

**FEDERATED STATES OF MICRONESIA (FSM) COUNTRY PROGRAM REPORT
PACIFIC REVIEW OF ADVISER POSITIONS FUNDED BY THE AUSTRALIAN AID PROGRAM**

Overview

[A Joint Adviser Review Report](#) was released on 15 February 2011, which provided a synthesis of the findings and key recommendations from individual country reviews, including country specific adviser figures and narrative.

Australia worked bilaterally with a large number of partner country governments to review each adviser position. While the underlying Review methodology and the core content of country-specific reports is consistent across programs, in each case the final country-specific Review Report reflects decisions made by the joint Review teams as appropriate for the specific cultural and language context. As a result there are some presentational differences between reports.

This report presents the findings and recommendations of the joint Review process undertaken between the Governments of the Federated States of Micronesia and Australia. This Report has been amended to ensure AusAID does not breach its privacy obligations related to individuals and/or relative to information considered sensitive to bilateral relationships.

It is important to note that the Review process involved an assessment of the value and effectiveness of each adviser position – not the performance of individuals in those positions. The Review focused on the role of each position in meeting agreed country program objectives and development outcomes. On the basis of this assessment, the continued funding of adviser positions by AusAID was jointly considered and agreed with partner governments.

1. Executive Summary

Discussions with senior government officials re-confirmed strong support for the roles of the current advisers provided to the Government of the Federated States of Micronesia (GOFSM) through the Australian aid program. During the discussions with the Government, it was clear that Australian advisers are highly valued. Specifically GOFSM commented on the professional approach and relevant experience of the current PACTAM advisers.

2. Background

The Australia FSM Partnerships for Development was signed in August 2010. The Priority Outcomes under the Partnership are: budget and economic management; donor co-ordination; and environmental management. To deliver on these Priority Outcomes, Australia is:

- supporting FSM to implement **financial and budgetary reforms** (\$710,000, 2010-12). Key focus areas of the program include reforms to the tax system and tax administration, and the introduction of a VAT system to improve revenue collection and ensure a fair method of tax calculations across all four States of the FSM;
- supporting the Division of Overseas Development Assistance (ODA) to improve the coordination of **external development assistance** to FSM and to ensure greater alignment of external assistance with FSM policies and strategies (\$574,940, 2010-12);
- supporting **environmental management** (\$897,000, 2010-12) through the provision of an adviser, to improve the development and enforcement of policies, laws and regulations; along with adequate legal and international treaty safeguards.

Long term advisers under the above programs are engaged through the Pacific Technical Assistance Mechanism (PACTAM) managed by Australian Volunteers International.

In addition to the above support, Australia also provides significant funding for communities and NGOs under the Small Grant Scheme, and for scholarships including under the Australian Regional Development Scholarship (ARDS), Australian Leadership Awards (ALA) and the Australia Pacific Technical College (APTC).

Advisers in the Federated States of Micronesia

There will be five international long-term adviser positions funded under the aid program in 2010-11. The total cost of advisers is estimated at AUD550,000 and will represent 27 per cent of the budget allocation for FSM. Advisers mainly provide high-level strategic and policy advice to Department heads and senior managers.

In FSM, the government relies on advisers to bring current international experience and good practice to development work. With limited GOFSM human resources, the Government also relies on advisers to help bring about change at a reasonable pace and to fill skill gaps in the public sector. It is important to recognise that adviser provision is demand-based from the GOFSM and is consistent with the recently negotiated Priority Outcomes agreed under the Australia FSM Partnership for Development.

The North Pacific countries are in a unique position in terms of donor support. The majority of their revenue is provided under the US Compact of Free Association. In general, terms of the agreement do not allow for the provision of long-term advisers. GOFSM capacity

constraints are therefore the major barrier to translating substantial revenue flows into effective services for FSM's people. Through the provision of advisers, Australia is therefore in a unique position to support the governments of the North Pacific to make more strategic use of donor funds.

Methodology used to conduct review

The review considered 'long term' (at least six months input per year) adviser positions that were in place in the 2010-11 (Australian) financial year.

The methodology used for the review included document and data analysis and consultations with all current beneficiaries of advisory assistance through the FSM-Australia aid program. Key steps in the process are:

- Initial data analysis gathered information on every adviser position in place or planned for the 2010-2011 financial year;
- AusAID made an initial assessment of the priority of each position, assessing their terms of reference, existing monitoring reports. Each position was ranked as high (continue the position), medium (consider changes to the position) or low (phase out the position);
- Initial rankings were discussed by the Review Team with GOFSM (including in most cases the heads of the Departments receiving the advisory assistance). Final rankings were determined during these consultations.

3. Review Findings

Key issues related to Relevance, Effectiveness and Cost Effectiveness

Advisers not linked to partnership programs

With a growing program in the North Pacific and as an important provider of advisers, Australia is likely to be approached by GOFSM in the future to provide advisers or fill in-line positions in areas where the necessary knowledge or skills are not available in the GOFSM public service. In considering requests for advisers that are not part of our partnership programs, we need to better assess how AusAID adds value – what we contribute other than funding and whether we are able to effectively manage the performance of the adviser. Where we are not in a position to effectively manage the adviser, we need to be proactive in seeking opportunities to collaborate with other donors, especially in areas where they have more expertise or play a lead role.

Nevertheless, concentrating rather than expanding our focus should remain the aim of Australian support in FSM. The aid program to FSM is likely to continue to focus on current Partnership priority areas. It will be important to deepen our engagement in and knowledge of these key sectors rather than diffuse our advisory support in other areas, to ensure advisers are effective and Australia's aid is not exposed to reputational or other risks because we are not sufficiently informed about what advisers are doing.

Assessing the effectiveness of advisers to deliver real reforms

We recognise that initially advisers in FSM have focussed (appropriately) on delivering key short-term outputs required by the Government. However, when considering the continuation of a position, we will need to determine whether the Government continues to be committed to the reforms the adviser has been recruited to deliver. We will need to shift our focus from judging the effectiveness of advisers on the processes they are delivering on, to their ability to nurture and progress real reforms in the area of policy formulation and/or

service delivery. If evidence indicates government is not ready for reform, then we should consider more cost effective options for delivering outputs (eg. using volunteers, local or short-term positions).

Cost sharing arrangements for adviser positions

The current adviser positions in FSM are all provided through PACTAM and are negotiated with cost sharing arrangements (GOFSM provide housing and local salary). This is a best practise approach that indicates a strong level of ownership on the part of the government and helps ensure the real value of the adviser position is in the position and not in any extra budget (for equipment, conferences etc) the adviser brings with them.

4. Recommendations

Future commitment to adviser positions

A summary of specific positions, their roles and priority rankings following assessment is at Attachment A.

Five adviser positions were reviewed. Four were identified as high priority and should continue to be supported. Three of these positions are new and advisers are not yet in place. One position (Adviser with the National Department of Education) was classified as low priority. This is an on-going position and not part of the Partnership agreement. This position will be phased out over the next year.

Process for managing future requests for advisers

Recommendation 1: Before any position is agreed to, the following issues must be considered at a minimum by the requesting Department. Decision-makers for existing programs (both in AusAID and from the managing contractor) should adopt these criteria as the basis for assessing future requests for advisers.

- Requests for advisers outside our main programs need to be assessed in terms of how AusAID adds value – what we contribute other than funding and whether we are able to effectively manage the performance of the adviser.
- Requests for extensions need to be assessed in terms of whether the Government continues to be committed to the reforms the adviser is helping deliver, and accordingly whether the adviser can therefore deliver on the outcomes agreed in their Terms of Reference (TORs).
- Continue current cost-sharing arrangements with GOFSM.

Recommendation 2: The TORs for each adviser assignment should clearly articulate the expected outputs, capacity development goals, proposed approach (direct/hands-on or guiding/supporting), exit strategy, review processes, the adviser's lines of accountability and responsibilities of all parties including Department Heads, counterparts and adviser. TORs must be reviewed on a regular basis to track progress and address any issues arising. Where progress is severely hampered by issues that have arisen in the course of the assignment, the Department Head (or senior delegate) is responsible for taking appropriate actions including ending the assignment where there is no prospect for successful achievement of outcomes.

Recommendation 3: Every two years, the use of advisers across the aid program will be reviewed to ensure prioritisation based on agreed development priorities and ensure consistency of approach. AusAID's Annual Program Performance Review process provides a good mechanism for regular review and re-assessment. A report on progress in implementing recommendations from the Adviser Reviews will be prepared for presentation at the Australia FSM Partnership Talks in the following year.

Recommendation 4: AusAID's contracts with service providers (specifically PACTAM) supporting recruitment processes should ensure that a suitable candidate is placed. If a suitable person cannot be identified, AusAID's decision to support the position may need to be reassessed.

5. Next Steps

Timeframe and process for implementing review recommendations

All aid program activities in FSM will need to confirm their approaches to using technical advisers in accordance with the recommendations in this report. Where new programs are being designed, this report's recommendations will provide guidance on the design of components related to technical advisers. Where existing programs are being implemented, the AusAID program manager and their GOFSM counterparts will need to assess existing practices related to the use of technical advisers and adjust them to incorporate this review's recommendations. The Focal Point in Canberra will provide oversight to ensure that all programs take necessary steps to implement this review's findings. The recommendations of the review will be implemented by June 2011, prior to the next Australia FSM Partnership Talks.

For the position that has been rated as low priority, the program will develop an exit strategy. This will identify, in consultation with GOFSM, when the adviser's contract finishes, what tasks the adviser still needs to complete and what would be an appropriate way of phasing-out the position, including relevant handover processes. Wherever possible, the existing contractual commitment with the adviser will be fulfilled. The exit strategy for this position will be reviewed by the Focal Point in Canberra.

6. Conclusion

Advisory assistance remains an important way of contributing to the skills, knowledge and expertise that is needed to support FSM's development. Provision of adviser assistance through PACTAM costs up to AUD150,000 per annum per position. Under the Partnership, the use of advisers is seen to be vital, especially in the first few years where the focus is on capacity building and putting strategic plans in place. Nevertheless, the advisers should be used judiciously to ensure they contribute to effective development outcomes and represent value-for-money for both FSM and Australia.

Attachment A

Rank	Position	Function	Initial Rating	Rationale for rating	GOFSM response	Final Rating
1	Tax Reform Adviser	To assist the National Department of Finance with reforms to the tax system and tax administration, and the introduction of a VAT system to improve revenue collection and ensure a fair method of tax calculations across all four States of the FSM.	High	Long overdue and much needed tax legislation is now awaiting approval with Congress due to the inputs from the Adviser. The next stage will be implementation of the reforms.	Agrees with rating and comments	High
2	Tax & Revenue Adviser	To assist the Chuuk State Department of Finance with tax reforms and improved revenue collection.	High	Support to the revenue office in the State of Chuuk which has the lowest rate of collection. With the support of the adviser, revenue has increased by 15% in the past year. Department staff have all received on-going training and morale has been hugely improved.	Agrees with rating and comments.	High
3	Environmental Management Adviser	To assist the National Department of Environment to review national and state laws, the constitution, regulations and treaties to provide draft amendments to FSM Title 25 (The Environmental Protection Act) and to assist the four states to update their environmental laws and regulations.	High	This is the only advisory position within the Environmental sector despite the large amount of money received through US Compact funding. The technical expertise needed is beyond the scope of the Department and there will be considerable focus on skills sharing.	Agree with rating and comments.	High
4	Development Coordination Adviser	To assist the Division of Overseas Development Assistance to improve the coordination of external development assistance to FSM and to ensure greater alignment of external assistance with FSM policies and strategies.	High	This Division currently has one member of staff so capacity to perform effectively is very low.	Agree with rating and comments.	High
5	Curriculum & Standards Adviser	To assist the National Department of Education with development and implementation of school accreditation, teacher certification policies and school improvement planning.	Low	This is the only advisory position within the Education sector despite the large amount of money received through US Compact funding. Technical expertise is minimal within the Department and there has been considerable focus on skills sharing.	Agree with rating and comments	Low