

**Federated States of Micronesia:
Technical Assistance
Report-Government Finance
Statistics Mission (October
25-November 2, 2021)**



FEDERATED STATES OF MICRONESIA

TECHNICAL ASSISTANCE REPORT ON GOVERNMENT FINANCE STATISTICS MISSION (OCTOBER 25-NOVEMBER 2, 2021)

May 2022

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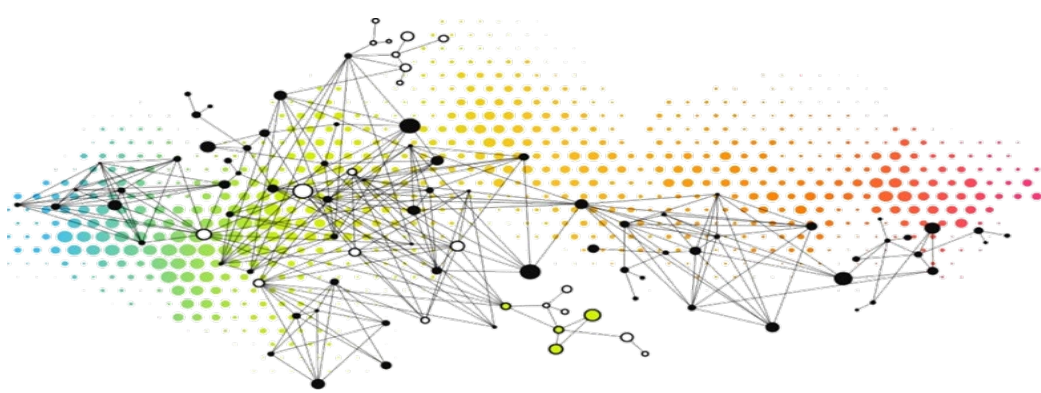
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REPORT ON GOVERNMENT FINANCE STATISTICS MISSION (OCTOBER 25–NOVEMBER 2, 2021)

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CONTENTS

| | |
|----------|---|
| Glossary | 3 |
|----------|---|

| | |
|---|----------|
| SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS | 4 |
|---|----------|

| | |
|--|----------|
| DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS | 6 |
|--|----------|

| | |
|--------------------------------|---|
| A. Institutional Sectorization | 6 |
|--------------------------------|---|

| | |
|--|---|
| B. Chart of Accounts and Financial Management Information System | 7 |
|--|---|

| | |
|---|---|
| C. Government Finance Statistics data compilation and dissemination | 8 |
|---|---|

| | |
|-------------------------|---|
| D. COVID-19 Expenditure | 9 |
|-------------------------|---|

| | |
|--|----|
| E. Public Sector Debt Statistics Compilation and Dissemination | 11 |
|--|----|

| | |
|---|----|
| F. Staff Resources, Capacity and Business Process | 13 |
|---|----|

TABLES

| | |
|-----------------------------|---|
| 1. Priority Recommendations | 6 |
|-----------------------------|---|

| | |
|--|---|
| 2. Extrabudgetary Units and Social Security Fund Unconsolidated Aggregate Data | 9 |
|--|---|

| | |
|--|----|
| 3. Gross Public Sector Debt Stock as of September 30, 2019 | 13 |
|--|----|

APPENDICES

| | |
|---|----|
| I. Mission Recommendations, Action Plan and Implementation Status | 15 |
|---|----|

| | |
|---|----|
| II. Structure of the Public Sector as of October 2021 | 18 |
|---|----|

| | |
|---|----|
| III. Public Sector Debt Statistics Gap Analysis and Action Plan | 22 |
|---|----|

| | |
|--------------------------------------|----|
| IV. Officials Met During the Mission | 24 |
|--------------------------------------|----|

Glossary

| | |
|-------------------|---|
| ADB | Asian Development Bank |
| AFS | Audited Financial Statements |
| APD | Asia and Pacific Department, IMF |
| BCG | Budgetary Central Government |
| CoA | Chart of Accounts |
| COFOG | Classification of the Functions of Government |
| D4D | Data for Decision trust fund |
| DoFA | Department of Finance and Administration |
| DoRD | Department of Resources and Development |
| DTCI | Department of Transport, Communications, and Infrastructure |
| EBU | Extrabudgetary unit |
| FMIS | Financial Management Information System |
| FSM | Federated States of Micronesia |
| FSMTCC | Federated States of Micronesia Telecommunications Cable Corporation |
| FY | Fiscal Year |
| GFS | Government Finance Statistics |
| <i>GFSM 2014</i> | <i>Government Finance Statistics Manual 2014, IMF</i> |
| GG | General Government |
| IU | Institutional Unit |
| LIHH | Low-Income Households |
| NSO | National Statistics Office |
| OAP | Other Accounts Payable |
| PC | Public Corporation |
| PFC | Public Financial Corporation |
| PNFC | Public Non-Financial Corporation |
| PFTAC | Pacific Financial Technical Assistance Center |
| PSDS | Public Sector Debt Statistics |
| <i>PSDSG 2011</i> | <i>Public Sector Debt Statistics Guide 2011, IMF</i> |
| QPSD | Quarterly Public Sector Debt |
| RBM | Results-Based Management Framework, IMF |
| RMS | Revenue Management System |
| SG | State Governments |
| SSF | Social Security Fund |
| STA | Statistics Department, IMF |
| TA | Technical Assistance |
| TRA | Telecommunications Regulatory Authority |
| USGS | United States Graduate School |
| WB | World Bank |

SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS

1. **A virtual technical assistance (TA) mission supported by the IMF's Asia and Pacific Department (APD) was conducted by the IMF Statistics Department (STA) and the Pacific Financial Technical Assistance Centre (PFTAC) during October 25 – November 2, 2021.** The mission assisted the Department of Resources and Development (DoRD), National Statistics Office (NSO) improving the compilation and dissemination of Government Finance statistics (GFS) and Public Sector Debt Statistics (PSDS) according to the *Government Finance Statistics Manual 2014 (GFSM2014)* and the *Public-Sector Debt Statistics Guide 2011 (PSDSG 2011)*. The mission was conducted under the Data for Decisions (D4D) trust fund,¹ a multi-donor initiative aimed at strengthening the quality of national statistical outputs to better support economic policy making in low-and lower-middle income countries and the PFTAC GFS capacity development project.
2. **The mission held discussions with the DoRD management, GFS compilers, and the Department of Finance and Administration (DoFA) on progress made.** The conditions of the COVID-19 pandemic continue to impact overall progress. Only three out of eighteen recommendations were accomplished mainly because of the source data unavailability (Appendix I). For example, the COVID-19 travel restrictions have been delaying the finalization of audited financial statements (AFS) across all sectors. AFS are regarded the most reliable source of compiling fiscal and debt statistics and in particular for budgetary central government (BCG) and state governments (SGs) as some of the largest sectors of the economy. AFS for the fiscal year (FY) 2020 for BCG and SGs was not available at the time of the mission. Additional assistance may be required to complete BCG and SG FY 2020 GFS when the AFS are completed. Resource constraints in the NSO also delayed progress in the finalization of general government (GG) consolidation.
3. **Hands-on-training and technical support was provided in the compilation of the extrabudgetary units (EBUs) and the social security fund (SSF) GFS.** The AFS for FY2019 was available from the FSM Office of the National Public Auditor webpage. The statements were used to bridge financial information to the GFS by using the Microsoft Excel working files that was set up for EBU and the SSF. These datasets were completed by the end of the mission. Some of the FY2020 statements were also available and these data were included in the working files as well. The mission was also pleased to learn that the Microsoft Excel software application was updated to the 2016 version (a high priority recommendation from the previous mission).
4. **Compiling annual and high frequency fiscal and debt statistics from the financial management information system (FMIS) was discussed with the DoFA.** The chart of accounts

¹ <https://www.imf.org/en/Capacity-Development/D4D>

(CoA) and FMIS reform project encountered delays but regained traction. The DoFA shared with the mission the updated CoA / FMIS project document. The new FMIS will be much more superior than the current one and it may create the opportunity to produce quarterly and preliminary annual GFS reports. The mission encouraged the DoRD to collaborate with the DoFA to ensure the successful incorporation of the economic and functional classification aligned to the *GFSM 2014* in the new CoA and FMIS.

5. The DoFA compile a quarterly COVID-19 expenditure report to Congress. The mission was pleased to learn that the DoFA compiles a quarterly report that provides updates on how the macroeconomic and financial sector positions are impacted by the pandemic. The report provides key aggregates on budget execution, expenditure, and flow of funds for all COVID-19 supported programs. The mission encouraged the DoFA to release this information on the website as it provides very useful information for surveillance and policy making.

6. The mission assisted in the compilation of PSDS for the FSM public sector by using the AFS as source. The mission worked with the World Bank (WB) to formalize an official request to the Secretary for the DoFA to participate in the joint IMF/WB quarterly public sector debt (QPSD) database. Upon DoFA's acceptance to participate and agreeing amongst the agencies who will take the primary responsibility for compiling and submitting the PSDS, the information will be transmitted. The mission also assisted in the completion of the PSDS data gap analysis and action plan.

7. The mission suggested to review and update the existing business process documentation. Detailed procedural guidelines would allow compilers to refresh and better understand the entire GFS and PSDS processes and would mitigate the risk of an eventual transition to new staff. The mission reviewed the existing documentation and recommended to amend it and update it by incorporating guidelines to compile and disseminate PSDS. This will be crucial to sustain ongoing operations for the compilation and dissemination of GFS and PSDS.

Table 1 summarizes the priority recommendations. The action plan is included at the end of this report. Future requests will be assessed based on progress made in implementing these recommendations.

Table 1. Priority Recommendations

| Target Date | Priority Recommendation | Responsible Institutions |
|---------------|---|--------------------------|
| Immediate | Complete PSDS for the public sector FY2019 (2019Q4) and submit to the World Bank. | DoRD/DoFA |
| January 2022 | Compile and disseminate BCG and SGs GFS for FY2020 upon receiving the AFS. | DoRD |
| March 2022 | Compile PSDS for the public sector FY2020 (2020Q4) and submit to the World Bank. | DoRD/DoFA |
| December 2021 | Release COVID-19 expenditure report on the DoFA website. | DoFA |

DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS

A. Institutional Sectorization

8. Institutional units need to be reviewed and updated regularly. There are two new units established in the FSM, the Telecommunications Regulatory Authority (TRA) and FSM Telecommunications Cable Corporation (FSMTCC). These newly added units and updates to the institutional unit (IU) table should be agreed across all macroeconomic statistics frameworks.

9. The mission recommended to add the TRA to the EBU as part of the central government. The TRA was created under FSM Public Law 18-52 in 2014 and commenced operations in 2019. It is a regulator setting guidelines and overseeing telecommunications operators to ensure the accessible and affordable telecommunication service. The chief executive and two members are appointed by the president of the FSM with the consent of the FSM congress. The Authority shall be funded on an annual basis by license fees and other fees it is entitled to charge under the Act, from grants and donations, and from moneys appropriated by Congress. The TRA's initial year operations was funded from an operating grant from the FSM national government and a World Bank (WB) grant. As such the unit is classified as a nonmarket producer for now, but it is advised that once the unit is fully operational a market test be conducted to determine its classification as either part of the GG or the public corporations (PC) sector.

10. Provided the information in the FSM public law and AFS, the mission advised to classify the FSMTCC as a public nonfinancial corporation (NFPC). The FSMTCC was incorporated under the FSM Public Law 18-52 in 2014, to engage in the business of providing telecommunication services except radio and television broadcasting. The company's two shareholders, with equal shares, are the Secretary of the DoFA and the Secretary of Transport, Communications & Infrastructure (DTC&I). The company is governed by a five-member Board of Directors appointed by the two shareholders. It has received a license to operate in 2019,

building cable network across FSM. The FSM National Government provided financial support through legislative appropriations. After the start-up period the company's revenue should solely originate from contributions from licensed retail service providers. After assessing the 2018 and 2019 financial information the mission noted that initial capital for both years of operations mainly came from grants from the FSM government and the World Bank. Since the company's revenue should mainly originate solely from license revenue prevailing in the market, the mission advises to classify the unit as a market unit but suggested to review the classification once the unit has been operating for at least five years to determine if it is a market on non-market unit.

11. Four component units were omitted from the Yap Government AFS due to the lack of financial information. The units omitted from the Yap government AFS is—Gagil-Tomil Water Authority, Southern Yap Water Authority, Yap Fishing Authority, and Yap Sports Council. These units according to the recent AFS have not provided any financial information to be included in the state government financial statements or to compile their own set of financial statements. The assessment made by the auditors indicated apart from the Yap Fishing Authority, operations of these units were immaterial. The mission encouraged the GFS compilers to continue to work with the Yap State statistics office to investigate the collection of any financial information to be included in the EBU's data time series.

Recommended action:

- *Update the IU table and compilation files to reflect the addition of the TRA and FSMTCC since they started operations.*
- *Conduct an annual review of the IU table and update as necessary and agree the UI table across all macroeconomic statistics frameworks.*

B. Chart of Accounts and Financial Management Information System

12. The chart of accounts (CoA) and financial management information system (FMIS) reform project encountered delays but regained traction. The DoFA in parallel with the CoA/FMIS project also worked on procuring a new revenue management system (RMS). The FMIS encountered delays due to bidding not aligned with the allotted budget, whilst the RMS could proceed because the bidding was aligned to the approved budget. The DoFA has hired a new project manager for the CoA/FMIS reform after the previous manager left, which also contributed to the delays. The new structure of CoA proposed in January 2021 has been tentatively approved with some flexibility to accommodate some suggested improvements that can be tailored to the new FMIS. The official approval will be granted once the new structure is finalized. The implementation date for the new CoA/FMIS for national and state governments could not yet be determined.

13. The new FMIS could accommodate higher frequency reporting and produce the GFS fiscal report. The current CoA/FMIS have limitations that deter it from producing preliminary outcome on an annual basis in a timely manner, similar conditions for high frequency reporting. The new draft CoA project proposal shared with the mission by the DoFA, is

considering the reporting, legal and management demand, including *GFSM 2014*, and sustainable development goals. It is planned to incorporate *GFSM 2014* codes, e.g., three digits of the classification of the functions of government (COFOG) and four (with up to six) digits of economic classification. The draft CoA coding need to be shared with the NSO so that compilers are granted the opportunity to bridge the national codes to the *GFSM 2014*. Furthermore, it is advised that the new CoA goes through a pilot testing phase to ensure compliance between the initial project scoping and what will be practically implemented.

Recommended action:

- *The mission encouraged the DoRD to collaborate with the DoFA to ensure the successful incorporation of the economic and functional classification aligned to the GFSM 2014 in the new CoA and FMIS.*

C. Government Finance Statistics data compilation and dissemination

14. The mission was pleased to note that the NSO updated its Microsoft Excel software to the 2016 version, which will better facilitate compilation and file integration. Prior to this update, the compilation was hampered by the loss of functionality and its incompatibility to the STA's annual GFS questionnaire from using the outdated version of Microsoft Excel application.

15. The AFS, the primary data source for the GFS compilation, was not available from the FSM Office of the National Public Auditor webpage, for all GG units. The AFS for all GG units is generally available under the component unit section in each of the government pages. AFS for BCG and SG's were not available at the time of the mission started. Once the AFS is available the BCG and SG's working files should be updated, and the data should be transferred to the IMF's GFS annual database and submitted to the IMF STA. The AFS are expected to be completed by end December 2021. Further assistance may be required to complete the working files and the annual GFS questionnaire.

16. The mission provided technical support and further hands-on-training in the compilation of the extrabudgetary units (EBUs), social security fund (SSF), and public corporations' (PCs) GFS. The compilation process set out in the EBUs, SSFs and PCs guidelines prepared with the assistance of the 2020 mission, remains unchanged. The EBUs, SSF, and PCs datasets for FY 2019 were completed by the end of the mission. The mission incorporated the Kosrae Housing Authority and the TRA in the compilation file with all the available financial statements from FY 2016 to FY 2019. Some FY 2020 statements were also available during the mission and these data were included in the working files as well.

17. The current compilation of GFS for various subsectors can be aggregated, but not yet consolidated. GFS consolidation is a very important concept eliminating the intra- and intergovernmental transactions and debtor-creditor relationship in the balance sheet. This helps provide a clear picture of the interaction between government/public sector and other economic sectors for fiscal policy analysis. As some transactions do not create the economic impact to

other economic sectors but merely the administrative arrangement, those interactions between various government agencies should be removed. Transactions that should be eliminated should be identified using the financial information, particularly the notes, in the AFS to progress with GG consolidation.

Table 2. Extrabudgetary Units and Social Security Fund Unconsolidated Aggregate Data

| US\$ Million | Latest data available | Revenue | Expense | Assets | Liabilities |
|---|-----------------------|-------------|-------------|-------------|-------------|
| College of Micronesia | 2019 | 28.1 | 28.3 | 30.1 | 5.0 |
| FSM Telecommunications Regulation Authority | 2019 | 0.4 | 0.3 | 0.1 | 0.0 |
| Chuuk State Housing Authority | 2019 | 0.1 | 0.2 | 0.4 | 0.1 |
| Kosrae Housing Authority | 2019 | 0.1 | 0.2 | 0.7 | 0.2 |
| Kosrae Port Authority | 2019 | 0.5 | 1.2 | 14.7 | 0.1 |
| Pohnpei Transportation Authority | 2019 | 1.4 | 1.8 | 2.5 | 1.9 |
| Pohnpei State Housing Authority | 2019 | 0.4 | 0.6 | 3.4 | 0.1 |
| Yap Fishing Authority | 2014 | 0.2 | 0.2 | 2.2 | 0.2 |
| Yap Visitor's Bureau | 2019 | 0.2 | 0.2 | 0.2 | 0.0 |
| Total | | 31.5 | 33.2 | 54.3 | 7.6 |
| Social Security Fund | 2020 | 34.4 | 24.6 | 58.6 | 0.1 |

Recommended action:

- *Update BCG and SG working files and transfer the data to the annual GFS questionnaire and submit the data to IMF STA.*
- *In order to ensure the continuous understanding and ease of compilation and the working files, the compiler should at least once a month populate and bridge the data for one of the EBU's or the SSF.*

D. COVID-19 Expenditure

18. The DoFA compile a quarterly report on FSM COVID-19 Health and Livelihoods Support Program expenditure and submit this to Congress. The FSM signed a US\$14million agreement in grants received from Asian Development Bank (ADB) in November 2020, effective in December 2020 until September 2021. The objective of the grant is to alleviate the COVID-19 effects on the businesses and population, particularly to control the spread of the pandemic, inject stimulus to the businesses and provide social assistance to poor and vulnerable groups.

19. The steering committee meet and allocate the funding on a quarterly basis. There are five programs funded by the grant:

- a. Support to low-income households (LIHH): The distribution of the funds in this program, targeting low-income household, will be subject to the data collection from the LIHH

questionnaire. The questionnaires were first launched in Pohnpei and then were distributed to Yap, Kosrae and Chuuk.

- b. Food security program: This will be distributed based on the allocation per state. The disbursement is delayed due to the reiteration of the applicable criteria focusing more on responding to the community needs.
- c. COVID-19 community grants: This fund is targeting to community level and focusing on raising awareness of COVID-19 and educating people on COVID-19 self-preventive cares, such as social distancing, handwashing and wearing masks. The disbursement of this grant is relatively efficient compared to other programs.
- d. Small/Micro-enterprise loans: This program is managed by the FSM Development Bank with lighter criteria and easier process than normal loans. Most of loan applications were approved. This program disbursement is also efficient.
- e. Support for the elderly, disabled and gender-based violence (GBV) survivors: This program is also to provide the social assistance to the vulnerable groups, and it is subjected to the information from the LIHH questionnaire.

20. By June 2021, the FSM disbursed close to US\$ 4 million from the ADB grant. Only LIHH, the COVID-19 community grants and small-micro-enterprise loans were spent. The progress of support program to low-income households and to vulnerable groups was moderate due to the slow process of identifying qualified beneficiaries from data entry and questionnaire collection.

21. The report also provided COVID-19 related spending from the countercyclical measures and included updates on the impact of the pandemic to the macroeconomic and financial sector positions. Apart from the grant spending, the FSM also provided business stimulus to the tourism sector through the Tourism Mitigation Fund, of US\$ 5.8 million, pandemic unemployment assistance of a total of US\$ 14.9 million, and other payments that assisted citizens and non-citizens affected by the COVID-19 restrictions.

Recommended action:

- *As the **FSM COVID-19 Health & Livelihoods Support Program** quarterly reports provide useful information for purposes of surveillance and policy making; the mission encouraged the DoFA to publish this report on the DoFA website.*
- *It will be important that the GFS compilers are able to identify COVID-19 expenditures from the AFS to ensure the correct statistical treatment for the fiscal statistics compilation.*

E. Public Sector Debt Statistics Compilation and Dissemination

22. The WB extended an official invitation to the FSM to participate in the QPSD database. The mission worked with the WB to formalize an official request to the Secretary of the DoFA to participate in the submission of FSM public sector debt data for the QPSD database. Country specific experience has shown that the invitation for participation in supplying public sector debt statistics is usually extended to DoFA, debt management division; however, the institutional arrangement for the primary responsibility for debt compilation and dissemination should be agreed amongst agencies through a memorandum of understanding.

23. The mission assisted compilers to complete the D4D PSDS gap analysis assessment, heatmap and action plan. The NSO and the DoFA officials attended the virtual APD PSDS workshop during October 2020 that was funded under the D4D. Officials were not able to complete the entire workshop due to other priorities and as such were not able to complete the public sector debt gap analysis and action plan. The mission assisted in the completion of these documents which will reflect on the assessment for the readiness in disseminating PSDS. The action plan for the compilation and future development should also be agreed between the various stakeholders in DoFA and DoRD.

24. The PSDS can be compiled using the same working files used to compile GFS for all public sector units. The information in the AFS which are populated in the working files include balance sheet information that allow compiling liabilities and debt aggregates for the public sector; however, the debtor-creditor relationship must be identified for consolidation. The mission helped identifying on-lending loan stock positions between the BCG to other public sector units from the AFS notes for loans to eliminate double counting. No elimination was done for other accounts payable, as a detailed assessment of the information available through the AFS should be made.

25. The public debt data compiled during the mission, using AFS as source, revealed that the public sector relied heavily on the domestic sector financial resources, twice the size assessed in the debt sustainability analysis (DSA) of Article IV staff report November 2021. Important to note is that the DSA methodology, scope and coverage are different from that used to compile public sector debt according to the guidelines provided in the *PSDSG 2011*. Total public debt of the national and state governments for 2018 assessed in the DSA was US\$ 88.1 million, of which US\$ 83.7 million was external debt. The difference in the two data sets can largely be explained as public sector units other accounts payable (OAP), which is regarded as short-term debt instruments.

26. Total gross public sector debt stock as of September 30, 2019, amounted to US\$ 201 million, equal to 49% of GDP. The debt stock compiled from AFS as source are mainly represented by loans, insurance, pension, and standardized guarantee schemes and other accounts payable debt instruments. The total debt stock is made up of US\$ 125.4 million in

domestic creditors and US\$ 75.6 million in external creditors². Domestic creditors are largely driven by other accounts payable and external creditors by loans. The composition of total public sector debt consists of a total of US\$ 132.2 million (equal to 32 percent of GDP) represented by the GG and US\$ 68.8 million (equal to 17 percent of GDP) for financial and nonfinancial public corporations. Public sector debt data compiled by the mission may be used to complement the DSA. The mission shared with the compilers the WB QPSD questionnaire and provided support on how to fill the questionnaire and the metadata template and requested the authorities to submit the data to the WB. Next steps would include discussing debt valuation, maturity, and possibilities of full public sector debt consolidation.

27. Domestic creditors are largely driven by OAP which account for 60% of public sector (PS) gross debt stock and 29 percent of GDP (2019). The OAP debt stock for the PS amounts to US\$ 119.6 million, of which US\$ 82.7 million represents the GG and US\$ 36.9 million public financial and nonfinancial corporations' sector. For the GG, budgetary and state governments present the largest portion of OAP, with US\$ 45.9 and US\$ 29.2 million respectively. The financial statements include amongst others a) amounts payable to component units, b) payments due to the primary government, c) payments due to FSM state governments, d) compensated absences payable, e) tax refunds payable, f) unearned revenues, and g) accounts payable and accruals not classified in other categories. These accounts are all bridged to OAP in GFS. Items included in the financial statements do not provide sufficient information on OAP to perform detail analysis on the counterparts (creditors), specific debt characteristics and arrears. This level of information could be obtained from the financial system.

² Preliminary finding suggests that the bottom-line assessment for the DSA remains broadly unchanged with this debt stock information, although the threshold of the present value of external debt-to-GDP ratio and the threshold of the public debt-to-GDP ratio are projected to be breached by a few years earlier than those projected for 2021 DSA (<https://www.imf.org/en/Publications/CR/Issues/2021/11/01/Federated-States-of-Micronesia-2021-Article-IV-Consultation-Press-Release-Staff-Report-and-501362>).

Table 3. Gross Public Sector Debt Stock as of September 30, 2019

| US\$ Million (2019) | BCG | EBU ¹ | CG | SSF | SG | GG | PNFC ² | PFC ³ | PS |
|---|-------------|------------------|--------------|------------|-------------|--------------|-------------------|------------------|--------------|
| By instrument of stock of debt: | | | | | | | | | |
| 63 Net incurrence of liabilities | 95.2 | 7.6 | 102.8 | 0.2 | 29.3 | 132.2 | 62.8 | 6.0 | 201.0 |
| 631 Domestic creditors | 45.9 | 7.6 | 53.6 | 0.2 | 29.2 | 82.9 | 37.3 | 5.2 | 125.4 |
| 6314 Loans ² | - | 0.2 | 0.2 | - | - | 0.2 | 5.6 | - | 5.7 |
| 6316 Insurance, pension, and standardized guarantee schemes | - | - | - | - | - | - | - | 0.0 | 0.0 |
| 6318 Other accounts payable | 45.9 | 7.4 | 53.4 | 0.2 | 29.2 | 82.7 | 31.7 | 5.2 | 119.6 |
| 632 External creditors | 49.2 | - | 49.2 | - | 0.1 | 49.3 | 25.5 | 0.8 | 75.6 |
| 6324 Loans | 49.2 | - | 49.2 | - | 0.1 | 49.3 | 25.5 | 0.7 | 75.5 |
| 6326 Insurance, pension, and standardized guarantee schemes | - | - | - | - | - | - | - | - | - |
| 6328 Other accounts payable | - | - | - | - | - | - | - | 0.0 | 0.0 |
| <i>Total net incurrence of liabilities as per centage of GDP ¹</i> | <i>23%</i> | <i>2%</i> | <i>25%</i> | <i>0%</i> | <i>7%</i> | <i>32%</i> | <i>15%</i> | <i>1%</i> | <i>49%</i> |

1. Nominal GDP-Estimates as per the AIV staff report-November 2021.

2. Loans (mainly on-lending) between the levels of government and public corporations have been eliminated.

1. Include: College of Micronesia, FSM Telecommunications Regulation Authority, Chuuk State Housing Authority, Kosrae Housing Authority, Kosrae Port Authority, Pohnpei Transportation Authority, Pohnpei State Housing Authority, Yap Visitor's Bureau.

2. Include: Caroline Islands Air, FSM Petroleum Corporation, FSM Telecommunication Corporation, FSM Telecommunication Cable Corporation, National Fisheries Corporation, Chuuk Public Utilities Corporation, Kosrae Utilities Authority, Pohnpei Port Authority, Pohnpei Utilities Corporation, Diving Seagull Incorporated, Yap State Public Service Corporation.

3. Include: FSM Development Bank, Chuuk State Health Care Plan, Micare Plan Incorporated, Pohnpei Small Business Guarantee and Finance Group.

Source: Audited Financial Statements

Recommended Actions:

- The authorities discuss and agree among the agencies who will take the primary responsibility for compiling and submitting the PSDS.
- The authorities complete PSDS for the public sector FY2019 (2019Q4) and submit upon acceptance of participation in the joint IMF/WB QPSD database.
- Once the AFS for 2020 is completed, the authorities compile PSDS for the public sector FY2020 (2020Q4) and submit to the joint IMF/WB QPSD database.

F. Staff Resources, Capacity and Business Process

28. The NSO continue to experience resource constraints with two officials in charge of GFS as well as taking care of other statistics. The primary GFS compiler also works on consumer price index (CPI) statistics and the senior official who oversees GFS is compiling and disseminating balance of payments and real sector statistics. In addition to taking care of economic statistics the two compilers are also support work on social statistics, population census, and household income expenditure surveys. Even though fiscal and debt statistics are currently compiled annually it require significant resources to produce GFS for the GG. Resources should also be assigned to complete work on consolidation. The business process

documentation should be reviewed to accommodate their needs and clarified in detail as necessary.

Recommendation Actions:

- *Even though the compiler has shown growth and improved confidence in the compilation, the mission recommended that more training and practice is needed to ensure the continuity and sustainability of the compilation of GFS in the long term.*
- *More resources should be planned to accommodate annual and higher frequency fiscal and debt statistics.*

Appendix I. Mission Recommendations, Action Plan and Implementation Status

| Priority | Action/Milestone | Progress as of October 2021 | Target Completion Date |
|---|--|--|------------------------|
| Outcome: Data are compiled and disseminated using appropriate statistical techniques , including to deal with data sources, and/or assessment validation of intermediate data and statistical outputs | | | |
| H | Participate in the discussions and review the mapping of the economic segment in the new FMIS. | The October 2021 mission discussed with the DOFA representative the automation of the GFS in the new FMIS. The DOFA will request that all the report templates (including GFS) to be incorporated into the new FMIS. | June 2021 |
| H | Review the annual GFS data series 2008–2018 for the PCs | The series were compiled by the LTXs and was provided to the DRD for verification. This was not completed since the previous mission and the DRD is granted another opportunity to verify the files. | December 2020 |
| H | 2021 Priority recommendation: Compile and disseminate BCG and SGs GFS for FY2020 upon receiving the AFS. | | January 2022 |
| H | 2020 Priority recommendation: Compile and disseminate BCG and SGs GFS for FY2019 upon receiving the audits | Completed by DRD with the assistance of the LTX early this year when the data was available in January 2021. | Complete |
| H | 2020 Priority recommendation: Ensure that foreign grants received by the BCG are properly classified and reported in the new FMIS | The October 2021 mission discussed with the DOFA the recording of grants received. From the annual financial statements, it is not clear how grants from some international organizations (like the World Bank) are recorded. The DOFA reported that this information is available from the FMIS and may be provided on request. The mission requested that grants should be clearly identified in the new FMIS for ease of reporting. | December 2022 |

| Priority | Action/Milestone | Progress as of October 2021 | Target Completion Date |
|--|--|---|------------------------|
| H | Update the IU table to cover all GG units | There are two new units that should be added: 1) FSM Telecommunication Regulation Authority 2) FSM Telecommunications Cable Corporation. | February 2021 |
| H | Complete a mapping for the functions of government in the new FMIS. | Currently the new FMIS project is delayed. This work is not yet carried out. | July 2021 |
| H | Disseminate GG GFS data | The data on the National Summary Data Page (NSDP) was updated up to 2018, the dissemination was delayed due to the resource constraints and other priorities. | October 2022 |
| H | Update the Excel version to a more recent version. | Microsoft Excel was upgraded to 2016 version. | Complete |
| H | Create an internal process document explaining how to produce the GFS reports with the new FMIS | This work was not yet done, due to the delay in developing the new FMIS. | June 2022 |
| Outcome: Higher frequency data has been compiled and disseminated internally and/or to the public | | | |
| H | Consolidate BCG and other GG unit's annual data. | No progress. Unconsolidated data for all GG units exist, but consolidation has not started. | September 2022 |
| M | Compile quarterly GFS for BCG. | Current FMIS has limitation and quarterly GFS is not possible. The new FMIS would be able to accommodate and generate the quarterly reports. | November 2022 |
| M | Identify flows for consolidating BCG, EBU's, SSF and SGs. | No progress. Capacity constraints. | June 2022 |
| H | Submit a consolidated GG GFS time series FY 2010–2018. | No progress. Capacity constraints. | October 2022 |
| M | Technical review of consolidated annual GFS for GG. | No progress. Capacity constraints. | September 2022 |
| H | 2021 Priority recommendation: Complete PSDS for the public sector FY2019 (2019Q4) and submit to the WB. | | Immediate |

| Priority | Action/Milestone | Progress as of October 2021 | Target Completion Date |
|----------|--|--|------------------------|
| H | 2021 Priority recommendation: Compile PSDS for the public sector FY2020 (2020Q4) and submit to the WB | | March 2020 |
| H | 2021 Priority recommendation: Release COVID-19 expenditure report on the DoFA website | | December 2021 |
| M | 2020 Priority recommendation: Compile and disseminate PS debt data in the World Bank PSDS template for publication | This will be discussed and agreed between DRD and DOFA, about the agency and official's responsible for compilation and the dissemination. | May 2021 |
| | Outcome: Business process documentation for compilation and dissemination of macroeconomic and financial statistics is stored, accessed, and regularly updated. | | |
| M | FMIS team to compile a guideline explaining how to produce the GFS reports using the new IFMIS. | Delayed because of the interrupted FMIS development. | June 2022 |
| H | Review the GFS compilation and dissemination guideline, for EBU, SSF and PCs. | The guideline was prepared by LTX in the previous mission, no review or changes were made to the guideline. | January 2021 |
| L | Make the business process documentation internally available. | The guideline was shared in the division's server. | Complete |

Appendix II. Structure of the Public Sector as of October 2021

Federated States of Micronesia

Units of General Government

Central Government

Subsector 1. Budgetary central government

- 1.1 Judiciary Branch (FSM National Supreme Court)
- 1.2 Legislative Branch (FSM Congress)
- 1.3 Department of Foreign Affairs
- 1.4 Department of Finance and Administration
- 1.5 Department of Resources and Development
- 1.6 Department of Transportation, Communication & Infrastructure
- 1.7 Department of Health and Social Affairs
- 1.8 Department of Education
- 1.9 Department of Justice
- 1.10 Office of the Public Defender
- 1.11 Office of the President
- 1.12 Office of the Public Auditor
- 1.13 Office of Environment and Emergency Management
- 1.14 Office of National Archives, Culture Historic Preservation (NACH)
- 1.15 FSM National Postal Service
- 1.16 FSM Banking Board
- 1.17 FSM Insurance Board
- 1.18 Office of the National Election
- 1.19 National Oceanic Resource Management Authority (NORMA)

Subsector 2. Extrabudgetary units/entities

- 2.1 College of Micronesia
- 2.2 Chuuk State Housing Authority
- 2.3 Kosrae Port Authority
- 2.4 Kosrae Housing Authority
- 2.5 Pohnpei Transportation Authority
- 2.6 Pohnpei State Housing Authority
- 2.7 Yap Fishing Authority
- 2.8 Yap Visitor's Bureau
- 2.9 FSM Telecommunication Regulation Authority (*added during October 2021 mission*)**

Subsector 3. Social security funds

1.1 FSM Social Security Administration

State Governments**Subsector 4. State governments**

4.1 Chuuk State

4.2 Kosrae State

4.3 Pohnpei State

4.4 Yap State

Local Governments**Subsector 5. Local governments**

5.1. Tonoas

5.2. Eot

5.3. Ettal

5.4. Fanapanges

5.5. Fananu

5.6. Fefen

5.7. Kuttu

5.8. Losap

5.9. Lekinioch

5.10. Makur

5.11. Moch

5.12. Weno

5.13. Murilo

5.14. Nema

5.15. Namoluk

5.16. Nomwin

5.17. Onanu

5.18. Oneop

5.19. Onou

5.20. Parem

5.21. Piis-Emwar

5.22. Piherech

5.23. Polap

5.24. Houk

5.25. Polowat

- 5.26. Romanum
- 5.27. Ruo
- 5.28. Satowan
- 5.29. Ta
- 5.30. Tamatam
- 5.31. Tolensom
- 5.32. Tsis
- 5.33. Udot
- 5.34. Ulul
- 5.35. Uman
- 5.36. Piis-Paneu
- 5.37. Polle
- 5.38. Patta
- 5.39. Oneisom
- 5.40. Fono
- 5.41. Lelu
- 5.42. Malem
- 5.43. Tafunsak
- 5.44. Utwe
- 5.45. Kapingamarangi
- 5.46. Kitti
- 5.47. Kolonia
- 5.48. Madolenihmw
- 5.49. Mwoakil
- 5.50. Nett
- 5.51. Ngatik
- 5.52. Nukuoro
- 5.53. Uh
- 5.54. Pingelap
- 5.55. Sokehs

Public Corporations

Non-Financial Public Corporations

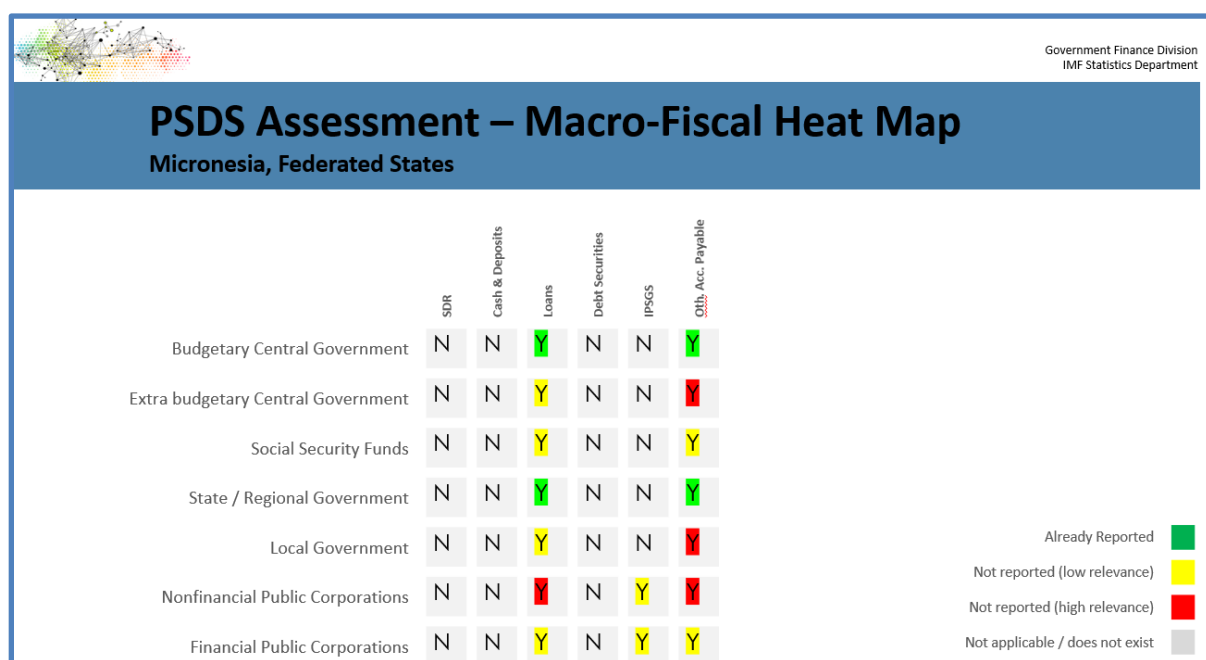
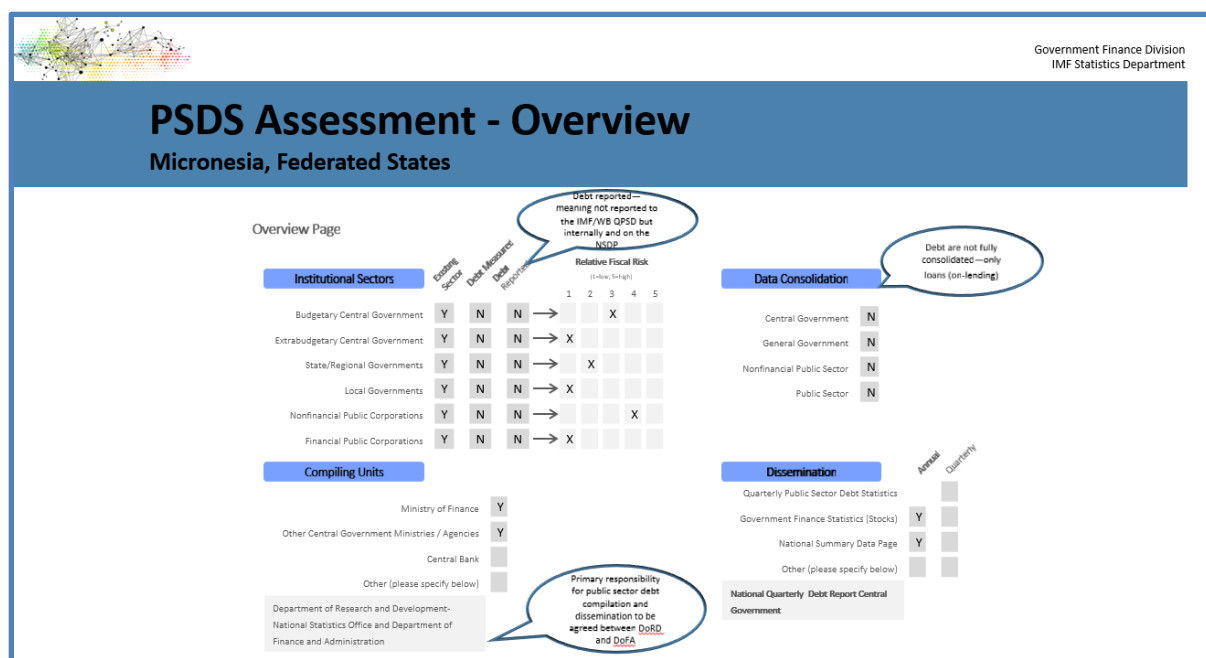
- 1.1 Caroline Islands Air Incorporated
- 1.2 Chuuk State Public Utility Corporation
- 1.3 FSM Telecommunications Corporation
- 1.4 FSM Telecommunications Cable Corporation** *(added during the October 2021 mission)*
- 1.5 FSM Petroleum Corporation
- 1.6 Kosrae State Utilities Corporation
- 1.7 National Fisheries Corporation

- 1.8 Pohnpei Utilities Corporation
- 1.9 Pohnpei Port Authority
- 1.10 Yap State Public Service Corporation
- 1.11 The Diving Seagull Incorporated

Financial Public Corporations

- 2.1 Chuuk State Health Care Plan
- 2.2 FSM Development Bank
- 2.3 MiCare Plan Incorporated
- 2.4 Pohnpei Small Business Guarantee and Finance Corporation

Appendix III. Public Sector Debt Statistics Gap Analysis and Action Plan





Tentative Work Plan – Micronesia

Short-Term

| Sector | Task / Step | Tentative Date |
|---------------|--|----------------|
| Public Sector | All financial statements for the public sector for FY2019 collected and processed. Submit the Q4-2019 debt data to the Joint IMF/WB QPSD database. <i>(All annual data are usually available via the audited financial statements with a 6-month time lag).</i> | December 2021 |
| Public Sector | Collect all financial statements for the public sector for FY2020—process the data—and submit Q4-2020 debt data to the joint IMF/WB QPSD database. <i>(All annual data are usually available via the audited financial statements with a 6-month time lag).</i> | February 2022 |



Tentative Work Plan - Micronesia

Medium/Long-Term

| Sector | Task / Step | Tentative Date |
|--------------------------------|--|----------------|
| Public Sector | <ul style="list-style-type: none"> Conduct and complete steps for debt valuation. Include debt maturity for all debt instruments. Aim to complete full debt consolidation. <i>(All annual data are usually available via the audited financial statements with a 6-month time lag).</i> | June 2024 |
| Budgetary Central & State Gov. | High frequency debt reporting (quarterly) <i>(Dependent of the successful implementation of the new financial management information system (FMIS)).</i> | October 2023 |
| EBU, SSF, LG & PCs | Establish processes and aim at collecting and disseminating quarterly debt data. | October 2023 |

Appendix IV. Officials Met During the Mission

| Name | Institution |
|-----------------|--|
| Bhrimer Johnson | Acting Assistant Secretary, Division of Statistics. DoRD |
| Sharon Pelep | Assistant Secretary. Division of Statistics. DoRD |
| Gienah Narruhn | CPI / GFS statistician DoRD |
| Rob Solomon | Advisor to the Secretary of the DoFA |