been developed for the project. The PPCS identified the following major and critical types of activities: (a) contract for the supply and installation of a new FMIS, including related software licenses (approximately US\$2.17 million) and (b) several long-term and critical technical specialists to support the FMIS implementation (approximately US\$0.8 million). For the procurement of the FMIS, which will be a simple COTS software application with minimal customization, the strategy would be to approach the international market in an open competition. This approach will be revisited once the result of the SRS is known. Procurement of the various software licenses and goods will be combined under the FMIS supply and installation contract above. In the case of technical specialists, the international market will be approached through either open or limited competition.

27. The PPCS also indicates a number of potential risks that may affect the success of the procurement process including (a) limited staffing and capacity for procurement implementation, (b) substantial delays in the procurement process, and (c) lack of response from qualified vendors. A number of risk mitigation measures as well as allocation of risks to the party that is in best position to take the risks are also proposed including (a) strengthening DIDA procurement capacity by hiring procurement specialist/consultant and other critical specialists, continuous training of staff, implementation support from the World Bank's task team; (b) detailed planning of key steps including time bound Procurement Plan with clear assignment of responsibility, the use of STEP, and in accordance with the PIM; and (c) wider publication using mediums targeting specific vendors and direct invitation to known qualified vendors for open competition.

28. **Procurement Plan.** Based on the PPCS, the initial Procurement Plan for the first 18 months for





the project was prepared with DIDA and agreed by the World Bank at negotiation. For the FMIS supply and installation contract, Request for Bids (RFB) is the method to be used. For consulting services, Quality- and Cost-Based Selection (QCBS), Quality-Based Selection (QBS), Selection under a Fixed Budget (FBS), and Least-Cost Selection (LCS) with the most appropriate market approach will be used. The Procurement Plan will be updated at least annually by the PIU, with support from procurement specialist in DIDA, and agreed with the World Bank to (a) reflect project implementation updates, (b) accommodate changes that should be made, and (c) add new packages as needed for the project. All Procurement Plans, their updates, or modifications shall be subject to the World Bank's prior review and no-objection. Details for the procurement arrangements are provided in the PIM. The project Procurement Plan identifies the risk for each activity, and prior review of these activities is set based on the performance and risk rating. Contracts not subject to prior review will be subject to post review. The World Bank will carry out procurement post reviews annually with an initial sampling rate of 20 percent, which will be adjusted periodically during project implementation based on the performance of the project.

**Table 2.2. Procurement Plan for first 18 months**

Description	Procurement Category	Procurement Method	Estimated Amount (US\$, thousands)	Bank Financed %	Review Type	Planned Start Date (mm/dd/yy)
<b>Component 1: Strengthening the Public Financial Management Environment</b>						
SRS for FMIS	CS	CQS	300	100	Post	06/01/18
Procurement reform consultant	CS	INDV	150	100	Prior	10/01/18
<b>Component 2: Financial Management Information System</b>						
Network specialist	CS	INDV	400	100	Prior	02/01/19
FMIS specialist	CS	INDV	400	100	Prior	02/01/19
Supply and installation of FMIS	GO	RFB	2,170	100	Prior	01/02/19
<ul style="list-style-type: none"> <li>• Site preparation and renovation, furniture, and fixture</li> <li>• FMIS and related software licenses</li> <li>• Electronic Document Management System licenses</li> <li>• Servers, computers, and accessories</li> </ul>						
Networking (NTA)	NC	DIR	60	100	Post	07/01/19
Support to 4-Gov	NC	DIR	100	100	Post	09/01/18
<b>Component 3: Change Management and Human Resource Development</b>						
Communications strategy specialist	CS	INDV	50	100	Post	09/01/18
HRD specialist	CS	INDV	150	100	Post	09/01/18
<b>Component 4: Household Income and Expenditure Survey (HIES)</b>						
Technical assistance MOU with SPC	CS	DIR	85	100	Post	08/16/18
HIES assistant project coordinator	CS	INDV	26	100	Post	06/01/18



Description	Procurement Category	Procurement Method	Estimated Amount (US\$, thousands)	Bank Financed %	Review Type	Planned Start Date (mm/dd/yy)
HIES resident support officer	CS	INDV	175	100	Post	08/16/18
Tablets and battery packs	GO	RFQ	4.5	100	Post	07/01/18
Satellite phones	GO	RFQ	6	100	Post	07/01/18
<b>Component 5: Project Management</b>						
Project manager	CS	INDV	1,150	100	Prior	05/01/18
Procurement specialist	CS	INDV	460	100	Prior	04/01/18
Procurement officer	CS	INDV	60	100	Post	07/01/18
Finance manager	CS	INDV	170	100	Post	04/01/18
Finance officer	CS	INDV	90	100	Post	07/01/18
Communications specialist	CS	INDV	90	100	Post	09/01/18
M&E specialist	CS	INDV	150	100	Post	09/01/18
IT officer	CS	INDV	30	100	Post	09/01/18
Equipment	GO	RFQ	30	100	Post	05/15/18

Note: CS = Consulting services; NC = Non-consulting services; GO = Goods, CQS = Selection Based on the Consultants' Qualifications; INDV = Individual consultants; DIR = Direct Contracting; RFQ = Request for Quotations; RFB = Request for Bids.

### Environmental and Social (including safeguards)

29. Safeguards will be managed by the DIDA safeguards adviser who will be available full time and based in the DIDA team in Majuro. The recruitment process is under way and this person should be on board by June 2018.

### Monitoring and Evaluation

30. Progress toward the PDO will be monitored through reporting on the PDO-level and intermediate-level results indicators. A Results Framework with project-specific indicators and actionable monitoring arrangements has been developed jointly with the MoF, EPPSO, and other stakeholders. This will be used for monitoring of implementation progress and results of project implementation. Overall monitoring and coordination of project activities will be performed by the MoF as the implementing agency. The PIU under the Secretary of Finance will have overall responsibility for monitoring and evaluating the different components/activities in accordance with the indicators included in the Results Framework (Section VII). The PIU will gather data for monitoring and evaluation from the relevant units in the Government, including EPPSO for Component 4. No later than 45 days after each semester, the project will submit semester progress reports to the World Bank, covering all project activities, including procurement and financial summary reports. The project will also submit Annual Work Plan and Budget for the World Bank's no-objection.



31. The World Bank will monitor implementation progress during biannual implementation support missions (the first one to take place six months after effectiveness) which will provide a detailed analysis of implementation progress toward achieving the PDOs and include an evaluation of FM and a post review of procurement activities. During the missions, the World Bank will work with the MoF to obtain feedback on progress and consider any adjustments to ongoing activities.

32. No later than January 2021 (or such other date as agreed with the World Bank), the MoF will carry out a midterm review of the project and prepare and furnish to the World Bank a midterm report documenting progress achieved in the implementation of the project during the period preceding the date of such report, considering the monitoring and evaluation activities performed and setting out the measures recommended to ensure the continued efficient implementation of the project and the achievement of its objectives during the period following such date. It will also review with the World Bank the said midterm report, on or about the date one month after its submission, and thereafter take all measures required to ensure the continued efficient implementation of the project and the achievement of its objectives. At the end of the project, the World Bank will prepare an Implementation Completion and Results Report to evaluate the project and draw lessons. This report will include an assessment of the project by the Government.

### **Role of Partners**

33. Several resources are available to the MoF for supporting its PFM reform agenda. However, the Government is yet to establish a formal mechanism for coordination among the DPs. Currently, the MoF is reformulating the PFM Reform Roadmap, which can then serve to provide a framework for DP coordination.

34. Key partners supporting PFM reforms include the ADB, the World Bank, PFTAC, the EU, and the governments of Australia and the United States. Summary of support being provided by other DPs around PFM is as follows:

- (a) **The ADB** has been providing technical assistance to the RMI through long- and short-term consultants. An HR skills assessment for the MoF was completed in 2017 that provides a baseline for skill availability in the MoF. Another consultant has been assisting the MoF in addressing outstanding matters in the finalization of annual financial statements and audit. In September 2017, a three-year grant of US\$2 million has been approved for the RMI to support the prioritization and implementation of PFM Reform Roadmap and provide operational support to reforms for SOEs. An RCU is being established in the MoF. This will be staffed by three international consultants (a team leader and two FM specialists) and two national consultants (expertise in budget and HR). Two international experts for SOE reforms will also be engaged. The RCU will work in collaboration with other DP initiatives to support the Government in PFM reforms.
- (b) **IMF's PFTAC**, based in Fiji, is providing technical assistance and training in selected areas such as revenue forecasting, GDP calculation, statistics, and medium-term budgeting.
- (c) **The EU** has recently approved a regional program for support to PFM reforms which will largely be implemented through PFTAC. A regional workshop on preparation and



implementation of PFM reform roadmaps is planned in the latter half of 2018. Under EDF-11, the current budget support program for RMI, around €700,000 is available for 'support measures'. The MoF will prepare a proposal for use of these funds after reformulation of the PFM Reform Roadmap.

- (d) **U.S. Department of Interior Office of Insular Affairs** is the point of contact for the grant funding under Compact with the United States. Grants can be made available for specific investments and also for hiring long-term consultants. The OAG has benefitted from this mode of support.
- (e) **U.S. Graduate School**, under contract from the OIA, is annually allocating around 5 weeks of technical support for the RMI. It convenes a conference of finance executives from the U.S. territories twice a year. The content is driven by current and emerging issues in accounting and financial reporting. Drawdown of the technical support is on demand from the Government. The U.S. Graduate School is providing technical assistance on development of guidance for implementation of the current Procurement Code.
- (f) **Australia Department of Foreign Affairs and Trade (DFAT)**, the official aid agency of the Australian Government, funds an initiative called the Pacific Technical Assistance Mechanism (PACTAM). Under this initiative, highly skilled technical advisers are placed within the PICs, with the aim being to provide technical advice on the design and delivery of an effective development assistance program. PACTAM advisers have been provided to the PSS and the water utility in the RMI.
- (g) **Australian Volunteers International** provided a person with HR expertise to help develop an HR upgrade plan for the MoF. The work is not yet complete and another person is being mobilized.
- (h) **Overseas Development Institute** is providing a resident fellow to support the Government for implementation of PFM reforms.



### **ANNEX 3: IMPLEMENTATION SUPPORT PLAN**

**COUNTRY: Republic of Marshall Islands**  
**Project to Strengthen Budget Execution and Financial Reporting Systems**

#### **Strategy and Approach for Implementation Support**

1. The strategy for implementation support has been developed based on the nature of the project and its risk profile. The aim is to make implementation support to the client flexible and efficient.
2. The overall risk rating for this project is Substantial, primarily due to the limited technical capacity of the implementing agencies, limited experience in implementing World Bank projects, and the need to coordinate among various DPs supporting the implementation of the PFM Reform Roadmap. This is also a new engagement for the World Bank, both in the sector and in the country. Lack of prior engagement and the logistical challenges of travel to the country for face-to-face dialogue impact the frequency and cost of implementation support missions.
3. Given substantial risks identified on both institutional capacity and fiduciary aspects, the implementation support requirements are envisaged to be intensive, especially at the early stage of implementation, as well as at critical junctures, such as FMIS design, testing, or rollout. The World Bank team will also maintain active contact with other DPs supporting the PFM reform agenda, both at the project and the regional level to ensure synergy among activities and avoid duplication.
4. The Task Team Leader (TTL) will provide ongoing support by coordinating with the client and among World Bank staff who will provide implementation support on technical, fiduciary (FM and procurement), and safeguards aspects.
5. The World Bank will field supervision missions at least twice yearly, and in collaboration with government counterparts, monitor progress against the indicators in the Results Framework. The World Bank will flexibly conduct additional technical missions as required. The World Bank will also monitor risks and update the risk assessment and risk management measures as needed.
6. A midterm review will be conducted in January 2021 or such other date as agreed with the government, to take stock of performance under the project. Based on the assessment of progress at the mid-point of the project, recommendations for improvements/changes to the project will be considered by the Government and the World Bank.



## Implementation Support Plan and Resource Requirements

Time	Focus	Skills Needed
First 12 months	<ul style="list-style-type: none"> <li>• Inception</li> <li>• FMIS procurement</li> <li>• FMIS design and implementation plan</li> <li>• Change management strategy</li> <li>• Competency framework</li> <li>• HIES design and fieldwork</li> </ul>	<ul style="list-style-type: none"> <li>• TTL</li> <li>• FM</li> <li>• Procurement</li> <li>• Safeguards</li> <li>• Technical (FMIS, HR, survey/ statistics, and so on)</li> </ul>
12–48 months	<ul style="list-style-type: none"> <li>• FMIS implementation</li> <li>• Change management activities</li> <li>• Setting up training partnerships</li> <li>• HIES data analysis and dissemination</li> </ul>	<ul style="list-style-type: none"> <li>• TTLs</li> <li>• FM</li> <li>• Procurement</li> <li>• Safeguards</li> <li>• Technical (FMIS, HR, survey/ statistics, and so on)</li> </ul>

### Skills Mix Required

Skills Needed	Number of Staff Weeks	Number of Trips
TTL/s	16	3/year
FM	6	2/year
Procurement	6	2/year
Safeguards	2	1/year
Technical Specialists (FMIS, HR, and so on)	12	4/year



## MARCH 2005

