SEPTEMBER 29, 2025

PROJECT OPERATIONS MANUAL (POM)

STRENGTHENING PUBLIC FINANCIAL MANAGEMENT II

REPUBLIC OF MARSHALL ISLANDS
MINISTRY OF FINANCE, BANKING, AND POSTAL SERVICES
PO BOX D

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
AFS	Annual Financial Statements
CIT	FMIS Component Implementation Team
CIU	Central Implementation Unit
CMI	College of the Marshall Islands
COA	Chart of Accounts
COTS	Commercial Off the Shelf
CSO	Chief Secretary Office
DA	Designated Account
DIDA	Division of International Development Assistance
ESF	Environmental and Social Framework
ESCP	Environmental and Social Commitment Plan
ESHS	Environmental, Social, Health and Safety
ESS	Environmental and Social Standard
EU	European Union
EPPSO	Economic Policy Planning and Statistical Office
FM	Financial Management
FMIS	Financial Management Information System
GDP	Gross Domestic Product
GM	Grievance Mechanism
GoRMI	Government of the Republic of the Marshall Islands
HR	Human Resources
HRM	Human Resource Management
HRMIS	Human Resources Management Information System
IDA	International Development Association

IFR	Interim Financial Report
IFRS	International Financial Reporting Standards
INDV	Individual Consultant
IPF	Investment Project Financing
IRR	Implementing Rules and Regulations
JNAP	Joint National Action Plan
M&E	Monitoring and Evaluation
mngmt	management
MoE	Ministry of Education
MOFBPS	Ministry of Finance
MoHHS	Ministry of Health and Human Services
MPW	Ministry of Public Works
MTBF	Medium Term Budget Framework
NSC	National PFM Steering Committee
OAG	Office of the Auditor General
PAD	Project Appraisal Document
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PIC	Pacific Island Countries
PIFS	Pacific Islands Forum Secretariat
POM	Project Operations Manual
PIT	Project Implementation Team
PIU	Project Implementation Unit
PPA	Project Preparation Agreement
PPSD	Project Procurement Strategy for Development
PSC	Public Service Commission
PSS	Public School System
RCU	Reform Coordination Unit

RMI   Republic of the Marshall Islands

SIDS   Small Island Developing States

SISRI   Small Island States Initiative

SOE   State Owned Enterprise

SPC   The Secretariat of the Pacific Community

STEP   Systematic Tracking of Exchanges in Procurement

TA   Technical Assistance

TTL   Task Team Leader

UN   United Nations

USAID   United States Agency for International Development

USP   University of South Pacific

WB   World Bank

Contents

Executive Summary

The Public Financial Management Reform Project Phase II (PFM II) builds upon the foundational progress achieved under PFM I (2018-2025) to further enhance the efficiency, transparency, and institutional capacity of the Government of the Republic of the Marshall Islands (GoRMI) in managing public finances. Aligned with national development priorities and supported by the World Bank (WB), PFM II is designed to modernize systems, strengthen financial controls, build human resource capacity, and deepen citizen engagement in fiscal accountability.

The overarching goal of PFM II is to improve the timeliness, oversight, and transparency of budget execution and financial reporting by the Ministry of Finance, Banking and Postal Services (MOFBPS) across central government agencies, line ministries, state-owned enterprises (SOEs), and other component units (CUs). In doing so, the project aims to promote long-term fiscal sustainability, efficient resource allocation, and improved service delivery for the people of Republic of Marshall Islands (RMI).

PFM II is structured into four interdependent components.

Through a blend of institutional reform, digital transformation, and strategic capacity-building, PFM II is positioned to deliver lasting improvements to public sector performance in the Marshall Islands. The project reflects GoRMI's strong commitment to good governance, prudent financial management, and inclusive development outcomes.

Introduction

This Project Operations Manual (POM) outlines the implementation framework for PFM II in the Republic of the Marshall Islands (RMI). The project builds on key reforms from PFM I and is structured around four components: (1) Improving PFM practices in budget execution and financial reporting, (2) Increasing Modernization of PFM Systems, (3) Improved PFM Capacity, Transparency and Citizen Engagement, and (4) Project Management. The manual provides detailed descriptions of project scope, institutional arrangements, implementation planning, and monitoring and evaluation. PFM II supports the Government of RMI to improve financial transparency, enhance service delivery, and ensure long-term fiscal sustainability.

Background

The Republic of the Marshall Islands, a small Pacific Island nation, continues to face significant structural challenges in building a sustainable economy capable of supporting government functions and ensuring the effective delivery of essential services. These challenges are intensified by the inherent vulnerabilities of small island states, such as geographic isolation, limited natural resources, and the impacts of climate

change. In this context, the Government of RMI is navigating a complex socioeconomic and fiscal environment, necessitating targeted and strategic reforms to promote resilience and long-term stability.

In response, the Government has launched the second phase of the Public Financial Management Reform Project (PFM II), building upon the foundations established in the initial PFM I project. The first phase focused on the successful implementation of a Financial Management Information System (FMIS) and significant capacity development initiatives, laying the groundwork for improved financial oversight and operational efficiency. PFM II continues this trajectory by addressing critical gaps and advancing measures to strengthen institutional control, transparency, and accountability in public financial management.

The PFM II project is designed to enhance the Government's ability to effectively manage public resources, optimize service delivery, and ensure fiscal discipline. By targeting systemic inefficiencies and reinforcing governance structures, the initiative reflects the Government's ongoing commitment to improving financial stewardship and fostering trust among citizens and development partners.

Building on the progress achieved in the first phase, PFM II represents a crucial step forward in the Government's efforts to address structural and fiscal challenges, creating a solid foundation for sustainable economic development and an improved quality of life for the people of RMI.

The Project Development Objective (PDO) is to improve timeliness and transparency of budget execution and financial reporting by the MOFB

1.0 Project objectives, expected outcomes and beneficiaries.

1.1 Project Objectives

PFM II aims to strengthen the control, efficiency, and transparency of public financial management in the RMI. Building on the foundations and achievements of PFM I—including the introduction of the FMIS and enhanced institutional capacity—PFM II focuses on further optimizing financial systems, developing robust governance structures, and promoting accountability. The project is designed to improve resource management, support effective service delivery, and foster long-term fiscal sustainability for the Government of RMI.

1.2 Expected Outcomes

PFM II is designed to deliver significant improvements across several key areas of PFM, with a focus on enhancing timeliness, oversight and transparency in government operations. The project aims to achieve the following outcomes:

1. **Improved Oversight, Timeliness, and Transparency**

   PFM II will strengthen the oversight of financial management processes across government agencies, particularly in areas such as budget execution and financial reporting. By enhancing transparency, the project will ensure that financial operations are more visible to key stakeholders, including government staff, citizens, and development partners, improving accountability and trust in government financial practices.

2. **Enhanced Institutional Capacity**

   A core outcome of PFM II is the enhancement of institutional capacity. This includes equipping government staff with the skills and tools necessary to manage public finances effectively. Training programs and certification initiatives will ensure that staff are better prepared to handle complex financial management tasks, leading to more efficient and informed decision- making within government agencies.

3. **Strengthened Financial Management Systems**

   The project will continue to optimize the FMIS and further modernize financial systems to improve timeliness, oversight and transparency of financial data. Key areas of focus will include additional system configurations, further decentralization of processes and FMIS functions to line ministries, and automation of procurement processes.

4. **Increased Citizen Engagement**

   PFM II will also focus on improving citizen engagement by fostering public participation and increasing transparency in government financial operations. Through better access to information, citizens will be able to track government expenditure and contribute to discussions on fiscal policies. This outcome will also build public trust in government practices and improve overall governance.

5. **Stronger Governance and Accountability**

By addressing inefficiencies and reinforcing key governance structures, PFM II will promote a culture of accountability within the public sector. This includes fostering stakeholder trust, not only with citizens but also with development partners, ensuring that public funds are managed efficiently and used to meet the country's development goals.

6. **Sustainable and Resilient Financial Framework**

The project will contribute to the creation of a more sustainable financial framework for the RMI. By improving public financial management practices and systems, PFM II will help the government better allocate resources, enhance fiscal discipline, and support long-term fiscal sustainability.

7. **Improved Public Service Delivery**

The strengthened financial management systems and enhanced institutional capacity will enable the government to deliver services more effectively and efficiently. By optimizing resource management, the government can better meet the needs of the population and ensure the sustainability of public services.

Beneficiaries

The primary beneficiary of PFM II is the MOFBPS, which will receive direct support to strengthen its core public financial management (PFM) systems, processes, and institutional capacity. Line ministries, State-Owned Enterprises (SOEs), and other Component Units (CUs) will also benefit from project investments through improved back-office PFM processes, access to enhanced information technology systems, and capacity-building activities targeting civil servants engaged in financial management functions, regardless of their administrative unit.

While the project's activities are focused on internal government operations, the broader public will benefit indirectly through improved transparency and increased access to information on the use of public funds. Over time, these improvements are expected to contribute to more efficient allocation of resources, stronger service delivery outcomes, and increased public trust in the management of government finances.

2.0   Expected Objectives and Targets

This section outlines the key objectives of each project component and the overarching development outcomes that PFM II is expected to achieve. The objectives reflect the strategic intent of the project to address core public financial management challenges in RMI and to sustain the reform momentum initiated under PFM I. The targets provide measurable indicators of success across institutional capacity, system modernization, transparency, and long-term fiscal resilience. Together, these objectives and targets form the results framework against which project performance will be monitored and reported.

TABLE 1: Component Objectives

Component	Objectives

Component 1: Improving PFM Practices in Budget Execution and Financial Reporting	- Enhance accounting and financial reporting capacity. - Strengthen procurement capacity - Strengthen internal audit practices.
Component 2: Increasing Modernization of PFM Systems	- Continue rollout and support of the FMIS system (including licenses, cloud hosting, configuration, security, and hardware) - Implement procurement automation to improve efficiency and oversight.
Component 3: Improved PFM Capacity, Transparency and Citizen Engagement	- Enhance human resource capacity for public finance through formal training and certification programs. - Strengthen transparency, citizen engagement, and change management. - Strengthen the evidence-base to inform MOFBPS recruitment and retention strategies (through the HIES and Diaspora surveys).
Component 4: Project Management	- Ensure effective project coordination, monitoring, reporting, and stakeholder communication to support successful delivery of all project components.

TABLE 2: Project Development Expected Targets

Project Development Objectives	Target
Strengthen the control, efficiency, and transparency of public financial management.	- Improved quality and timeliness of budget execution and financial reporting across government agencies.
Enhance institutional capacity for financial management and accountability.	- Increased number of government staff trained and certified in financial management and procurement practices.
Increase transparency and citizen engagement in public finance.	- Publicly available, regular financial and performance reporting through the MOFBPS's official platforms.
Support long-term fiscal sustainability and resilience.	- Institutionalized FMIS use across all agencies; real-time reporting capabilities established; strengthened recruitment and retention strategies based on updated labor market data.

3.0 Governance Structure

This section outlines the high-level governance arrangements for PFM II, defining the functions, structures, and responsibilities that guide how the project will be managed and controlled. Governance, in this context, refers to the frameworks, processes, and roles that ensure clear decision-making, effective coordination, accountability, and alignment with project outcomes. Strong governance underpins the successful delivery of all project activities and ensures that resources are used efficiently and that responsibilities are clearly understood by all parties involved.

The governance structure for PFM II is designed to enable coordinated implementation across MOFBPS, line ministries, SOEs, CUs, and external partners. A Project Steering Committee (PStC) will be established within three months of the project's Effective Date. The PStC will provide high-level oversight of project progress, coordinate across institutions, review implementation performance, and ensure alignment with national PFM reform priorities. The PStC will play a critical role in facilitating inter-agency dialogue, resolving implementation
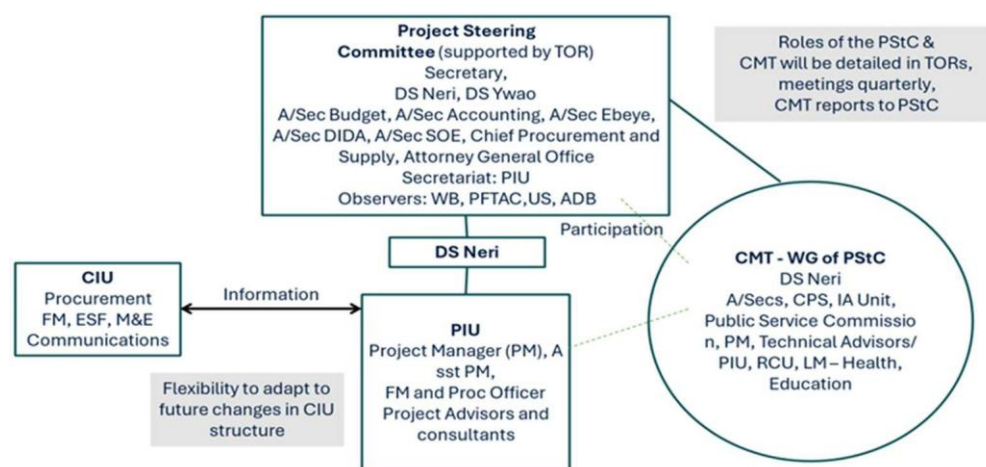
bottlenecks, and reviewing project results.

In addition, a Change Management Team (CMT) will be established and maintained throughout the project's duration. The CMT will serve as a Working Group supporting the coordination of reforms and change-related activities across ministries. It will contribute to strategic alignment, stakeholder engagement, and the smooth rollout of change management initiatives, including communication, training, and capacity-building activities under Component 3.

The Project Implementation Unit (PIU), housed within MOFBPS, will be responsible for day-to-day project management, procurement, financial management, and reporting. The PIU will coordinate closely with both the PStC and CMT to ensure information flow and alignment between technical, managerial, and strategic decision-making levels.

These structures are visually represented in the Project Implementation Arrangements diagram (Figure 1), which illustrates how the PStC, CMT, PIU, and implementing entities interconnect. This governance framework ensures that all stakeholders—across functional and institutional boundaries—understand their roles and responsibilities and can contribute effectively to achieving the project's objectives:

FIGURE 1 PFM II PROJECT GOVERNANCE STRUCTURE:

3.1 Project Steering Committee (PStC)

The PFM II Project Steering Committee (PStC) are the sponsors of the Project and provide investment decisions and top-level endorsement of the rationale and objectives for the Project. It is responsible for overall management, planning and performance review of the PFM II reform process. It will receive regular reports on work plans and performance from those responsible for implementation and will provide the focus for ensuring effective partnership in the reforms and efficient coordination and delivery of the planned outcomes. The PIU will provide Secretariat support to the PStC, and minutes will be retained and made available to the WB as requested. The other roles of the PStC will be captured in the TOR.

The committee will meet bimonthly to:
- Provide overall guidance in delivering PFM II reform objectives
- Monitor the implementation of the action plan against targets and defined indicators
- Ensure close cooperation between relevant institutions

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- Resolve any coordination issues arising between stakeholders and facilitate the policy dialogue with stakeholders
- Review and approves proposals for annual Action Plans
- Review progress reports from the Change Management Team (CMT)
- Advise on policy issues, problems and constraints raised by the CMT
- Review recommendations put forward by the CMT
- Monitor and direct necessary implementation actions to be taken by offices outside of the MOFPBS
- Ensure the reform work is clearly integrated into, and supportive of, any restructuring and reform Projects of government

3.2 PFM II Change Management Team

The PFM II Change Management Team (CMT) serves as a central body for managing, coordinating, and overseeing the implementation of the PFM II Project. Chaired by the MOFBPS Deputy Secretary of Finance, the group includes representatives from key institutions such as the MOFBPS, Ministry of Education (PSS/MoE), and Ministry of Health and Human Services (MoHHS), the Public Service Commission with support from the PIU and international advisors. The CMT will support MoF to make maximum use of the FMIS and other PFM II reforms to automate, streamline and decentralize manual processes and approvals.

Meeting bi-monthly (alternative months to the PStC), the CMT reviews reform progress, prepares annual action plans, and monitors project activities, including risk assessment and mitigation. Progress reports are submitted to the PStC on a bi-monthly basis. By fostering collaboration and providing a platform for accountability and transparency, the PFM II CMT ensures effective implementation of project priorities and supports sustainable financial management reforms. The team is tasked with ensuring support to the change management activities as change agents.

3.3 Project Implementation Unit (PIU)

The Project Implementation Unit reports to the Secretary of Finance and project focal point Deputy Secretary and is responsible for the overall project implementation, integrity and coherence of the project and develops and maintains the project environment to deliver the Project Development Outcomes.

The PIU role includes:
- Ensuring that the interests of the sponsoring group are met by the Project.
- Quality assurance and overall integrity of the Project
- Managing risks to the Project's successful outcome
- Monitoring and reporting progress of the Project at regular intervals to the PStC and CMT
- Establishing and implementing the mechanisms by which benefits can be delivered and measured.
- Identifying, defining and tracking the benefits and outcomes required of the Project.

The functions of the PIU are to provide day-to-day project planning and implementation support; provide Secretariat support to operationalizing and running the PFM II Steering Committee and the Change Management Working Group; procure and supervise technical consultants; and monitor and evaluate project progress, including reporting., with support from DIDA/CIU which provides shared 13

services (finance, procurement, and safeguards).

4.0 Project Implementation

4.1 Approach

To monitor and report on benefits, the following framework with four perspectives will be adopted. The framework will help to align business activities to the vision and strategy of the project, improve internal and external communications, and monitor performance against strategic goals.

The four perspectives are:

- **Financial**: This refers to financial outcomes, in particular savings achieved by the Project. Financial measures cover both direct savings in project outcomes compared   with budget, as well as indirect savings due to efficiency improvements.

- **Client**: The main client is the Government and effective partnerships between oversight and spending agencies is essential to achieving the reform Project goals.

- **Business Processes**: This refers to internal financial business processes across spending agencies as well as requirements for provision of information used by the oversight agencies for decision making.

- **Learning and Growth**: This includes the organizational culture in the agencies, employee attitudes related to both individual and organizational self-improvement, as   well as measures to support communication, technological tools, skills development, and overall job satisfaction.

FIGURE 2 MONITORING FRAMEWORK:

FINANCIAL	CLIENT
Includes financial measures and covers both direct and indirect savings from better planning, delivery and management finances for Government. Measures will also include the implementation cost of the Reform Project and the net benefit.	Gathers the view of stakeholders, particularly government agencies in terms of how well their needs have been met and the value of services provided in meeting whole-of-government outcomes.
BUSINESS PROCESSES	LEARNING AND GROWTH
Includes measures that focus on those processes that the Government must excel at in order to maximize value for whole-of-government. Measures address the effectiveness in delivering financial management both within spending agencies and to the oversight agencies	Gathers the views of spending agency staff in relation to support, knowledge, information systems, developmental opportunities and job satisfaction.

4.2 Necessary Prerequisite and Supporting Tasks (critical path)

The following tasks are essential to achieving the objectives of PFM II. The critical path begins with project mobilization and planning, including the finalization of the implementation plan, establishment of the PIU, and procurement of key technical support and systems. These foundational activities must be completed early, as delays will impact on the overall implementation timeline.
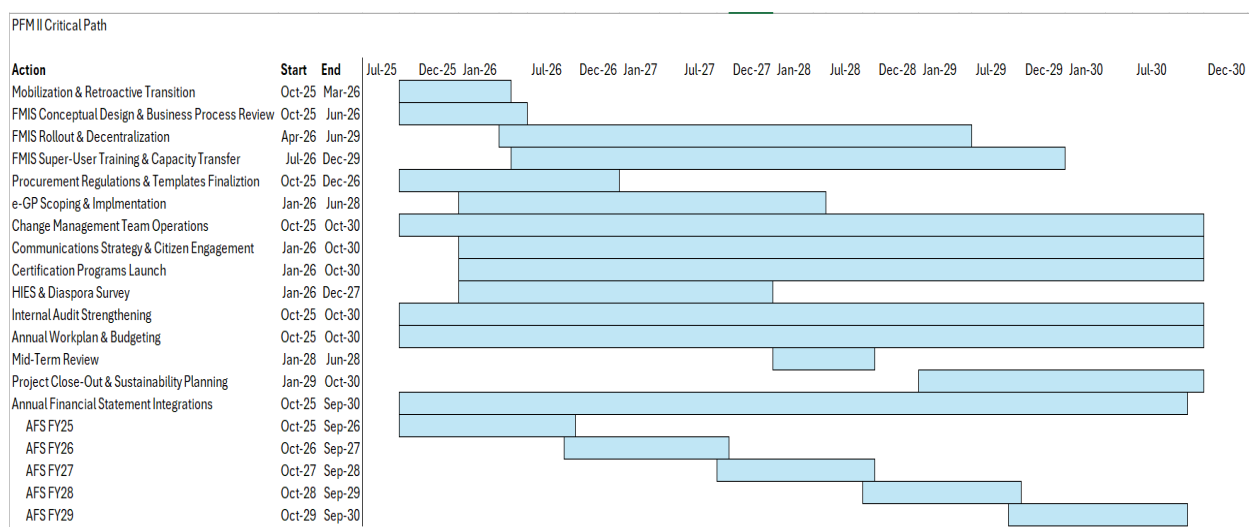
To ensure a smooth transition from PFM I and avoid disruptions to reform momentum, the existing PFM I team will be retained during the early phase of PFM II. This will help preserve institutional knowledge, reduce onboarding time, and prevent recruitment delays. It will also minimize disruption to MOFBPS operations and support continuity in delivery. Retroactive financing is being used to bridge the gap between PFM I and II to achieve this. The Retroactive period will focus primarily on planning and preparations such as recruitment of the wider team to prevent delays in recruitment.

A key activity on the critical path is the continued rollout and configuration of FMIS. This includes decentralization to line ministries, system customization for US GASB-compliant reporting, training of 'super users' (agency-level FMIS champions), and integration of SOE and CU financial reporting information. The FMIS underpins improvements in budget execution, reporting, and transparency.

Institutional capacity building must occur in parallel to support effective FMIS use and reform sustainability. Activities include completing a training needs assessment, coordination of certification programs in accounting, procurement, and IA, and development of an accreditation framework. Training efforts are aligned to reinforce on-the-job learning and technical assistance support.

Procurement reform activities, including data collection and digital automation are also critical path activities. This includes the development and rollout of procurement regulations under the Procurement Code Act that was revised under PFM I, training of procurement staff, and implementation of an e-tendering system. These reforms aim to improve compliance, efficiency, and transparency using the GoRMI bidding processes

The HIES and Diaspora Survey must commence early, as they will inform MOFBPS's recruitment and retention strategy and broader HR planning under Component 3. EPPSO will lead this activity. IA reforms must advance in coordination with FMIS and procurement. Continued technical advice will support delivery of risk-based audits, strengthen policy compliance, and improve internal controls.

FIGURE 3 CRITICAL PATH:

PFM II Critical Path

Action	Start	End
Mobilization & Retroactive Transition	Oct-25	Mar-26
FMIS Conceptual Design & Business Process Review	Oct-25	Jun-26
FMIS Rollout & Decentralization	Apr-26	Jun-29
FMIS Super-User Training & Capacity Transfer	Jul-26	Dec-29
Procurement Regulations & Templates Finaliztion	Oct-25	Dec-26
e-GP Scoping & Implmentation	Jan-26	Jun-28
Change Management Team Operations	Oct-25	Oct-30
Communications Strategy & Citizen Engagement	Jan-26	Oct-30
Certification Programs Launch	Jan-26	Oct-30
HIES & Diaspora Survey	Jan-26	Dec-27
Internal Audit Strengthening	Oct-25	Oct-30
Annual Workplan & Budgeting	Oct-25	Oct-30
Mid-Term Review	Jan-28	Jun-28
Project Close-Out & Sustainability Planning	Jan-29	Oct-30
Annual Financial Statement Integrations	Oct-25	Sep-30
AFS FY25	Oct-25	Sep-26
AFS FY26	Oct-26	Sep-27
AFS FY27	Oct-27	Sep-28
AFS FY28	Oct-28	Sep-29
AFS FY29	Oct-29	Sep-30

TABLE 3: NECESSARY PREREQUISITE AND SUPPORTING TASKS

Activity	Description	Key Considerations	Dependencies
Implement Capacity Building and Communication Strategy	Develop and implement a gender-informed communication strategy to enhance transparency, increase public awareness of PFM II reforms, and support organizational culture change.	- Must address internal and external stakeholders - Involves publication of fiscal and procurement documents - Includes gender-sensitive change management and citizen engagement activities	Linked to Sub-component 3.2; supported by Communications Specialist and coordinated with change team
Organizational Change Management	Establish and maintain a Change Management Team (CMT) to coordinate reforms and facilitate uptake of new processes, systems, and behaviors across MOFBPS and line ministries.	• CMT will guide change management and stakeholder coordination • Activities include gender awareness, change team operations, and reform communication	Aligned with Component 3; dependent on implementation of transparency and training activities
Activity	**Description**	**Key Considerations**	**Dependencies**
		- Supports cultural and behavioral change	
Complete FMIS Conceptual Design	Conduct an updated business process review and define technical and functional FMIS configuration requirements, including digitization needs and GASB-aligned reporting outputs.	• Informed by US Grad School review and IT audit • Must support decentralization to line ministries and integration of SOE/CU data- Includes development of updated manuals	Required under Sub-component 2.1; informs FMIS rollout, system configuration, and super-user training

4.3   Monitoring and Evaluation

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 WB Task team, MOFBPS, 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 MOFBPS as the implementing agency. The PIU under the Deputy 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 (Project Appraisal Document). The PIU will gather data for monitoring and evaluation from the relevant units in the Government, including EPPSO for Component 3. No later than 45 days after each semester, the PIU will submit semester progress reports to the WB, covering all project activities, including procurement and financial summary reports. The project will also submit the Annual Work Plan and Budget for the WB's no-objection.

5.0 Components and Implementation Approach

PFM II is structured around four interrelated components, each designed to build on reforms initiated under PFM I while addressing outstanding challenges in financial management, institutional capacity, and system modernization. The overall aim is to strengthen public financial systems, promote transparency, and support sustainable service delivery in RMI.

5.1 Component 1: I m p r o v i n g PFM Practices in Budget Execution and Financial Reporting (US$4.83 million)

This component supports the implementation of the Public Financial Management Act 2023 and aims to improve the accuracy, transparency, and effectiveness of public financial management practices.

5.1.1 Sub-component 1.1: Enhanced Accounting and Financial Reporting Capacity

This sub-component strengthens the ability of MOFBPS, SOEs, and CUs to produce AFS that are compliant with US GASB standards. Activities include:

- o Technical advisory support for in-year recording, year-end procedures, and AFS preparation
- o Development of reporting procedures, templates, and user guides
- o Customization of FMIS reports to align with policy requirements
- o Support to enhance in-year budget analysis and reporting capabilities
- o International technical advisors will work alongside MOFBPS staff and local consultants, focusing on mentoring, developing training materials, and building a cadre of certified trainers. TA inputs will be phased down over time to ensure ownership by national staff.

5.1.2 Sub-component 1.2: Improved Procurement Capacity

This sub-component supports the implementation of the Procurement Code Act 2023 and related regulations (due in June 2025). Activities include:

- o Development of procurement templates, regulations, and contract management tools
- o Training for procurement officers across line ministries and SOEs
- o Support to the RMI Bid Committee, PSC, and ministerial procurement teams
- o Knowledge transfer and ToT to institutionalize procurement capability

Procurement reform is closely aligned with FMIS development and certification activities under Component 3.

5.1.3   Sub-component 1.3: Improved Internal Audit (IA)

Activities under this sub-component will continue to support the IA Unit established under PFM I. Key actions include:

- o   Review and clarification of IA roles, scope, and governance mechanisms
- o   Mentoring of IA personnel and support to Audit Resolution Committees
- o   Coordination with Component 3 to ensure audit-related training and integration with broader HR reforms
- o   Delivery of risk-based internal audits aligned with the IA manual

5.2 Component 2: Increasing Modernization of PFM Systems (US$5.25 million)

FMIS remains a central pillar of PFM II. This component focuses on expanding the reach, reliability, and utility of digital financial systems across government.

5.2.1   Sub-component 2.1: Continued FMIS rollout, user licenses, support, cloud hosting, configuration, security and hardware

PFM II will support the full rollout and configuration of FMIS across all central and line agencies. Activities include decentralization of FMIS functions which will reduce bottlenecks and empower line ministries to manage budget execution independently, aligned with national reporting standards. Other key actions include:

- o   Updated business process reviews and development of digitized manuals
- o   Decentralization of FMIS functions to line ministries
- o   Customization and configuration of system modules to meet national requirements
- o   Integration of SOE and CU financial information to enable consolidated GASB reporting
- o   Establishment of trained "'super users' (agency-level FMIS champions)" and in-house trainers, supported by the system provider (Bisan) and internal mentors
- o   Expansion of cloud hosting, cybersecurity, and hardware infrastructure
- o   Development of a local disaster recovery solution to ensure operational continuity

A dedicated FMIS Project Implementation Team (PIT), operating under the PFM CMT Working Group and PIU, will provide hands-on technical implementation support. This team will guide configuration, oversee system deployment, and support capacity development to ensure long-term sustainability.

5.2.2   Sub-component 2.2: Procurement Automation

This sub-component will digitize procurement workflows through:

- o   An E-GP scoping assessment to inform system requirements
- o   Implementation of an online tendering platform
- o   Automation of procurement statistics and reporting, fully integrated with FMIS These tools will help reduce manual processes, promote compliance with the Procurement Code, and enable real-time oversight of procurement activities.
- o

5.3 Component 3: Improved PFM Capacity, Transparency, and Citizen Engagement (US$3.17 million)

This component aims to build institutional capacity, improve communication and transparency, and support stakeholder engagement in PFM reforms.

5.3.1 Sub-component 3.1: Enhanced Human Resource Capacity for Public Finance
Activities include:

- o Updating the gender-informed competency framework
- o Introducing professional certification programs in governmental accounting (US GASB), procurement, and internal audit
- o Establishing accreditation standards and certification requirements for PFM roles
- o Supporting gender-sensitive recruitment practices in collaboration with the PSC

A whole-of-government integrated training program will be developed and implemented. This initiative will target oversight bodies, implementing agencies, CSOs, legislators, and other key stakeholders to strengthen their understanding and contribution to PFM reform. Technical specialists will be engaged full-time in the early project years and transitioned to part-time roles for knowledge transfer and sustainability.

5.3.2 Sub-component 3.2: Improved Transparency, Citizen Engagement, and Change Management
The change management framework under PFM II is built on three pillars:

- **Information dissemination and awareness** – through the development of a PFM Communications Strategy and tailored consultation plans for individual reform initiatives such as FMIS
- **Human resource development** – via formal and informal training

- **Change management and behavioral change** – coordinated by a dedicated Change Management Team (CMT) established for the life of the project

The Communications Strategy aims to:

- o Raise awareness of the PFM II reform's goals and benefits
- o Mobilize public servants and stakeholders around key reform areas
- o Promote open dialogue and continuous engagement
- o Support knowledge-sharing and capacity-building
- o Enhance public advocacy and visibility of reform achievements

A Communications Specialist will support the implementation of the strategy. Consultation plans for major reforms will identify key stakeholders, communication channels, and timelines for engagement. Expected results include broader reform of ownership, improved public trust, and more effective dissemination of reform progress.

5.3.3 Sub-component 3.3: Enhanced evidence-base to inform MOFBPS's recruitment and retention strategies

EPPSO will lead the implementation of a new HIES and Diaspora Survey. These activities will generate critical data on labor markets, household welfare, and overseas Marshallese

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talent. A dedicated HIES Manager from EPPSO's Statistics and Analysis Unit will coordinate the surveys, supported by a Resident Support Officer and Assistant Project Coordinator. Findings will directly inform MOFBPS's workforce planning and retention strategy.

Findings from the HIES and Diaspora Survey will inform targeted recruitment and retention strategies by MOFBPS, focusing on attracting qualified overseas Marshallese professionals into critical public finance roles.

This component provides dedicated support for effective project coordination, implementation, and fiduciary compliance.

5.4   Component 4: Project Management

A PIU, housed within MOFBPS and led by the PFM II Project Manager, will manage daily operations, FM, procurement, M&E, and stakeholder communications. The team will include an Assistant Project Manager and a Finance and Procurement Officer. The PFM II Project Manager will work closely with the CIU in DIDA, which provides shared support services across all WB-financed projects.

The CIU, led by a CIU Project Manager, includes technical specialists who will support the PIU in FM, procurement, safeguards, communications, and M&E. The PFM II Project Manager will meet regularly with CIU leads to:

- Review and update the project work plan, budget, and procurement pipeline
- Identify and resolve implementation bottlenecks
- Ensure adequate resourcing for project activities
- Share operational lessons and coordinate improvements

The PIU will also coordinate with EPPSO for Sub-component 3.3 and oversee the integration of international technical specialists during the initial project years. These experts, including the PFM Project Manager, HIES Resident Support Officer, and others, will be engaged full- time at the outset and phased down over time. The goal is to ensure effective knowledge transfer and build long-term capacity within MOFBPS and partner institutions.

TABLE 4 PFM II OVERALL RESULTS INDICATORS

Indicator
PDO Level Indicators
PDO 1 – Consolidated annual financial statements by MOFBPS (Text)   PDO 1.1 – Of which, number of months to complete (Months)

PDO 2 – Number of key fiscal and procurement documents made publicly available by MOFBPS. (Number)
      PDO 2.1 – Of which, number of key fiscal documents published within timeframes specified in PI-9.1 of the PEFA framework (Text)
      PDO 2.2 – Of which, number of key procurement documents published within timeframes specified in PI-24.3 of the PEFA framework (Number).

Intermediate Results Indicators
IR 1 – Time between tender issuance and contract signing (Days)
IR 2 – Improved standards and procedures in internal audit (Text)
IR 3 – Increase in digitally enabled public procurement activity (Percentage)
IR 4 – Certified super users trained and retained (Number)
IR 5 – Increased use of FMIS in for budget preparation and execution (Text)
IR 6 – Decrease in payment processing times (Days)
IR 7 – Number of individuals accredited in PFM specializations and in technical/managerial positions in MOFBPS (number)
IR 8 – Increased engagement with citizens on public finances (Number)
IR 9 – Evidence base established to inform MOFBPS recruitment strategy (Text)
IR 10 – Oversight of the project established and maintained by MOFBPS (Text)

TABLE 5 ANNUAL PROGRESS INDICATORS

Baseline	Period 1	Period 2	Period 3	Period 4	Closing Period
Improved timeliness and transparency of financial reporting					
PDO-1: Consolidated annual financial statements prepared by MOFBPS (Text)					
Mar/2025	Sep/2026	Sep/2027	Sep/2028	Sep/2029	Sep/2030
Preparation of annual financial statements (AFS) for GoRMI and Component Units outsourced	Year 1: No target	Year 2: Primary government AFS with disclosures prepared by MOFBPS in accordance with US GASB	Year 3: Primary government AFS with disclosures prepared by MOFBPS and entity level AFS with disclosures prepared by Component Units in accordance with US GASB	Year 4: Consolidated AFS with disclosures prepared by MOFBPS in accordance with US GASB covering governmental activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information	Consolidated AFS with disclosures prepared by MOFBPS in accordance with US GASB covering governmental activities, aggregate discretely presented component units, each major fund, aggregate remaining fund information, required supplementary information and other supplementary information.
➤PDO-1.1 Of which, number of months to complete (Months)					
Mar/2025	Sep/2026	Sep/2027	Sep/2028	Sep/2029	Sep/2030
0	Year 1: 0	Year 2: 9	Year 3: 9	Year 4: 6	6
Improved timeliness and transparency of budget execution					
PDO-2: Number of key fiscal and procurement documents made publicly available by MOFBPS. (Number)					
Mar/2025	Sep/2026	Sep/2027	Sep/2028	Sep/2029	Sep/2030
4	Year 1: 5	Year 2: 7	Year 3: 9	Year 4: 10	11
➤PDO-2.1 Of which, number of key fiscal documents published within timeframes specified in PI-9.1 of the PEFA framework. (Text)					
Mar/2025	Sep/2026	Sep/2027	Sep/2028	Sep/2029	Sep/2030
➤PDO-2.2 Of which, number of key procurement documents published within timelines specified by PI 24.3 of the PEFA framework. (Number)					
Mar/2025	Sep/2026	Sep/2027	Sep/2028	Sep/2029	Sep/2030
2	Year 1: 2	Year 2: 3	Year 3: 4	Year 4: 4	5

Baseline	Period 1	Period 2	Period 3	Period 4	Closing Period
1. Improving PFM practices in Budget Execution and Financial Reporting					
IR -1: Time between tender issuance and contract signing (Days)					
Mar/2025	Sep/2026	Sep/2028	Sep/2029	Sep/2030	
99	Year 1: 99	Year 2: 80	Year 3: 65	Year 4: 50	40
IR-2: Improved standards and procedures in internal audit (Text)					
Mar/2025	Sep/2026	Sep/2027	Sep/2028	Sep/2029	Sep/2030
Two risk-based audits have been conducted.	Year 1: Internal audit activities are focused on evaluations of the adequacy and effectiveness of internal controls	Year 2: An internal quality assurance process is in place within the Internal Audit function and audits comply with professional standards, including focus on high-risk areas.	Year 3: Annual audit program exists and majority (at least 50 percent) of programmed audits are completed, as evidenced by the distribution of audit reports to the appropriate parties	Year 4: Management provides a response to most (at least 75 percent) audit recommendations within 12 months of the report being produced.	Most audits (at least 75 percent) in the annual audit program are completed, as evidenced by the distribution of audit reports to the appropriate parties.
2. Increasing Modernization of PFM systems					
IR-3: Increase in digitally enabled public procurement activity. (Percentage)					
Mar/2025	Sep/2026	Sep/2027	Sep/2028	Sep/2029	Sep/2030
0	Year 1: 0	Year 2: 30	Year 3: 35	Year 4: 35	40
IR-4: Certified super users trained and retained (Number)					
Mar/2025	Sep/2026	Sep/2027	Sep/2028	Sep/2029	Sep/2030
0 Super users certified on FMIS and retained	Year 1: Identification of 20 individuals to certify on FMIS and assessment program established	Year 2: 20 super users certified on FMIS	Year 3: 20 super users certified on FMIS are retained	Year 4: 20 super users certified on FMIS are retained	20 super users certified on FMIS and retained
➤Of which, female (Percentage)					
Mar/2025					Sep/2030
0%					40%
➤FMIS training programs delivered by super users (Number)					
Mar/2025	Sep/2026	Sep/2027	Sep/2028	Sep/2029	Sep/2030
0	Year 1: 0	Year 2: 0	Year 3: 4	Year 4: 8	12
IR-5: Increased use of FMIS for budget preparation and execution (Text)					
Mar/2025	Sep/2026	Sep/2027	Sep/2028	Sep/2029	Sep/2030
FMIS rolled out to MOFBPS with limited functionality to line ministries.	Year 1: For at least five line ministries: Budget Preparation Module used for submission of annual budget proposal; FMIS digital document storage and disaster recovery used.	Year 2: All ministries: Budget Preparation Module used for submission of annual budget proposal; FMIS digital document storage and disaster recovery used.	Year 3: Payment Release Voucher module of FMIS decentralized to all line ministries	Year 4: One Application Programming Interface (API) established between the FMIS and another system	FMIS functionality used by all line ministries for budget preparation, payments, digital document storage and disaster recovery.
IR-6: Decrease in payment processing times (Days)					
Mar/2025	Sep/2026	Sep/2027	Sep/2028	Sep/2029	Sep/2030
30	Year 1: 27	Year 2: 24	Year 3: 22	Year 4: 20	20
3. Improving PFM Capacity, Transparency and Citizen Engagement					
IR-7 Number of individuals accredited in PFM specializations and in technical/managerial positions in MOFBPS (Number)					
Mar/2025	Sep/2026	Sep/2027	Sep/2028	Sep/2029	Sep/2030
0 accredited staff	Year 1: Gender-informed training needs assessment updated; competency framework and training strategy established; MOFBPS accreditation body and professional certification requirements established.	Year 2: 10 MOFBPS staff enrolled in professional accredited programs in targeted PFM disciplines	Year 3: National accreditation body established, 10 additional MOFBPS staff enrolled in professional accreditation programs in targeted PFM disciplines	Year 4: 10 MOFBPS staff holding professional accreditations in targeted disciplines	20 MOFBPS staff holding accreditations in PFM disciplines
➤Of which, female and in technical or managerial positions (Percentage)					
Mar/2025					Sep/2030
0%					40%
IR-8: Increased engagement with citizens on public finances (Number)					

Mar/2025	Sep/2026	Sep/2027	Sep/2028	Sep/2029	Sep/2030
0 reports published by MOFBPS summarizing citizen engagement activities and actions taken in response to feedback received.	Year 1: Strategy for citizen engagement developed	Year 2: Conduct at least one citizen engagement activity and publish annual report on website summarizing feedback from citizens and responses/actions taken by MOFBPS	Year 3: Conduct at least one additional citizen engagement activity and publish annual report on website summarizing feedback from citizens and responses/actions taken by MOFBPS	Year 4: Conduct at least one additional citizen engagement activity and publish annual report on website summarizing feedback from citizens and responses/actions taken by MOFBPS	At least four citizen engagement activities and four annual reports published on website summarizing feedback from citizens and responses/actions taken by MOFBPS.
IR-9: Evidence base established to inform MOFBPS recruitment strategy (Text)					
Mar/2025	Sep/2026	Sep/2027	Sep/2028	Sep/2029	Sep/2030
Limited evidence base available to MOFBPS to inform recruitment strategy	Year 1: Preparatory work completed for Diaspora Survey and HIES	Year 2: Data collection for Diaspora Survey and HIES commenced	Year 3: Complete data collection for HIES	Year 4: Gender-informed recruitment strategy developed	Adoption of evidence-based recruitment strategy by MOFBPS
4. Project Management					
IR-10: Oversight of the project established and maintained by MOFBPS. (Text)					
Mar/2025	Sep/2026	Sep/2027	Sep/2028	Sep/2029	Sep/2030
Project Steering Committee and Change Management team not established.	Year 1: PStC meets quarterly, provides strategic guidance to project activities and reviews and approves project budget, plans and reports as needed; CMT meets monthly.	Year 2: PStC meets quarterly, provides strategic guidance to project activities and reviews and approves project budget, plans and reports as needed; CMT meets monthly	Year 3: PStC meets quarterly, provides strategic guidance to project activities and reviews and approves project budget, plans and reports as needed; CMT meets quarterly	Year 4: PStC meets quarterly, provides strategic guidance to project activities and reviews and approves project budget, plans and reports as needed; CMT meets quarterly	PStC meets quarterly, provides strategic guidance to project activities and reviews and approves project budget, plans and reports as needed; CMT meets monthly

6.0 Anticipated Technical Specialist Requirements

The implementation of PFM II requires a combination of international technical assistance (TA) and national staffing to ensure timely delivery, institutional capacity building, and the long-term sustainability of reforms. Table 4 below outlines the anticipated specialist requirements across all four components of the project. This includes technical experts in procurement, financial reporting, FMIS, human resource development, change management, and communications. For each position, the type of engagement, duration, and planned start date are specified to support effective recruitment and mobilization planning.

A key feature of the implementation strategy is the deployment of national counterparts alongside international consultants. International advisors will be engaged full-time during the first two years of the project to provide technical guidance and lead initial reform implementation. This will be followed by a structured transition phase in which national staff—engaged on a full-time basis for the full five-year duration—gradually assume increasing responsibility and institutional leadership. This arrangement is designed to facilitate practical, on-the-job learning and knowledge transfer, ensuring that technical expertise is embedded within MOFBPS, and sustained beyond the life of the project.

To ensure continuity, and minimize startup delays, the majority of the PFM I project team, including key international specialists, will transition into PFM II. This will help preserve institutional memory, retain reform momentum, and reduce the time and resource costs associated with onboarding new personnel. The alignment of roles and continuation of existing capacities will provide stability in project delivery and seamless handover between project phases.

To further support a timely and efficient launch, PFM II will make use of retroactive financing for the core team of consultants beginning in July 2025. This early deployment is critical to maintaining operational readiness, finalizing procurement and mobilization plans, and ensuring early progress on foundational activities such as FMIS configuration, regulatory reform, and coordination with key

stakeholders.

7.0 High Level Timeline

7.1   Year 1: Mobilization and Foundation

In Year 1, PFM II established the critical foundation for reform. The PIU is mobilized under MOFBPS (Comp 4), with continuity ensured by retaining most of the PFM I team. The CIU begins providing advisory support in FM, procurement, comms, safeguards, and M&E. Early procurement of core consultants and systems ensures readiness.

Key activities include the decentralization and configuration of FMIS across additional agencies, supported by the FMIS PIT (Comp 2.1). A super user network has been established and initial FMIS training commences. Procurement reform is launched through the rollout of regulations under the Procurement Code Act 2023 (Comp 1.2), development of standard templates, and design of an e-tendering platform (Comp 2.2).

Change management structures are established early. The CMT is convened and a gender- informed comms strategy is launched (Comp 3.2). Capacity building also begins with an HRD needs assessment and update of the gender-informed competency framework (Comp 3.1). EPPSO initiates the HIES and Diaspora Survey (Comp 3.3), while IA reforms begin with technical assistance, mentoring, and use of the updated IA manual (Comp 1.3).

7.2   Year 2: Reform Acceleration and Capacity Development

Year 2 sees intensified implementation. FMIS rollout is completed across central and line agencies, and support shifts to internal MOFBPS Accounting, Budget and other functional units, with IT staff continuing to manage connectivity and user acess (Comp 2.1). Procurement staff undergo formal training and certification programs are delivered in GASB accounting, IA, and procurement (Comp 3.1). The e-procurement system is piloted and brought online for select ministries (Comp 2.2), supported by updated reporting and analytics tools. Entity level annual financial statements with disclosures for primary government are prepared in accordance with US GASB within six months of end of financial year (Comp 1.1).

The IA unit conducts risk-based audits under technical supervision (Comp 1.3), while EPPSO completes data collection and begins analyzing the HIES and Diaspora Survey (Comp 3.3). MOFBPS begins using preliminary results to inform a new recruitment and retention strategy. CM and transparency efforts continue, including regular comms, citizen engagement activities, and proactive publication of fiscal documents (Comp 3.2).

International TA begins a phased transition, shifting from direct delivery to on-the-job mentoring of national staff. This ensures sustainability through full-time national roles.

7.3   Year 3: Consolidation and Handover

Year 3 focuses on consolidation, knowledge transfer, and sustainability. FMIS responsibilities are formally handed over to PIU National staff, with International TA support scaled down. Procurement and IA functions are institutionalized, with certified national staff leading processes and reporting mechanisms (Comp 1.2, 1.3). Entity level annual financial statements with disclosures are prepared by MoFBPS for primary government and some component units within six months of end of financial year (Comp 1.1).

MOFBPS finalizes its recruitment strategy based on EPPSO's HIES and Diaspora data (Comp 3.3), and formal HR reforms are implemented. CM and public engagement practices continue under national ownership, with regular PFM reporting becoming institutionalized (Comp 3.2).

International TA roles conclude, and the PIU shifts to final M&E activities and coordination of a project closure review (Comp 4). By project end, national teams manage FMIS, procurement, and IA functions independently, with reforms integrated into GoRMI's governance systems. This phased, locally owned transition ensures sustainability of PFM improvements beyond the life of the project.

Figure 4 PFM II Timeline:

PFM II High Level Timeline

	Start	End
Component 1		
1.1 Enhanced Financial Accounting & Financial Reporting	Oct-25	Sep-30
1.1a AFS FY25	Oct-25	Sep-26
1.1a AFS FY26	Oct-26	Sep-27
1.1a AFS FY27	Oct-27	Oct-28
1.1a AFS FY28	Oct-28	Sep-29
1.1a AFS FY29	Oct-29	Sep-30
1.2 Procurement Capacity	Oct-25	Oct-30
1.3 Internal Audit Strengthening	Oct-25	Oct-30
Component 2		
2.1 FMIS Rollout Hosting, Config & Decentralization	Oct-26	Jun-29
2.1 FMIS SOE/CU Integration & Reporting Enhancements	Oct-26	Jun-29
2.2 Procurement Automation/e-GP	Jan-26	Jun-28
Component 3		
3.1 HR Capacity & Certification Programs	Jan-26	Oct-30
3.2 Transparency, Change Management & Citizen Engagement	Jan-26	Oct-30
3.3 HIES & Diaspora Survey/Evidence Base	Jan-26	Dec-27
Component 4		
4.1 PIU & CIU Operations, M&E & Reporting	Oct-25	Oct-30
4.2 Annual Work Plan & Budgeting Cycles	Oct-25	Oct-30
4.3 Mid-Term Review	Jan-28	Jun-28
4.4 Project Closure & Transition Planning	Jan-29	Oct-30

8.0 Institutional and Implementation Arrangements

8.1 Arrangements for Activities Implemented by RMI

RMI will be responsible for implementing all activities under PFM II through the PIU, with technical support from the CIU. The CIU will provide advisory support in FM, procurement, communications, ESS, and M&E. MOFBPS will lead overall coordination of project activities and will be directly responsible for implementing Components 1, 2, 3, and 4. EPPSO will implement activities under Component 3, specifically the HIES and Diaspora Survey.

Project oversight and strategic guidance will be provided by the PStC and the CMT, which will support cross-government coordination and alignment of reforms.

8.2 World Bank Team

The WB is represented by a Task Team Leader and Co-Task Team Leader, who lead a team of people with different technical specializations who each contribute to their area of expertise. Procurement, financial management, and environmental and social (E&S) specialists are core members of the task team.

The Task Team reviews and gives 'no objection' on behalf of the WB to key project documents such as the annual budget and work plan, the procurement plan, the operational manual, E&S instruments, as well as important steps in the procurement process. The Task Team also reviews and accepts regular reports from the PIU.

The Task Team conducts regular supervision and implementation support missions to assist with resolving issues that might be causing delays in achieving the project objectives and to check that

the project is being implemented according to the agreed financial, legal, safeguards and procurement processes. During these missions the Task Team may meet with key stakeholders (both within and outside government) and with project beneficiaries. The Task Team may review legal, financial, safeguards and procurement records and make suggestions on improvements to procedures. An Aide memoire will be delivered to the government after each mission.

8.3 Project Monitoring and Evaluation

Responsibility for monitoring and evaluation of progress towards the objectives and outcomes will be with the MOFBPS and EPPSO for the HIES component, with support from the PIU. 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 (refer Project Appraisal Document). The PIU will gather data for monitoring and evaluation from the relevant units in the Government, including EPPSO for the HIES component no later than 45 days after each semester. The PIU will also submit semester progress reports to the WB, covering all project activities, including procurement and financial summary reports. The project will also submit the Annual Work Plan and Budget for the WB's no-objection.

Figure 5: PFM II PAD Monitoring and Evaluation

1. Improving PFM practices in budget execution and financial reporting	
IR -1: Time between tender issuance and contract signing (Days)	
Description	The objective of this indicator is to reduce lead times between tender issuance and contract signing by more than half (from 99 to 40 days or an annual reduction of approximately 20 percent), resulting in improved timeliness in procurement. As national procurement data is not currently systematically collected or monitored by MOFBPS, procurement data from active WB projects have been used as a proxy for the baseline.
Frequency	Annual
Data source	WB procurement reports on aggregated procurement timelines until online tendering system is established. Subsequently, annual procurement reports published by MOFBPS.
Methodology for Data Collection	MOFBPS to provide annual reports on procurement activity.
Responsibility for Data Collection	MOFBPS
IR-2: Improved standards and procedures in internal audit (Text)	
Description	This intermediate indicator measures the standards and procedures of the internal audit function within MOFBPS. The target is for the IA unit to achieve the equivalent of a B score for the following PEFA indicators: • PI 26.2 *Nature of audits and standards applied:* Internal audit activities are focused on evaluations of the adequacy and effectiveness of internal controls. • PI 26.3 *Implementation of internal audits and reporting:* Annual audit programs exist. Most (more than 75 percent) programmed audits are completed, as evidenced by the distribution of their reports to the appropriate parties. • PI 26.4 *Response to internal audits.* Management provides a partial response for most entities audited within 12 months of the reports being produced.
Frequency	Annual
Data source	Internal audit plans and audit reports
Methodology for Data Collection	MOFBPS to provide internal audit plans, internal audit reports and management responses annually to the PIU. PIU to assess against the criteria for selected PEFA indicators.
Responsibility for Data Collection	MOFBPS
2. Increasing modernization of PFM systems	
IR-3: Increase in digitally enabled public procurement activity. (Percentage)	
Description	MOFBPS will implement an online tendering tool to enable digital delivery of public procurement activities. This indicator will measure the increase in the percentage of annual procurement spend above US$50,000 processed by primary government entities due to the implementation of the online tendering tool.
Frequency	Annual
Data source	Reports from the online tendering system once implemented.
Methodology for Data Collection	MOFBPS will generate reporting on annual procurement spend via the online tendering tool.
Responsibility for Data Collection	MOFBPS

IR-4: Super users certified and retained (Text) , of which, percent female (percentage) and FMIS training programs delivered by super users (number)	
Description	This indicator aims to provide internal support for users of the Bisan FMIS system. The target is to train, certify and retain 20 individuals from MOFBPS and other entities who will then have the competencies to train other users on the FMIS (super users). At least 40 percent of the super users will be female.
Frequency	Annual
Data source	Certification from external training provider; attendance records and other supporting materials from training delivered by super users.
Methodology for Data Collection	MOFBPS to report on the number of staff obtaining certifications to become super users and the number of training sessions delivered by super users annually with participants lists disaggregated by gender.
Responsibility for Data Collection	MOFBPS
IR-5: Increased usage of FMIS for budget preparation and execution (Text)	
Description	This indicator measures the increase in primary government entities and component units using the FMIS for budget preparation and execution. Annual targets include incremental increases in the utilization of the FMIS to prepare budget proposals, make payments and improved interface with other applications used by primary government entities. The indicator will also measure the use of the FMIS as a tool for disaster recovery and digital document storage.
Frequency	Bi-annual
Data source	FMIS reports
Methodology for Data Collection	MOFBPS to provide FMIS user data by entity (or raw data on users) on a bi-annual basis. PIU to calculate number of targeted entities using FMIS for budget preparation and execution as well as for disaster recovery management and digital document storage.
Responsibility for Data Collection	MOFBPS
IR-6: Decrease in payment processing times (Days)	
Description	This indicator will track the number of days from date of invoice to payment. Results will be supported by business process reengineering, delegations of authority, increased use of FMIS functionality, and development of manuals.
Frequency	Bi-annual
Data source	FMIS reports
Methodology for Data Collection	MOFBPS to extract raw data on processing times from FMIS (or summary reports where available) on a bi-annual basis. PIU to calculate average processing times.
Responsibility for Data Collection	MOFBPS
3. Strengthened PFM Capacity, Transparency and Citizen Engagement	
IR-7 Individuals accredited in PFM specializations (Text) , of which, percent women accredited in PFM specializations who are employed in technical/managerial roles in MOFBPS one-year post-certification (percentage)	
Description	This indicator will measure the number of staff who complete accreditations in specialized PFM disciplines (any of US GASB, accounting technician, internal audit, and procurement certification programs), of which at least 40 percent are female and are employed in technical/managerial roles in MOFBPS post-accreditation. Results will be supported by a baseline survey within the Ministry and a gender-focused training needs assessment, including strategies to address unconscious bias and promote gender specific participation in PFM training.
Frequency	Annual
Data source	Survey within the MOFBPS, gender-focused training needs assessment, training/certification reports and MOFBPS staffing reports.
Methodology for Data Collection	Results will be supported by training data and MOFBPS human resource data.
Responsibility for Data Collection	MOFBPS

IR-8: Increased engagement with citizens on public finances (Text)	
Description	This indicator aims to measure the increase in two-way communication between the MOFBPS and citizens regarding public finances. The target is for MOFBPS to develop a strategy underpinning citizen engagement and over the life of the project, conduct at least four citizen engagement activities, and publish four annual reports (cumulative). The annual reports should summarize feedback received from citizens from various channels (e.g., social media, MOFBPS website), disaggregated by gender, and the responses or actions taken by MOFBPS.
Frequency	Annually
Data source	Citizen engagement strategy, reports published on MOFBPS website or social media
Methodology for Data Collection	MOFBPS to report on and publish the results of citizen engagement activities performed and share the citizen engagement strategy.
Responsibility for Data Collection	MOFBPS
IR-9: Evidence base established to inform MOFBPS recruitment strategy (Text)	
Description	This indicator will measure the development of an evidence base by MOFBPS to inform recruitment given the challenges faced in finding and retaining qualified staff. The Household Income and Expenditure Survey (HIES) provides useful data but was last updated in 2019/2020. However, the HIES has limited information on the RMI diaspora, therefore a supplementary survey will be conducted following a phased approach: • Year 1: Preparation for Diaspora Survey and HIES sampling plan, questionnaire, budget and terms of references for consultant support/survey firm support • Year 2: Data collection for Diaspora Survey and HIES commenced • Year 3: Complete data collection for HIES • Year 4: Gender-informed recruitment strategy developed The target for this indicator is the adoption of a gender-informed recruitment strategy by MOFBPS and publication of the HIES and diaspora surveys (data and reports).
Frequency	Annual
Data source	Gender informed recruitment strategy and accompanying data and reports for HIES and Diaspora surveys.
Methodology for Data Collection	MOFBPS to publish updated recruitment strategy informed by the results of the HIES and Diaspora Survey
Responsibility for Data Collection	MOFBPS
4. Project Management	
IR-10: Oversight of the project established and maintained by MOFBPS. (Text)	
Description	This indicator will measure the frequency of the meetings held to oversee and manage delivery of project activities by the Project Steering Committee (PStC) and Change Management teams (CMT) established by MOFBPS. The target is for the PStC to meet at least quarterly throughout the project to provide strategic guidance to project activities and review and approve project budget, plans and reports as needed and for the CMT to meet monthly at the start of the project and quarterly thereafter.
Frequency	At least quarterly
Data source	Minutes of PStC and CMT meetings
Methodology for Data Collection	MOFBPS to provide copies of the minutes
Responsibility for Data Collection	MOFBPS

Source: PFM II PAD

8.3.1 Reporting

There are different types of reports and monitoring tools which will be prepared during project implementation. This section summarizes the purpose of the key reports and outlines the responsibility for preparation and approval of the reports. This section also contains a schedule for delivery of all reports and monitoring tools that need to be submitted to the Bank.

Table 7: Reports

Report prepared by Recipient	Due to WB	Prepared by
Project Progress Report	Each calendar semester: not later than forty-five (45) days after the end of the period covered.	PIU with assistance from MOFBPS and EPPSO
Interim Unaudited Financial Report	No later than 45 days after the end of each fiscal semester	PIU with assistance from MOFBPS, DIDA/CIU
Work Plan and Budget Plan	Initially within 4 months of Effectiveness; then Annual, not later than August 31 each year	PIU with assistance from MOFBPS, CIU and EPPSO
Procurement Plan	Initially within 4 months of Effectiveness, 12 Month plan which is updated at minimum annually after MOFBPS budget approvals	PIU with assistance from MOFBPS, EPPSO
Post-review procurement activities	As required	PIU with assistance from MOFBPS, EPPSO
Audited National Government Accounts (with a Note to the accounts included for this project) Financial Statements of the Project	No later than nine months after the end of each financial year (September 30)	PIU with assistance from MOFBPS, DIDA/CIU
Mid-term review	August 2027	PIU with assistance from MOFBPS, EPPSO, DIDA/CIU
Completion Report	6 months after Closing Date	PIU with assistance from MOFBPS, EPPSO, DIDA/CIU

8.3.2 Project Progress Report

The Government of RMI will monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to IDA and set forth in this POM. The project progress report is the outcome of ongoing project monitoring and evaluation by the MOFBPS and EPPSO. The Project report also includes details on the implementation of Safeguard Instruments within the project as outlined in the Financing Agreement. The report contains a summary of project progress on the topics contained in table 8.

Table 8 Format of Progress Reports

Heading	Content
Executive Summary	Single-page summary of report contents and main messages
Progress on Components	Progress on all four components
Procurement	Updated procurement plan showing progress in all procurement steps List of contracts awarded during reporting period (title, awardee, amount, contract period)

Financial Management	Latest Interim Unaudited Financial Report including commitment, expenditure, source and use of funds and budget comparisons. Disbursement forecast for next 12 months. DA reconciliation. Commitment register. Key issues and recommendations to address them.
Results Monitoring	Review status of project development objective (PDO) and intermediate results indicators as set out in section VII. Results Framework and Monitoring of the PAD (annually) Update results framework table if required
Environmental and Social Risk Management	The project will prepare and submit to the Association regular monitoring reports on the environmental, social, health and safety (ESHS) performance of the project, as part of overall project reporting, including but not limited to the implementation of the ESCP, stakeholder engagement activities, and functioning of the grievance redress mechanism.
Emerging Issues	Identify any emerging issues, in particular any issues relevant to sustainability of the project, which might require attention by the Bank and/or the implementing agencies. Issues may relate to achievement of PDO or results, management or procedural issues. month period, in form and substance satisfactory to IDA. Audited Financial Statements These can include both positive and negative issues. Make recommendations to address these issues.

Reference should be made to the Financing Agreement for full details of the reporting requirements.

8.3.3 Financial Reporting

The PIU Finance and Procurement Officer is responsible for the preparation of the project financial reports with the support of the CIU Finance Team and any other reports that may be mandated by the project's legal agreements and project operations manual with the support of MOFBPS and CIU.

8.3.4 Interim Unaudited Financial Reports (IFRs)

These reports provide a periodic summary of the expenditures, receipts and balances of project funds during the current semester, financial year and total project. They help the team manage the project budget and also demonstrate rate of implementation.

Interim Unaudited Financial Reports must include data on the financial situation of the Project.

These reports should include:

(a) a statement of sources and uses of funds for the reporting period, year to date, and with a cumulative figure, including a statement of the project balance of account;

(b) a statement of use of funds by component including commitments (unexpended amount of signed active contracts) and by expenditure category;

(c) a reconciliation statement for the given DA; and

(d) a variance analysis indicating forecasts and discrepancies relative to the actual budget.

Audited financial statements provide independent assurance of the financial performance of the Project. The financial statements are prepared by the PIU Finance and Procurement Officer in coordination with the CIU Finance Officer and the audit is performed by the independent auditing contractor.

MOFBPS Audit of project funds will be audited separately to the National Government Accounts in an audit process managed by the CIU. Each audit of the financial statements will cover the period of one fiscal year of the Recipient. Financial Statements for each such period must be furnished to the WB not later than nine months after the end of such period. The Steering committee will be ultimately responsible for ensuring project funds are audited and audits are submitted on time.

8.3.5 Project Budget and Work Plan

PIU (specifically the Project Manager with support from the CIU Finance officer) will develop a Project Budget for the relevant aspects of the project and financing that relates to them, and a break-down into annual budgets. The Steering committee will review this document periodically as required, annually at a minimum, with analysis of budget vs. actual expenditure also contained in the Interim Financial Reports (IFRs).

8.3.6 Annual Workplan and Budget

PIU (specifically the Finance & Procurement officer) is responsible for preparation of an annual workplan and budget (with support from the CIU as necessary) as a key element of the annual project planning and part of the total budget of the project. The annual budget is a quantitative expression of the annual work plan of actions to be undertaken. It contains all eligible project activities and eligible expenditures, proposed to be included in the project in the following fiscal year, including a specification of the sources of financing for all eligible expenditures.

The AWPB should be prepared and submitted to the WB for review and No Objection. The budget should be realistic and identify the following:

- All activities required to complete the interim and overall project objectives, areas of procurement by components and sub-components of the project, project management costs, training, and operational costs (including travel)

- Cost estimates for each activity, and

- Time schedule for implementing all actions planned.

Project budgeting includes:

- Linking the project appraisal document and project procurement plan to the annual project budget and establishing a detailed budget with time limits for each planned action

- Establishing proper budgetary controls, and

- Timely initiation of budget changes through the re-allocation of financing from one category to another (within limits provided under the approved Project budget).

PIU with the support of MOFBPS, must ensure that the project is implemented in accordance with the annual budget accepted by the WB for the respective calendar year. In the event of any conflict between the annual budget and the provisions of the Financing Agreement, the provisions of the Financing Agreement prevail. PIU shall not change the annual budget without the WB's prior no-objection in writing.

Procurement

All goods, works, non-consulting services and consulting services required for the Project and to be financed out of the proceeds of the Project Financing shall be procured in accordance with the requirements set forth or referred to in the Procurement Regulation "World Bank Procurement Regulations for Borrowers under Investment Project Financing", February 2025 specific provisions stipulated in the legal agreements.

For the Pacific, the WB has produced specific Procurement Implementation Guidance (Making Procurement Work for Fragile and Small States in the Pacific under WB Investment Project Financing following the Procurement Regulations for IPF Borrowers (2025) which provides a flexible and simplified approach to implementing procurement activities, considering unique regional and local circumstances. It is aimed at better supporting implementing agencies to achieve the project development objectives, following the Procurement Principles. The project team will refer to the Procurement Guide during procurement implementation and work closely with the DIDA/CIU procurement team to ensure compliance with the Financing Agreement and procurement guidelines/regulations.

The procurement function must be cost effective and efficient in the use of resources while upholding the highest standards of probity and integrity. The procedures are formulated along the following main principles that will serve as the primary basis for implementing procurement activities under this Project:

- High quality services;

- Value for money;

- Economy and efficiency to achieve quality, cost effectiveness and timely delivery in procurement;

- Equitable, fair and open competition giving all eligible/qualified bidders an opportunity to participate;

- Reliability;

- Transparency of procurement process;

- Encouraging the development and use of national service providers and ensuring accountability and cost-effective use of funds.

PIU shall get an approval on the procurement plan for goods and services as well as consultants' services for the respective fiscal year from the WB. The approved Procurement Plan which shows each contract to be financed by Grant/Credit, the different procurement methods or consultant selection methods, the need for prequalification, estimated costs, prior and post review requirements, and timeframes will be agreed between the PIU and WB Project team in the Procurement Plan.

Procurement under this project will be implemented by the PIU. The PIU Project Manager (PM) will coordinate and monitor the procurement activities under the project, including ensuring the Systematic Tracking of Exchanges in Procurement (STEP) system is actively used. DIDA/CIU procurement team will provide guidance to all prior review procurements and other procurements included in the Procurement Plan in STEP. The CIU procurement team will also provide support on STEP, and will be the focal point for STEP related challenges to provide troubleshooting and training to the PIU. The project's Finance & Procurement officer will be responsible for updating STEP activities. The PM and Procurement Specialist will meet regularly to discuss and review the implementation progress against the procurement plan and identify and resolve any emerging or actual bottlenecks.

The 18-month procurement plan outlines the activities/contracts (in terms of goods, works and consulting services) that the project needs to procure during the upcoming 12-18 months of implementation. It identifies when the contracts are required and also allows the sequence of procurement steps to be integrated into the work plan developed by PIU. Procurement plan including updates should be uploaded, submitted and approved in the Systematic Tracking of Exchanges in Procurement (STEP) system. Procurement plans should be reviewed semi-annually and updated as needed.

Project procurement covers Goods, Works, Non-Consulting Services, and Consulting Services, where:
- 'Goods' are defined as commodities, raw material, machinery, equipment, vehicles, plant and related services, such as transportation, insurance, installation, commissioning, training and initial maintenance.
- 'Works' refer to construction, repair, rehabilitation, demotions, restoration, maintenance of civil work structures, and related services, such as transportation, insurance, installation, commissioning, and training
- 'Non-Consulting Services' is a category for services that are not Consulting Services. Non-Consulting services are normally bid and contracted on the basis of performance of measurable outputs, and for which performance standards can be clearly identified and consistently applied. Examples include drilling, aerial photography, satellite imagery, IT implementation.
- 'Consulting Services' are those services that are of an advisory or professional nature provided by individual consultants or consulting firms.

1.1.   Regulatory Framework

Procurement under the Project is governed by the WB's Procurement Regulations for IPF Borrowers, February 2025 (https://www.worldbank.org/en/projects-operations/products-and-services/procurement-projects-programs). These regulations are guided by the principles of value for money, economy, integrity, fit for purpose, efficiency, transparency and fairness.

STEP. The WB's Systematic Tracking of Exchanges in Procurement (STEP) system will be utilized to manage and track the project's procurement activities. The STEP is a cloud-based data management system that provides for "No Objection" submissions and responses, and submission of contract documents. The Project Implementation Unit shall be given access to this system and will be responsible for ensuring that all procurement and contract administration documents are uploaded to STEP. Documents to be filed in STEP for each activity of a procurement category (goods/works/services) are the same, irrespective of whether they are subject to prior or post review.

The Borrower/Recipient MOFBPS shall ensure that any Contractor shall not post and shall ensure that its Subcontractors/ suppliers/ manufacturers and Contractor's Personnel do not post, any signage on the Site or in any other place where Works will be carried out, except such signage as is required under the Contract, including by the Laws of the Country or has been approved by the Employer. In the case of incorrect or unauthorized signage, the Borrower/Recipient shall cause the Engineer to instruct the Contractor to remove or correct the signage at the Contractor's cost. For the purposes of this requirement, signage shall include, inter alia, flags, billboards, advertising materials and any other similar item separately posted on the Site."

1.2.   Selection Methods

Selection method thresholds. These thresholds are specified based on contract-specific risks and are set for each procurement category (goods, works and services). Contracts of estimated low value and/or less risk allow for more simplified processing methods and vice versa (e.g. Request for Quotations vs Request for Bids for Goods and Works).

For ***Goods, and Non-Consulting Services***, the approved selection methods are Request for Proposals, Request for Bids, Request for Quotations, and Direct Selection.

Request for Proposals (RFP) is a competitive method for solicitation of Proposals. This approach allows Proposers to offer customized or the Proposals may vary in the manner by which they meet or exceed the requirements specified in the proposals document.

Request for Bids (RFB) is a competitive method for the solicitation of Bids. This selection method is used when the Project is able to specify detailed requirements to which Bidders respond.

Request for Quotations (RFQ) is a competitive method based on comparing price quotations from responders. This method is preferred when procuring limited quantities of readily available off-the-shelf Goods or Non-Consulting Services, standard specification commodities, or simple Civil Works of small value.

Direct Selection (DS) is non-competitive and may only be used when there is only one qualified supplier or there is a justification to use a preferred supplier.

To procure the services of **Consulting Firms**, the approved selection methods are:

Quality and Cost-Based Selection (QCBS), which is a competitive process among short-listed consulting firms. In this method, the selection of the successful firm takes into account the technical quality of the proposal and the cost of the services. The relative weightage to be given to the quality and cost depends upon the nature of the assignment. The Proposal with the highest combined (quality and cost) score, among the proposals that are responsive to the requirements document and are technically qualified is considered the most advantageous bid. See Checklist at Annex 8.

Fixed Budget-Based Selection (FBS) is a competitive process among short-listed consulting firms where the cost of services is specified as a fixed budget that shall not be exceeded. The selection of the successful firm takes into account the quality of the Proposal and the cost of the services. The Proposal with the highest technical score that meets the fixed budget requirement is considered the Most Advantageous Proposal.

Least Cost-Based Selection (LCS) is similar to QCBS above. LCS is a competitive process among short-listed consulting firms under which the selection of the successful firm takes into account the quality of the Proposal and the cost of the services. The request for proposals document specifies the minimum score for the technical proposals. Among those responses that score higher than the minimum technical score, the proposal with the lowest evaluated cost is considered the Most Advantageous proposal.

Under _Quality-Based Selection_ (QBS), the proposal quality is evaluated without using cost as an evaluation criterion. If the RFP requests both technical and financial proposals, the financial proposal of only the highest technically qualified firm is opened and evaluated to determine the Most Advantageous Proposal. However, if the RFP only requests technical proposals, the firm with the highest ranked technical proposal will be invited to submit its financial proposals for negotiations.

Under the _Consultant's Qualifications-Based_ Selection, at least three qualified firms shall be requested to provide information about their relevant experience and qualifications. From the firms that have submitted an EoI, the Project invites the firm with the best qualifications and relevant experience to submit its technical and financial proposals for negotiations. Advertisement of REOIs is not mandatory. See Checklist at Annex 7.

Direct Selection, or single source, is a non-competitive method where the Project, with justification, will approach and negotiate with only one firm. This method is to be used with caution and is not to be used to avoid other, competitive, selection methods.

To procure the services of **Individual Consultants**, the approved selection methods are Open Competitive Selection, Limited Competitive Selection, and Direct Selection where:

For the _Open Competitive Selection of Individual Consultants_ method, the Project will advertise REOI's to increase competition and selection of the most qualified individual. REOIs shall include a complete TOR. Consultants are selected from those who expressed an interest in response to the REOI.

Limited Competitive Selection of Consultants is used when the Project has knowledge of experienced and qualified individuals and their availability. Instead of advertising an REOI, the

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Project can invite those individuals to respond to the complete TOR providing details of their qualifications and experience relevant to the assignment. Individual consultants shall be selected from those who responded to the invitation. See Checklist at Annex 6.

Direct Selection of Individual Consultants (DS) is a method where the Project may select an individual, with due justification.

Refer to the Pacific Procurement Guidance and Regulations for full details on using any of these methods.

Rated Criteria: **Criteria that are applied to the non-price/qualitative attributes of Bids/Proposals. The scores assigned to a Bid/Proposal are normally based on the degree to which it meets or exceeds the minimum non-price/qualitative requirements.**

PPSD. The IA is responsible for preparing and updating the Project Procurement Strategy for Development (PPSD) document. The PPSD addresses how procurement activities will support the development objectives of the project and deliver the best Value for Money (VfM) under a risk-based approach. It outlines the procurement objectives, proposed evaluation approach and methodology, the various stages of evaluation and, where Rated Criteria are to be used, the specific non-price/qualitative criteria and their proposed prioritization and weightings, e.g. methodology, sustainability, innovation, etc. The PPSD provides adequate justification for the selection methods in the Procurement Plan. The level of detail and analysis in the PPSD is proportional to the risk, value and complexity of the envisaged procurement activities under the project and shall be updated at least annually with the approved budget and Annual workplan.

1.3. Procurement Plan

The initial Procurement Plan (PP) will cover the first 18 months of project implementation. The PP and PPSD will be updated as necessary, at a minimum annually after Annual Workplan and Budget approval. The initial PP and its updates will be submitted through STEP for the Bank's review and approval. The updates shall include actual processing dates/values of ongoing/completed activities and revised (if necessary) dates/values for future activities.

1.4. Types of Contracts
1.4.1. Procurement of Consulting Services
a) Individual Consultant

Document for Review	Remarks
• Terms of Reference	The technical aspects of the TOR are the responsibility of the PIU which will draw on technical expertise from MOBPS staff and consultants.
- Request for Expression of Interest (REOI)	CIU review to ensure compliance with the Bank REOI template and the period allowed for responses. CIU will also check its consistency with TOR requirements. PIU is responsible for ensuring that the REOI is published in all the necessary/ required platforms (e.g., Newspaper, Facebook, and LinkedIn, or similar websites if the

	requirement is International, etc.).
- Setting up the evaluation committee for all procurement activity under URP	The Project Manager in consultation with the IA secretary and the CIU Program Manager, constitute an evaluation committee with 3 members and the chairman of the committee will be the designated by the IA secretary/CIU Program Manager. The committee will be responsible for the entire procurement activity and transparency, and all members are required to sign the COI declaration.
- Consultant Evaluation Report	The committee will be responsible for evaluating EOIs (CVs), shortlisting, interviewing (if necessary), and making recommendations for selection of the most qualified individual. The PIU will prepare the Evaluation Report, based on the Evaluation Committee's finding and recommendations. The CIU will review to ensure that the selection process was undertaken in accordance with the requirements of the REOI and the Bank's Procurement Regulations and to this end, CIU may provide guidance to the Bid Evaluation Committee during the actual evaluation process. CIU may provide inputs to the evaluation process, review the EOIs received, attend evaluation committee meetings as an observer or member, and review the evaluation report. All members of the Evaluation Committee should sign and date the final Evaluation Report.
- Contract Negotiations	Once the Bank provides its no-objection to the shortlisted and top-ranked consultant received, the PIU shall inform the top-ranked consultant in writing (email) that they have been evaluated as the top-ranked consultant and as an initial step in the contract negotiation and finalization process, the Consultant shall be requested to provide supporting documentation specifically, the Consultant's previous contracts for similar assignments. The Consultant may submit as many previous contracts to see the trend in his remuneration rate but as a minimum, the Consultant must provide the latest contract for similar assignment. MOFBPS working with the DIDA Assistant Secretary and CIU shall determine an appropriate remuneration rate to be offered to the Consultant. The determination of the rate shall consider the rate in the consultant's previous similar contract/s and the budget limitations. It will be appropriate to consider the last 3 years rates to see the remuneration trend. The PIU should also check if the reference similar contracts submitted were full-time or intermittent, the contract duration period, and how much was the total input in the contract. It should be noted that the remuneration rate for a short-term assignment is generally higher than the rate

| | for a long-term position. The specified budget in STEP may be exceeded if the higher rate is justified in view of the past rates.

Once the rate is determined, this will be incorporated in the Government contract template, which will then be the initial draft contract. |
|---|---|
| - Draft Negotiated Contract | The CIU will review the draft contract to ensure that it is in accordance with the standard contract template, the LMP and to check the reasonableness of the contract price.

The initial draft contract has to be cleared by the CIU (Procurement and Finance) before the PIU can send it to the consultant. Once cleared by CIU, the PIU shall send the initial draft contract to the Consultant for his/her concurrence. A slight increase from the initial offered rate may be accommodated subject to clearance from the Assistant Secretary, Investment. If the consultant's asking rate is too high as compared to the budget allocated and the Client is not able to consider increasing the budget so much and the Consultant is unwilling to reduce his/her asking rate, the contract negotiations may be terminated and the negotiations can be undertaken with the next-ranked consultant, subject to prior no objection from the Bank. The Bank's 'no objection' to the draft negotiated contract (DNC) should be obtained for individual contracts subject to prior review. In addition, approval and endorsement of the contract and base rate by GoRMI's designated authority shall be obtained.

Copy of the signed contract should be entered in STEP. |

1.4.2. Consultant Firm (CQS method)

Document for Review	Remarks
- Terms of Reference	Same remarks as above.

The PIU, in consultation with the CIU, will determine if the contract is to be time-based or lump sum based. |
- Request for Expression of Interest	Same remarks as above
- Setting up the evaluation committee for all procurement activity under URP	Same remarks as above
- Consultant Evaluation Report	Same remarks as above
- Draft Request for Proposal (RFP)	CIU review to ensure compliance with the Bank RFP template and ensure that the RFP provides all information

	necessary for the shortlisted Consultant to prepare a proposal. The Bank's 'no objection' to the draft negotiated contract (DNC) should be obtained for contracts subject to prior review. In addition, approval by GoRMI's designated authority should be obtained.
- Draft Negotiated Contract	The CIU will review the draft contract to ensure that it is in accordance with the Bank's contract template, the LMP and to check the reasonableness of the contract price. The Bank's 'no objection' to the draft negotiated contract (DNC) should be obtained for contracts subject to prior review. In addition, approval by GoRMI's designated authority should be obtained.

1.4.3. Consultant Firm (QCBS method)

Document for Review	Remarks
- Terms of Reference	Same remarks as above
- Request for Expression of Interest	Same remarks as above
- Setting up the evaluation committee for all procurement activity under URP	Same remarks as above
- Consultant Shortlisting Report	CIU review to ensure that the evaluation is undertaken in accordance with the REOI requirements and the Bank's Procurement Regulations. All members of the Evaluation Committee should sign and date the final Shortlisting Report.
- Draft Request for Proposal (RFP)	CIU review to ensure compliance with the Bank RFP template and Procurement Regulations and ensure that the RFP provides all information necessary for the shortlisted Consultant to prepare a proposal.
- Any amendment to the RFP	CIU review to confirm suitability of the proposed amendment
- Technical Evaluation Report	The CIU will review to ensure that the technical evaluation is undertaken in accordance with the requirements of the RFP and the Bank's Procurement Regulations. As suggested above, CIU may be involved by providing guidance during the actual evaluation process. CIU procurement would review the technical proposals received, and attend evaluation committee meetings as an observer and review the bid evaluation report
- Financial Evaluation Report	CIU review to confirm that financial evaluation is

	undertaken in accordance with the requirements of the RFP and the Bank's guidelines and the recommended contract price is reasonable.
- Draft Negotiated Contract including Minutes of Contract Negotiation	The CIU will review the draft contract to ensure that it is in accordance with the Bank's contract template, the LMP and the provisions are as per the RFP and the approved technical and financial evaluation reports. At any stage during the contract negotiations, PIU may seek clarification from CIU or CIU to PIU, as regards any procurement issue/s. CIU may participate in contract negotiation meetings as deemed necessary by the PIU.

1.4.4. Procurement through Direct Selection

Document for Review	Remarks
- Justification for Direct Selection	The CIU will review the draft justification for direct selection before such document is submitted to the Bank and any other GoRMIauthorities for approval.
- Draft Negotiated Contract	The CIU will review the draft negotiated contract to ensure that it is in accordance with the Bank's contract template, the LMP and to check the reasonableness of the contract price. At any stage during the procurement process, PIU may seek assistance or clarification from CIU as regards any procurement issue/s. CIU may participate in contract negotiation meetings as deemed necessary by the PIU.

1.5. Procurement of Works, Goods and Non-Consulting Services
1.5.1. Request for Bids

Document for Review	Remarks
- Draft Invitation for Prequalification (if applicable)	CIU review to ensure compliance with the Bank REOI template and the period allowed for responses.
- Draft Prequalification Documents (if applicable)	CIU review to ensure compliance with the Bank standard PQ Document and to check whether the qualification requirements specified are consistent with Bank standard requirements.
- Prequalification Report (if applicable)	CIU review to ensure that the evaluation is undertaken in accordance with the requirements specified in the PQ Documents and the Bank's Procurement Regulations.
- Draft Bidding Documents	CIU review to ensure compliance with the Bank standard template for such bidding documents and ensure that the

	information provided are in accordance with the Bank's Procurement Regulations and the ESCP (Action 1.2 2.1,).
- Any proposed amendment to the Bidding Documents	CIU review to confirm suitability of the proposed amendment, and consistency with other provisions in the bidding documents.
- Bid Evaluation Report	The CIU will review to ensure that the bid evaluation is undertaken in accordance with the requirements of the Bidding Documents, ESCP and the Bank's guidelines. As suggested above, CIU may be involved by providing guidance during the actual evaluation process. CIU will review the Bid Evaluation Report and will provide comments/inputs when necessary.
- Draft Contract Agreement	The CIU will review the draft contract to ensure that it is in accordance with the Bank's contract template and consistent with the provisions of the Bidding Documents and the evaluated bid.

1.5.2. Request for Quotation (RFQ)

Document for Review	Remarks
- Draft RFQ Document	CIU review to ensure compliance with the Bank RFQ template.
- Evaluation Report / Award Recommendation	CIU review to ensure that evaluation was undertaken in accordance with the RFQ Document and to check the reasonableness of the contract price.

1.5.3. Direct Selection

Document for Review	Remarks
- Justification for Direct Selection	The CIU will review the draft justification for direct selection before such document is submitted to the Bank and any other GoRMI authorities for approval. CIU shall review the draft justification to ensure that the direct selection is justified.
- Draft Negotiated Contract including Minutes of Contract Negotiation	The CIU will review the draft negotiated contract to ensure that it is in accordance with the Bank's contract template, ESCP and to check the reasonableness of the contract price. At any stage during the procurement process, PIU may seek assistance or clarification from CIU as regards any procurement issue/s. CIU may participate in contract negotiation meetings as deemed necessary by the PIU.

1.6. WB Review of Procurement

The Bank has established review thresholds to support its oversight function. Annex II of the Regulations provides details on the procedures for prior-, post-, and independent reviews, and require requirements for contract modifications.

All procurement activities identified in the Project's PP with current estimated costs above the relevant prior review thresholds are subject to the Bank's prior review, as shown in the table below (values are shown in million USD:

Type of Procurement	Risk			
	High	Substantial	Moderate	Low
Works (including turnkey, supply & installation of plant and equipment, and PPP)	5	10	15	20
Goods, Information Technology and Non-Consulting Services	1	2	4	6
Consultants: firms	0.5	1	2	4
Consultants: individuals	0.2	0.3	0.4	0.5

Procurement Prior Review thresholds are set based upon project procurement risk levels. As an exception, an activity/contract below the applicable mandatory thresholds may be subject to prior review if the WB determines that the activity/contract has additional contract-specific risks.

For contracts subject to prior review to be awarded using Direct Selection, the IA must submit to the Bank, for its review and no objection (NO), a sufficiently detailed justification, prior to inviting the firm to negotiations.

Procurement Post Review is carried out by the Bank to determine if procurement processes undertaken by the IA comply with the requirements of the Legal Agreement.

1.7. Roles and Responsibilities

The IA is responsible for undertaking all procurement activities. The PIU, with support from the CIU, is responsible to prepare the relevant documents for all procurement activities and follow up on submissions and approvals including, but not necessarily limited to:

- Prepare, review and submit updated Procurement Plans, as required
- Prepare bidding/proposal documents (for civil works, goods, non-consulting and consulting services), and advertise RFB/RFP
- Prepare Requests for Expressions of Interest
- Follow up on the short-listing of consultants report and recommendations prepared by Evaluation Committees appointed by the IA.
- Coordinate inputs and finalize TORs and cost estimates prior to submission for 'No Objection'
- Prepare minutes on Applicants/bidders' questions and clarification of Request for Proposals/Request for Bids
- Follow up on Evaluation of bids and proposals by Evaluation Committees appointed by the IA, and assist in the preparation of the reports for submission for 'No Objection'

- Prepare minutes on Negotiation of contracts
- Prepare contract documents for signing
- Publish contract award information
- Establish and operate an appropriate document filing system
- Deal with complaints from Bidders, Proposers, and Consultants
- Prepare reports for submission to the WB as required
- Publication of Specific Procurement Notices (SPN) and Requests for Expression of Interest (REOI)

The CIU procurement advisor and officers have a responsibility to provide regular procurement training and proactive advice and support related to complex and simple procurement activities, as required, to ensure efficiency of the process in undertaking procurement activities. The technical staff in the IA and/or the PIU are responsible for the timely (i) preparation of contract specifications for goods, works and non-consulting services; terms of reference for consulting services; and (ii) reviewing and certifying all contract outputs.

1.8. Publication of Awards

Paragraph 5.93 of the WB Procurement Regulations stipulates that, for all contracts, whether subject to the Bank's prior review or post review, the IA shall post a public notice of award of contract (Contract Award Notice) within ten (10) business days from the IA's Notification of Contract Award to the successful Bidder/Proposer/Consultant. Paragraph 5.94 of the Regulations lists, at a minimum, the information that is required to be published.

All contract awards will be published on the IA's website (the website of the Department of Finance & Administration). For those procurement

plan and contract awards subject to prior review, both will be published on the WB external website.

1.9. Procurement Recordkeeping

As a minimum, the following documents will be retained for all Project procurements:

- Copy of the request documents issued to Bidders/Proposers/Consultants, including addendums
- The original of each proposal/bid/quote/application
- Evaluation reports
- All amendments to the contract and related correspondence
- All correspondence with potential and actual Bidders/Proposers/Consultants
- Minutes of any pre-bid meetings/Bid or Proposal Opening Minutes
- Details of any debriefings
- All complaints received and related reports
- Copy of the signed contract
- Evidence of completion, by stages and final completion

- **Checklist for Procurement Document Filing and STEP Submission**

1. **Goods and Non-consulting Services**
- Final approved RFB/RFQ documents, with approved addenda, if any
- Office copy of signed & dated SPN/RFQ.

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- Approved list of suppliers/contractors to whom RFQ was issued in the case of RFQ method
- Newspaper notice (SPN) and UNDB notice, where applicable
- Bids/Quotations – date stamped & signed by bid opening committee
- Bid/Quotation opening minutes
- Evaluation report – signed & dated
- Internal approval of contract award by authorized entity of the Government
- Office copy of signed & dated Purchase Order/Notification of Award
- Signed & dated contract with guarantees, insurance etc
- Signed & dated contract amendments, if any
- Goods received note (GRN); technical certification of quality of goods received and installed (if relevant); certification of works completed; client's certificate of acceptance
- Copies of certified invoices, payment vouchers
- Contract completion certificate issued by Client
- Contract Completion Report
- Bank's No Objections at each step (for prior review)

3. **Consultant Services**
- Office copy of signed Request for Expressions of Interest (REOI)
- Publication of REOI
- EOIs – date stamped & signed by opening committee
- EOI evaluation and shortlist Report- signed & dated
- Internal approval of shortlist & RFP by authorized entity of the Government
- Final approved and issued RFP, with addenda, if any (signed & dated)
- Consultants' proposals (technical and financial) – date stamped & signed by proposal opening committee
- Technical Evaluation Report (TER) – signed & dated
- Internal approval of TER recommendations by authorized entity of the Government
- Combined Evaluation Report (CER) – signed & dated
- Minutes of Negotiations – signed & dated
- Internal approval of CER & draft negotiated contract by authorized entity of the Government
- Signed & dated contract (should include all annexes, including CVs)
- Signed & dated contract amendments, if any
- Consultant's reports/deliverables, as required in TOR
- Review Committee certification of consultant's inputs/outputs/deliverables
- Copies of certified invoices, payment vouchers
- Contract completion certificate issued by Client
- Contract Completion Report
- Bank's No Objections at each step (for prior review)

Note: list applies for individual consultants as well, but only those items which are relevant to IC.

1.10. Fraud and Corruption
The WB's Anti-Corruption Guidelines apply with respect to all procurements undertaken in the Project. See Annex IV of the Regulations for information that must be included in all contracts.

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Contract Management - Procurement

The WB requires the PIU and CIU to manage the following for an effective and transparent contract management:

I. PIU shall have a system in place which keeps a signed copy of the contracts cleared for the project, all contracts and contracts amendments are uploaded onto STEP and kept in the project share drive.

II. Contract Register: The PIU has also a system in place which compiles all contract information such as: contract name, contract reference number, name of consultant/firm, original contract amount, commencement date, completion date, variations, revised contract amount, revised completion date and total payments made to date. This information shall be kept updated at least monthly and stored in the form of a contract register and will be monitored by the PIU Project manager and Procurement Officer.

III. PIU:

a. ensures that contract performance guarantee provision of the contracts is correctly administered;

b. monitors the advance guarantee period (expiry date) and ensure it is valid until the full amount of advance was recovered;

c. administers all contracts with regards to bank guarantees on social and safety requirements;

d. administers all Contract performance guarantees and ensure that expiry date occurs at least a minimum of 30 days after work completion date;

e. administers any advance payments and performance securities provided to the contractor;

9.0 Financial Management

9.1 General

The role of Financial Management (FM) is to ensure that the project operates, from a financial perspective, in accordance with the various laws, rules, policies, procedures, and processes applicable to the project. To be specific, the FM is to be carried out in accordance with the Public Financial Management Act 2023; the General Fiscal Matters Act, 1979; together with WB requirements. These include:

- The laws of RMI including those listed above.

- All other relevant RMI legislation

- Treasury Instructions

- Legal Agreements

- Disbursement Letter

- Disbursement Guidelines

- Disbursement Manual

Financial Management is the responsibility of the Government of RMI (GoRMI) and monitored by the PIU (specifically the Finance and Procurement officer) with support from the CIU. The CIU within DIDA should be responsible for the overall performance and implementation of FM. All of the FM activities shall be duly authorized by the MOFBPS management and entered into and recorded on the GoRMI's accounting system.

The project will use the pooled DA which has been established with the Bank of Guam, Majuro Branch to facilitate the payment of Eligible Expenditures. The DA funds will flow directly from the WB to the pooled DA an account established for the project under the MOFBPS and will be maintained in US Dollars. This account will be managed by MOFBPS. Project Expenditure will be tracked through government financial management information system (Bisan) and paid from the treasury account. Prior to 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. The Finance and Procurement officer within the project shall be responsible for monitoring the flow of funds and advising the MOFBPS Accounting Division the amount being transferred in the DA account.

The Financial Manager within DIDA/CIU shall work closely with the PIU to keep the Project Manager updated on all FM matters related to the Project implementation. Regular communication and monthly financial report/statement shall be maintained. The PIU Project Manager shall comply with the Standard Operating Procedures to be established by DIDA/CIU. The PIU project manager shall have read access to client connection for the PFM II project; this will enable the project manager to review and monitor the overall financial status of the project.

9.2 Disbursements

Before any disbursement request is sent to the WB, the specimen signature of the authorized signatories will be sent to the WB. All the disbursements procedures shall be as per standard WB requirements. As specified in the Disbursement Letter, there are four Disbursement Methods that may be used:

(i) Reimbursement

GoRMI will initially fund expenditures from its own funds then request reimbursement from the WB for Eligible Expenditures. All of these Eligible Expenditures will be tracked and recorded in Bisan. An Application for Withdrawal will be prepared by the Financial Manager to request for reimbursement, which will be submitted in Client Connection. Supporting documents must be attached, including:

- List of payments against contracts that are subject to the WB's prior review, in the form from Attachment 5 attached to disbursement letter, with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) and

- Statement of Expenditure in the form from Attachment 4 attached to disbursement letter, for all other expenditures.

Application must be approved by an authorized signatory. The Financial Manager will be responsible for advising MOFBPS Accounting Division the reimbursement amount being transferred in the DA account for recording to Bisan.

(ii) Advance

Ceiling for an advance is $USD 500,000 per Disbursement Letter. An application for withdrawal must be prepared by the Finance and Procurement Officer and submitted to WB through Client Connection to process an advance. This must be signed by an authorized signatory before submitting to the WB. No supporting documents required if amount requested is within the ceiling. DA account may be replenished anytime through advance disbursement as long as the balance will not exceed the ceiling amount.

Reporting on the use of advance should subsequently follow per Disbursement Letter. This shall be performed at least quarterly through submission of application for withdrawal in Client Connection. The required supporting documentation to report uses of advance are set out below:

- List of payments against contracts that are subject to the WB's prior review with records evidencing eligible expenditures (e.g. copies of receipts, supplier invoices)
- Statement of Expenditure for all other expenditures
- DA Reconciliations Statement and bank statement

(iii) Direct Payment

For larger payments, Direct Payment method can be used where funds will flow directly from the WB to the supplier. Where Direct Payments are used as the disbursement method, the transactions must be incorporated into the project accounts.

Per the Disbursement Letter, records evidencing eligible expenditures should be provided with Direct Payment withdrawal application. The Financial Manager shall submit Journal Entry log to MOFBPS Accounting Division to record expenditure(s) paid through direct payment.

Figure 5: Disbursement Methods Flow Chart:

Reimbursement	Advance	Direct Payment	Special Commitment
Minimum Value of Application: USD 100,000	*Ceiling: USD 500,000*	*Minimum Value of Application: USD 100,000*	*Method unlikely to be used in this project.*
Eligible expenditures are funded by GoRMI and tracked in Bisan	Submit application for withdrawal for an Advance in Client Connection	Use for larger payments	WB to issue a guarantee to cover letter of credit
Submit application for withdrawal for amount recorded eligible expenditures in Client Connection	Fund flows directly from WB to DA Account	Submit application for withdrawal and records evidencing requested amount in Client Connection	
WB reimburses directly to DA Account	Record received funds in FMIS	Fund flows directly from WB to Supplier	
Record received fund in FMIS	Report use of Advances in Client Connection	Journal Entry to record expenditure in FMIS	

9.3 Operational Costs

Operational costs are defined in the Financing Agreement as "reasonable incremental expenditures incurred on account of Project implementation and based on Annual Work Plans and Budgets approved ex ante by the Association, including leasing and/or routine repair and maintenance of vehicles, equipment, facilities and office premises, fuel, office supplies, utilities, consumables, communication expenses (including postage, telephone and internet costs), translation, printing and photocopying expenses, bank charges, publications and advertising expenses, insurance, meeting expenses, travel, subsistence and lodging expenses, administrative staff, project implementation support personnel, and other administrative costs directly related to the Project, exclusive of salaries of the Recipient's civil service, sitting fees, bonuses, fees and honoraria or equivalent payments. Operational costs shall be utilized in accordance with the GoRMI's Procurement Act, the Travel Policy and other relevant procurement regulations. These sorts of expenses are not subject to WB procurement rules, so they do not form part of the project procurement plan.

9.4   RMI Taxes

The Project financing is Inclusive of all Taxes. Consultants working on WB projects are subject to RMI income taxes, which are withheld by the MOFBPS at the time of payment processing.

10.0 Records Management

As per Section 5.07, Plans; Documents; Records of the IDA General Conditions the Borrower and the Project Implementing Entity shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under their Respective Parts of the Project until at least the later of: (i) one year after the Bank has received the audited Financial Statements covering the period during which the last withdrawal from the Loan Account was made; and (ii) two years after the Closing Date.

DIDA/CIU will be responsible for maintaining paper based and electronic documents associated with contracts, orders, invoices, bills, receipts, procurement information and other documents.

The PIU will be responsible for maintaining project files which will be kept in secure cabinets located at MOFBPS. Files should be kept in hard copy files created in accordance with DIDA/CIU Records Management policy and naming convention (to be issued). Procurement documents will also be scanned and uploaded in STEP for every procurement activity.

After the project closes it will be the responsibility of RMI Government to keep the files as per the requirements of the IDA General Conditions Section 5.07, Plans; Documents; Records as outline in the above paragraph, i.e. at least the later of: (i) one year after the Bank has received the audited Financial Statements covering the period during which the last withdrawal from the Loan Account was made; and (ii) two years after the Closing Date.

Electronic files will be maintained in a shared drive.

At a minimum the following files need to be created as the project progresses:

- Legal Documents as approved by MOFPBS and WB

- Project Management: Include the annual work plan, budget, procurement plan, TORs, evaluation reports, contracts and contracts monitoring records.

- Project Progress Reports

- Interim Unaudited Financial Statements

- Withdrawal Applications

- Financial Records

- Bank Statements

- Contract Register

- Separate Procurement files for each Procurement Activity

11.0 Environmental and Social Risk Management
Overview:

All the activities of the project are technical assistance-type activities. These technical assistance activities are expected to have minor or negligible environmental and social impacts. The project is not expected to have any direct and indirect impact on natural habitats or cultural heritage sites, and it will not undertake any activities that result in physical or economic displacement. Thus, the PFM project is assessed to have low environmental and social risks. However, the project risks relate to labor management of professional office-based staff, privacy and data protection risks, and stakeholder engagement, which are easily managed through the implementation of the Environmental and Social Commitment Plan (ESCP) and through robust project design and implementation. Environmental and social considerations will be integrated into TORs for all the consultancies, studies, capacity building, training, and any other technical assistance activities of the project. An ESCP has been developed to ensure the implementation of these commitments. The ESCP was disclosed by the Bank on May 26, 2025, and by the Borrower on July 11, 2025.

Environment and Social Standards

The PIU will be provided with support from the Central Implementation Unit (CIU) E&S team to manage environmental, social, health, and safety (ESHS) risks and impacts associated with the Project. These risks will be managed in line with relevant national laws and regulations of RMI and accordance with the prescribed procedures in the Environmental and Social Framework (ESF), which outline specific WB Environmental and Social Standards, including, inter alia, ESS1 (Assessment and Management of Environmental and Social Risks and Impacts), ESS2 (Labor and Working Conditions), and ESS10 (Stakeholder Engagement and Information Disclosure).

Environmental and Social Commitment Plan (ESCP) outlines measures and actions to ensure that the PIU and CIU follow the provisions of ESS10 for SEP and ESS2 for LMP

Incidents and Accidents Reporting

The PIU, with support from the CIU, shall notify the Association within 48 hours of becoming aware of any incident or accident related to the project that has, or is likely to have, a significant adverse impact on the environment, affected communities, the public, or workers, including any cases of SEA/SH. The PIU will provide the Association, upon request, with available details of the incident or accident using the standard format acceptable to the Association.

- The PIU will arrange an appropriate review of the incident or accident to determine its immediate, underlying, and root causes. A review report along with a Corrective Action Plan shall be submitted to the Association no later than 10 days after the initial notification, unless otherwise agreed in writing with the Association. The Corrective Action Plan, once agreed upon with the Association, will be implemented to ensure adequate measures are in place to address the incident or accident and to prevent recurrence.

Labor Management Procedures (LMP)

The project shall be carried out in accordance with the applicable requirements of ESS2, in a manner acceptable to the WB. The Project will ensure that the workers are engaged in implementing the Project in accordance with RMI labor requirements and ESS2. This includes, inter alia, provisions on working conditions, management of workers' relationships, occupational health and safety (including personal protective equipment, and emergency preparedness and response), training of interns, code of conduct (including relating to SEA and SH), forced labor, child labor, and grievance arrangements.

For this project, the following two categories of workers are expected: Direct workers and Contracted workers. The former would include civil servants, employees of private sector beneficiaries, and those employed as specialists by the PIU and CIU. The ToRs for all workers will incorporate ESS 2 requirements and the WBG EHS Guidelines, including a code of conduct, to which all contracted parties have to adhere.
- As specified in the ESS2, employment of project workers will be based on the principles of nondiscrimination and equal opportunity. There will be no discrimination with respect to any aspects of the employment relationship, including recruitment, compensation, working conditions, terms of employment, access to training, promotion, or termination of employment
- The PIU and CIU will monitor the following measures to ensure fair treatment of all employees:
  (i) Recruitment procedures will be transparent, public and non-discriminatory, and open with respect to ethnicity, religion, sexuality, disability, or gender.

(ii) Clear job descriptions will be provided in advance of recruitment and will explain the skills required for each post.

(iii) All workers will have written contracts describing the terms and conditions of work and will have the contents explained to them. Workers will sign the employment contract.

(iv) Employees will be informed at least two months before their expected release date of the coming termination.

(v) Depending on the origin of the employer and employee, employment terms and conditions will be communicated in a language that is understandable to both parties.

(vi) In addition to written documentation, an oral explanation of conditions and terms of employment will be provided to workers who may have difficulty understanding the documentation.

Stakeholder Engagement and Information Disclosure

Environmental and Social Standard on Stakeholder Engagement and Information Disclosure (ESS10) of the WB recognizes two categories of stakeholders: "Project-affected parties" and "Other Interested parties". "Project-affected parties" refer to individuals or groups likely to be impacted by the project due to actual or potential adverse effects on their physical environment, health, security, cultural practices, well-being, or livelihoods. These stakeholders may include individuals or groups, including local communities. "Other interested parties" refers to individuals, groups, or organizations with an interest in the project, which may be because of the project location, its characteristics, its impacts, or matters related to public interest.

As per the Project Appraisal Document (PAD), the primary project beneficiary/project affected parties are the MOFBPS, which will also include the line ministries, Blended Component Units (BCUs), and Component Units (CUs). The project activities will also include back-office PFM processes, information technology systems, and capacity building for all civil servants performing core PFM functions, irrespective of administrative unit. Other interested parties will also include citizens of GoRMI who will benefit indirectly from improved accountability over public finance and increased access to information on the use of public money, including other international development partners.

The project recognizes the need for an effective and inclusive engagement with all of the relevant public and private sector stakeholders. Meaningful consultations and disclosure of relevant information are crucial to ensure that all stakeholders are informed and included in the project. The PIU, with support from the CIU, will determine strategies for stakeholder engagement through the following mechanisms:

- Stakeholder identification and analysis
- Planning the strategy, timing, and how the engagement with stakeholders will take place
- Disclosure of information
- Consultation with stakeholders
- Addressing and responding to grievances; and

- ▪ Reporting to stakeholders
- Therefore, to promote stakeholder engagement, the PIU, along with CIU, will develop activities including, inter alia:
  - ▪ Face to face meetings with the key beneficiaries/stakeholders from MOFBPS and other relevant Ministries and government departments
  - ▪ Information about the project and its activities is disclosed online on the relevant Ministry websites. This can generate feedback from stakeholder who are concerned with the project's outputs and impacts.
  - ▪ Inception meetings, training workshops. This will extend the horizon of stakeholder engagement.
  - ▪ Prepare media briefings and notices on project activities and achievements. This will help to inform participants and the media on the societal and economic impacts of the projects.
  - ▪ Ensure broad public awareness of the grievance mechanism. The PIU shall erect appropriate signage with up-to-date project information and summarize the GM process, including contact details of the relevant Contact Person. Public information bulletins, websites, and other public information will also include this information.

Grievance Mechanism

The scope, scale, and type of grievance mechanism (GM) required will be proportionate to the nature and scale of the potential risks and impacts of the project. The primary purpose of this system is to ensure a robust and transparent process is available for addressing complaints. This system comprises a sequential process of two levels of resolution. The next level of resolution is triggered if the complainant or a group of complainants remains unsatisfied with the resolution made by the lower level. It is expected that all grievances related to the project will be reported through the GRM system developed by the PIU.

Level I: PIU Level

- This is the initial stage for all the grievances that come into the PFM GM system. Once the grievance is registered at the PIU level, it will automatically go into Level 1 of the GM system. At this level, the complaint/grievance will be registered by the communication specialist, who will act as the grievance focal person at the PIU. The grievance focal person should acknowledge receipt of the grievance and inform the complainant of the procedure for grievance redressal. The resolution of the grievance that comes at the PIU level will be addressed by the PIU Program Manager (PM) within seven working days of its registration. The PIU PM can seek assistance from other team members at the PIU to resolve the complaint. If necessary, the PIU PM or the PIU team may also consult with the complainant to gain a deeper understanding of the nature of the grievance and find an amicable resolution. Once the grievance is resolved, the grievance focal person of the PIU will officially report back to the

complainant of its resolution.

Level II: CIU Level

- This Level II is for complainants who decline to accept the resolution made by the Level I GM system or if the Level I GM system remains unable to provide any resolution to the grievance within seven working days after the date of registration. Once the complainant officially appeals to the PIU about his/her refusal to the proposed resolution, the system will automatically escalate the grievance to Level II, where the grievance will be handled by the safeguards officer (Level II grievance focal person). This level will be headed by the CIU Program Manager (PM). The CIU PM can invite the complainant to understand the nature of the grievance further and explore an amicable resolution. The grievance at the level must be resolved within 15 working days. If the grievance is resolved at this level, the project's grievance focal person will officially report back to the complainant.

If the complainant is not satisfied with the resolution provided or if the Level II is unable to offer any resolution, then the complainant has the right to seek legal recourse.

- The methods to lodge a grievance may include the following:
    - Different ways in which users can submit their grievances, which may include submissions in person, by phone, text message, mail, or e-mail
    - A log where grievances are registered in writing and maintained as a database
    - Notices with procedures, setting out the length of time users can expect to wait for acknowledgment, response, and resolution of their grievances
    - Transparency about the grievance procedure,
    - An appeals process (including the judiciary) to which unsatisfied grievances may be referred when the resolution of the grievance has not been achieved
- The project will establish the following channels through which citizens/beneficiaries can file complaints regarding activities funded by the project.
    - Special e-mail address: support@rmigov.mh
    - Special web address: mof.gov.mh
    - Special telephone number (692) 625 8311
    - Letters should be sent to the following address: P.O. Box D, Majuro, MH 96960
    - Oral or written complaints are filed with the communication specialist at the PIU or Grievance Focal Person (CIU Safeguard office). If project participants provide verbal comments /complaints, the project staff will file a complaint on their behalf, and it will be processed through the same channels.

Grievance Redress Services

Communities and individuals who believe that they are adversely affected by the 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 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 happen, as a result of the WB's non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the WB's attention and the WB's management has been given an opportunity to respond. A complaint can be submitted to the Bank GRS through the following channels:

By email: grievances@worldbank.org

By fax: +1.202.614.7313

By mail: The WB, Grievance Redress Service, MSN MC10-1018, 1818 H Street Northwest, Washington, DC 20433, USA

For information on how to submit complaints to the WB's GRS, please visit http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service. For details on how to submit complaints to the WB Inspection Panel, please visit www.inspectionpanel.org.

Capacity Building

In line with the ESCP, the PIU, with support from the CIU, will provide training to relevant project stakeholders including staff responsible for the POM and project implementation, on the Project's ESHS requirements, through project implementation. This includes requirements on labor management, stakeholder engagement, and grievance redress.

12.0 Gender

The data available for RMI suggests that while women may be advancing into management from non-technical pathways, they face systemic barriers to entry and progression within the technical cadre.

These systemic barriers may be likely driven by gaps in access to professional qualifications, gender-biased recruitment practices, and limited institutional mechanisms to support gender equality in the PFM talent pipeline. Sex-disaggregated data on career trajectories and certification remain limited, constraining policy action.

To address these barriers, the project—through Components 2 and 3—will support targeted, evidence-based interventions aligned with the Tile Til Eo 2050 strategy. These include:

- o Generation of sex-disaggregated data through the HIES and diaspora survey to inform recruitment and human resource policies.

- o Gender awareness and citizen engagement activities, such as unconscious bias training.

- o Strengthening of gender-informed competency frameworks and recruitment processes; and

- o Roll-out of the RMI's first certification programs in specialized PFM areas. These programs will serve as a gateway to enhance the technical qualifications of women and support their entry and

progression in technical and managerial PFM roles. These programs will be tracked through an intermediate results indicator: Individuals accredited in PFM specializations, of which the percentage of women accredited in PFM specializations who are employed in technical/managerial roles in MOFBPS one-year post-certification.

Annex 1: Monitoring & Evaluation Plan

1. **Introduction**

This Monitoring and Evaluation (M&E) Plan outlines the approach for tracking and assessing the implementation and outcomes of the Public Financial Management Reform Project Phase II (PFM II). The M&E system is designed to support evidence-based decision-making, accountability, and continuous learning throughout the project lifecycle.

2. **Objectives of M&E**

- Monitor implementation progress against agreed project results and timelines
- Track achievement of the Project Development Objective (PDO) and component-specific outcomes
- Identify bottlenecks and implementation risks in real time
- Facilitate adaptive management and corrective action
- Ensure accountability to GoRMI, the WB, and other stakeholders

3. **Institutional Arrangements**

- The PIU within MOFBPS will lead the M&E function, supported by the CIU in DIDA.
- Technical specialists and national counterparts will provide regular inputs aligned to their respective components.
- EPPSO will lead M&E for Subcomponent 3.3 (HIES and Diaspora Survey).
- Component leads (e.g., FMIS, Procurement, HRD) will track specific indicators and contribute to reporting.

4. **Reporting Framework**

Report Type	Content	Frequency	Responsible Party
Project Progress Report	Activity status, achievements, risks, mitigation actions	Quarterly	PIU
Results Framework Tracking	Updates on PDO and intermediate indicators	Bi-annually	PIU with CIU support
Midterm Review	Performance evaluation, recommendations	Year 2	PIU & WB
Final Evaluation	Independent assessment of outcomes and sustainability	End of Project	Independent Evaluator
HIES/Diaspora Survey Report	Data findings, implications for MOFBPS HR strategy	One-time	EPPSO

5. **Data Sources & Quality Assurance**

- Primary data will be sourced from training records, FMIS logs, IA reports, financial statements, and procurement records.

- All data will be verified by the CIU and triangulated with supporting documentation.

- Assumptions and methodological notes will be documented to ensure transparency.

6. **Results Framework Alignment** M&E activities are guided by the project's Results Framework, with disaggregation by gender where applicable. Key indicators include:

- Timeliness and quality of annual financial statements

- Compliance with procurement standards

- Level of FMIS usage across MOFBPS, SOEs, and CUs

- Number of staff completing certification programs (GASB, IA, Procurement, FMIS)

- Public access to fiscal reports

7. **Knowledge Sharing and Use of Results**

- Regular reporting will inform decision-making by the PStC and MOFBPS.

- Results summaries, case studies, and lessons learned will be disseminated to stakeholders.

- Engagement with development partners will ensure alignment and policy coherence.

8. **Midterm and Final Evaluations**

- A Midterm Review will be jointly conducted with the WB to assess project performance, validate assumptions, and recommend any required restructuring.

- A Final Evaluation will be commissioned to assess the relevance, effectiveness, efficiency, and sustainability of PFM II.

This annex ensures the M&E function is fully embedded in project operations and supports the achievement of durable PFM reform outcomes for GoRMI.

Annex 2: Supporting Management Plans

1.1. Risk Management Plan

PFM II is assessed as a low-risk project, reflecting the strong governance arrangements, phased implementation approach, and lessons learned from PFM I. Nevertheless, specific risks remain inherent to the scope and complexity of the reforms, particularly relating to change management, capacity constraints, and system integration. These risks will be proactively managed through the mitigation strategies outlined below to ensure timely delivery of project objectives and sustainable outcomes.

Risk	Description	Mitigation Strategy
Complexity of reforms and systems	The project involves new policies, processes, and systems across multiple agencies, which could cause delays or implementation challenges.	- Implement Change Management Strategy. - Early stakeholder engagement and leadership buy-in. - Continuous capacity building.
Limited capacity and competing priorities	Project teams may face competing priorities, reducing availability for project activities.	- Recruit dedicated project staff and technical specialists. - Utilize consultants as needed. - Regularly monitor resource allocation.
Resistance to change	Staff may resist adopting new systems, processes, and responsibilities.	- Deliver targeted communication and awareness programs. - User-centered training programs - Identify and empower Change Agents.
Data quality and outdated information	Outdated or incomplete data may hinder informed decision-making, especially for HR strategies.	- Conduct early HIES and Diaspora Survey. - Use updated data to inform strategies and decision-making.
System integration and technical issues	Technical issues may arise during integration of FMIS with other government systems.	- Clear technical specifications and planning.

Risk	Description	Mitigation Strategy
		- Engage integration experts. - Pilot testing and phased rollouts.
Sustainability post-project	There is a risk that systems and reforms are not maintained or fully utilized after project closure.	- Develop Sustainability Plan - Institutionalize roles and handover processes within GoRMI - Allocate resources for FMIS support post project.

A realistic full assessment of risks will be completed and managed by the PMO.

1.2. Change Management Strategy

A change management strategy sits above the communication and capacity building plans. The key streams to implement change cut across all dimensions of an organization: leadership, employees, infrastructure and processes as described in the figure below.

Change Readiness Assessment
Used to analyze readiness for change. Considers past experience, organizational culture, competing initiatives, etc. Can be administered via survey, email questionnaire, interviews, focus groups, etc.

Leadership	Government employees	Infrastructure	Process

Leadership Alignment
Used to identify both leaders' current vs. desired level of commitment to the goals and to plan for required tactics to influence any gap areas. Includes both an assessment and a tactical plan.

Stakeholder Engagement
Used to identify critical stakeholders and their current vs. desired level of buy-in to the goals and to plan for ways to influence. Includes both an assessment and a tactical plan.

Learning and Education
Identifies any learning or training needs as a part of process changes that will be implemented. For example, training may be required on new roles, new governance and decision-making structures.

Communication
Includes such elements as key messages, communication principles, recommended communication vehicles, communications calendar. Is tailored to appropriate audiences (via stakeholder engagement assessment output) such that it is meaningful and credible.

Organizational Culture
Captures a definition of the current organizational culture (observable characteristics, values & attitudes, underlying assumptions) and which elements should change in order to support the goals. Includes a tactical plan.

Role Definition
Identifies any impacts to existing roles. Considers the need for new or changed capacity (workload), capability (skill requirements) and factors in organizational realities (e.g. unionized environments).

Knowledge and Capability Transfer
Formalizes how knowledge will be transferred.

Post-Implementation Support
Identifies required tactics to monitor adoption of changes as well as means to provide support through post-implementation timeframe.

FIGURE 6 KEY CHANGE STREAMS:

1.3. Communications Plan

A PFM Communications strategy will be updated by the Communications Officer to provide the framework for communications relating to the PFM Project and its major areas of focus. The broad aim is to:

- inform stakeholders of the developments and requirements associated with the reform agenda.
- promote the benefits of reform and thereby encourage participation and support.

Individual reform projects, especially those with tangible deliverables such as GIFMIS, will have a project specific Consultation Plan developed and implemented. The Consultation Plan will identify stakeholders who will be involved in, affected by, and who can influence the outcome. The plan will also include the

delivery tools used to communicate key messages and the frequency of contact with these respective stakeholders. The desired outcomes are to have:

- informed stakeholders

- on-going information dissemination and consultation processes

- increased awareness and understanding of the reform agenda.

- wider recognition of reform achievements.

FIGURE 7 COMMUNICATIONS PLANNING FRAMEWORK:

The PFM Communications Strategy will aim to:

1. Create awareness of PFM Reform and its benefits, importance and priority (Awareness Raising)

2. Create interest in, and energy around, participating in the transition to the envisioned PFM Reform (Mobilization)

3. Create confidence that PFM Reform will be marked by open communication and knowledge sharing (Knowledge Building and Sharing)

4. Sustain interest in PFM Reform throughout the many phases of the projects (Visibility), and

5. Promote and enhance capabilities of external project stakeholders to support PFM reforms (Public Advocacy)

The communications strategy objectives will be delivered through activities in the action areas below, which represent different ways the Project can create, build, support and maintain commitment to PFM reform over a five-year period. This can guide prioritization and focus of communication activities. Public advocacy aims to build awareness among Congress, CSOs, media and other external stakeholders to articulate/write about PFM change success stories.

Annex 3: Key Contacts of authorized representatives

WB	Mr Patrick Piker Umah Tete pumahtete@worldbank.org Ms Viengmala Phomsengsavanh vphomsengsavanh@worldbank.org
GoRMI	Ms Ayako Yamaguchi-Eliou Secretary of Finance ayakoye@rmigov.mh Ms. Neri Wase Deputy Secretary neri13wase@gmail.com Ms. Malie Tarwillin Director, Division of International Development Assistance, RMI mtarbwilin@gmail.com

TABLE 1 WB AND RECIPIENT CONTACTS

Annex 4: Key Project Documents

These documents contain detailed information about the project and also outline the legal obligations and guidelines that must be followed during project implementation. It is important that these documents are available to people responsible for project implementation and are referred to during the life of the project.

TABLE 2 KEY PROJECT DOCUMENTS AND PURPOSE

Document	Purpose
Legal– WB	
Financing Agreement	The Financing Agreement is a legal agreement between the Association (IDA) and Government of RMI and defines the financial arrangements between the Borrower and Recipient.
Disbursement and Financial Information Letter (	This letter is classified as an 'additional instruction' under the Financing Agreement and defines how the Government of RMI can withdraw grant proceeds from the WB and also defines the type of bank account that RMI needs to set up for the WB to pay money into. It also sets out the financial reporting and audit requirements.
IDA General Conditions for Credits and Grants	The General Conditions are part of the Financing Agreement and set out equally important legal obligations of both the implementing agencies, and the WB.
Legal – RMI	
RMI Legislation	Must be complied with when implementing this project. Relevant Legislation includes (but is not limited to) the Financial Management Act 1990; the Procurement Code (Act) 2023; Auditor-General (Definition of Duties, Functions and Powers) Act 1986; Economic Policy Planning and Statistics Office 2003; Financial Year Act 1986; General Fiscal Matters Act; General Fund Investment Act 1979; Global Fund Act 2009; Government Borrowing Act 1985; Government Departments and Agencies (Over-Time) Special Revenue Fund 2007; Government Fees Act 1984; Government Indebtedness (Restructuring) Act 1983; Government Infrastructure Development Integrity and Sustainability Act 2016; Government-Employment Retirement Plan Act, 2019; Health Care Revenue Fund Act of 1989; ; and relevant Regulations subordinate to these Acts.
Guidelines	
WB Disbursement	These form an integral part of the Disbursement Letter and give much more detail about the rules and procedures for disbursement of grant

Guidelines for Investment Project Financing	funds. The Disbursement Guidelines are also useful to check the meaning of certain words used by the WB.
WB Proc. Regulations for Borrowers under Project Financing, Goods, Works, Non-consulting and Consulting Services	The Financing Agreement places a legal obligation on the Government of RMI and the project implementation team to conduct all procurement of goods, works and non-consulting services , and consulting services in accordance with these Procurement Regulations.
Information	
Project To Strengthen Budget Execution and Financial Reporting Systems Project Appraisal Document (PAD)	These documents were developed by the WB in close consultation with the implementing agencies and countries and outlines all details of the Project to Strengthen Budget Execution and Financial Reporting Systems. However, the PAD is not a legal document and not legally binding. It includes detailed background information, development objectives, the project components, implementation arrangements, results framework, risks and mitigation measures.

Annex 5: Soft and Hard Copy File Structure

Generic File Structure for PFM Shared Dropbox

Root Directory	Secondary Directory
Identification and Preparation	Project Appraisal Document Finance
General Project Documents	Project Implementation Manual Procurement Plans Annual Plans Monthly Reports Quarterly Reports
Financial Reports	Disbursement and Financing Budgets Quarterly Reports Payment Requests (by month) Procurement (by Procurement Package)
Committees	National Steering Committee Documents
	PFM Working Group Documents
C1 Strengthening PFM Environment	
C2 FMIS	
C3 Change Management and Human Resource Development	
C4 Project Management	
Monitoring and Evaluation	
Communication	Photographs Press Releases Newsletters
	Fact Sheets
	Other
Working Documents	
WB	Aide Memoire

TABLE 3 FILE STRUCTURE FOR PFM SHARED DROP BOX

Annex 6: Reporting Template (Six Monthly for WB and Steering Committee)

Progress Report
Report covering the Six-Months ending XX

Executive Summary

Component Status

Status Key		Significant Issues being experienced that require attention All
		activities proceeding as planned
		Potential Risks or Issues present - action being taken

Component or Project Activity		Status	Comments
C1	**Component One**		
	Strengthening PFM Practice		
C2	**Component Two**		
	Increasing Modernization of PFM Systems		
C3	**Component Three**		
	Strengthened PFM Capacity, Transparency, and Citizen Engagement		
C4	**Component Four**		
	Project Management		
	Other		

Major Issues or Risks

Items will remain on this list until they are resolved, or the risk ameliorated

	Major Issue or Risk	Action being taken
		☐

Performance against the Results Framework

Procurement

Financial Management

Safeguards

Annex 7: Theory of Change

PDO: To strengthen timeliness, oversight and transparency of budget execution and financial reporting.

Remaining Issues	Proposed Activities	Outputs	Intermediate outcomes	PDO Outcomes	High Level Outcomes
Weak capacity and delays in financial reporting and procurement; Inefficient business processes; Inefficient procurement processes and lack of reporting	**Component 1**: In-house preparation of consolidated US GASB annual financial statements (AFS); Develop or update procedures, manuals and templates for accounting, financial reporting, procurement and internal audit; Technical assistance and on the job training on accounting, financial reporting, procurement and internal audit.	Consolidated US GASB financial reports; Updated procedures, manuals, and guidelines to support accounting, financial reporting and procurement practices. Internal audit reports and recommendations issued; Quarterly management reports on budget execution	Increased timeliness of payment processing, procurement and financial reporting; Improved oversight of budget execution and reporting; Improved internal control and risk management; Maintained data security and disaster resilience; Strengthened technical capability for key public finance functions; Increased availability and engagement on fiscal and procurement information	(i) Improved timeliness and oversight in financial reporting; (ii) Improved timeliness and oversight of budget execution; (iii) Improved accessibility of fiscal and procurement information; Strengthened control, timeliness, and transparency of budget execution and financial reporting	Improved transparency and accountability over public finance
FMIS functionality not maximized outside MOFBPS; Need for continued FMIS support, maintenance, annual licenses and disaster resilience; Weak capacity for cyber security; No automation of procurement; New systems (ASYCUDA, RMS, LMS) under development	**Component 2**: Updated Business Process Review and manuals and continued customization/configuration of FMIS; Continued rollout of FMIS to additional entities and decentralization of FMIS modules and functionality to line ministries; Training and mentoring on use of FMIS. Implementation and training for a centralized online tendering system	Updated processes and customizations; Super user group established and training delivered; FMIS usage expanded and aadditional modules decentralised. Automation of procurement tendering and reporting			
Need for programs to build specialized skills in accounting, reporting, procurement and IA; Noted gender imbalance at technical level; No evidence-base to inform MOFBPS recruitment and retention strategies; Need to manage change associated reforms; Transparency over procurement and budget execution is weak, two-way engagement is lacking	**Component 3**: Establish and formalize learning/certification programs and accreditation body for public finance disciplines; Update gender-informed competency framework and recruitment strategy; Develop change management strategy and establish change team to manage and coordinate activities; Conduct HIES and diaspora survey; Develop and implement strategies for enhanced transparency and citizen engagement on public finance.	Training programs developed, people trained and competencies built; Accreditation function established. Change team established and change communications conducted; HIES, diaspora survey and recruitment/retention strategy; Increased public availability of fiscal and procurement documents and expanded citizen engagement			