

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: Pacific Operations Division

TA No. and Name TA No. 4266: Preparation of a Country Economic Report			Amount Approved: \$250,000	
			Revised Amount: not applicable	
Executing Agency: Department of Economic Affairs	Source of Funding: TASF		TA Amount Undisbursed \$2,187.83	TA Amount Utilized \$247,812.17
Approval	Signing	Fielding of Consultants	Completion Date	
17 December 2003	19 January 2004	15 September 2004	Original 31 December 2004	Actual 30 September 2005
			Closing Date	
			Original 31 December 2004	Actual 20 October 2005
Description				
<p>The 2003 FSM Country Strategy and Program Update included a TA to conduct in-depth economic analysis and provide policy advice to the Government. Given the new phase of the Compact, the new economic report was considered timely. The country was at a crossroads and further policy guidance was needed. The Compact of Free Association with the United States, Phase II (2003-2023) was expected to place new and significant demands on limited government capacities. The Strategic Development Plan was to identify strategic directions, but follow-up work was needed to define the supportive policy frameworks and reforms required in key sectors. As a follow-up of the 1997 Pacific Islands Economic Report (PIER), the report would respond to these requirements and provide coherent advice on policy actions and reforms at macroeconomic and sectoral levels.</p>				
Objectives and Scope				
<p>The TA purpose was to help the country improve economic management and policy formulation by preparing an economic report. An intrinsic aim of the project was to foster capacity building of individuals and institutions and to fully reflect local priorities and concerns in the policy advice provided by the PIER. A summary of the main topics and preliminary recommendations were to be presented and discussed in various seminars organized in collaboration with the national and four state governments and with other institutions such as the FSM Development Bank and the College of Micronesia. The seminars were expected to include policymakers, civil-society representatives, and students.</p>				
Evaluation of Inputs				
<p>A team of international and domestic consultants was mobilized through a consulting firm. The team leader had long experience as an economist for Pacific countries and previously worked for ADB in several projects. All international experts mobilized had excellent reputations and were considered well qualified for the assignments. Of the total 8 person-months of international consulting services, the team leader provided 5 person-months while the remaining 3 person-months were provided by an Institutions Specialist, a Fisheries Sector Specialist and an Agricultural Economist. The TA also mobilized a Fisheries Sector Specialist and an Agricultural Economist to assist in preparing fisheries and agricultural development plans, partly in support of US Compact requirements. Of the total 4.5 person-months of local consulting services, Local Institutions Expert with extensive experience in Micronesian studies and proven understanding of the FSM social, traditional, legal, political and economic institutions provided 3.5 person-months of input, while Local Economist, Compact Expert provided the remaining 1 person-month.</p>				
<p>The shortlisting, evaluation of technical proposals and contract negotiation took about eight months from the signing of the TA letter. Fielding of the selected consultants was made right after signing of the contract. The consultants' overall performance was satisfactory and in compliance with the terms of reference. The inception mission was fielded in September 2004. Consultative seminars were organized in February 2005 in four states; consultations with donor agencies were held to ensure that the TA activities complemented the operations of development partners. The preparation of the PIER report was done in a participatory and consultative manner.</p>				
<p>The FSM PIER was completed and submitted in July 2005. Dissemination activities included mobilization of an economics editor for editing of the executive summary and full report, and an economist and NGO leader for conducting dissemination workshops at national and state levels during October 2005. The participants included senior members of the executive branch, members of the legislature, private sector, NGOs, donor agencies, the general public, and students.</p>				

Evaluation of Outputs

A detailed country economic report, that analyzed past trends, the current situation, and future perspectives regarding the economic development process, was prepared in a timely manner. The report also included analyses of the economic effects of the previous Compact, the roles of local institutions in economic development, and strategies for promoting investment and private sector development. A one page summary of issues and recommendations was also prepared under the TA.

The dissemination process of the PIER report was useful to the extent that it facilitated discussion of many important issues. The meetings and workshops were useful in fostering ownership of the PIER report and in creating new synergies among the different segments of the FSM society.

Overall Assessment and Rating

The TA is considered as successful and is therefore rated as satisfactory. The TA helped to prepare a timely and comprehensive economic report in a participatory and consultative manner. The PIER report enabled the Government and others to better understand the economic implications of Compact, Phase II, and prepare for the possible termination of Compact assistance in 2024. The report also provided coherent advice on policy actions and reforms at macroeconomic and sectoral levels. The executive summary and the full report were edited, printed, and disseminated through workshops at national and state levels. One thousand copies of the full report were printed.

Major Lessons Learned

Efforts should be made towards (a) building capacity within the Government to take a more active role in development and/or updating of such critical reports in the future, and (b) building community-wide awareness of the nature of the FSM economy, the developments that are taking place, and the opportunities and threats facing the economy. Ownership of the report will come when the wider community is engaged in the discussion. The dissemination process should include, but not necessarily be limited to, print media, radio, television, occasional documentaries, and internet discussion fora. If successful, this approach would empower the wider community and enable it to become the catalyst for economic reform.

A reasonable and realistic amount for printing and dissemination of the report should be provided in the TA budget. In addition, given the importance of the community involvement in the process, it is important that the team leader possess requisite skills and knowledge for effective presentation of the findings to the public and mass media.

Recommendations and Follow-Up Actions

- (i) To make use of the 2005 PIER report as an input for future country strategy and programs.
- (ii) To ensure effective distribution of the full report to a wide range of audiences from the various segments of the FSM society, both at national and states level.

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