

## TECHNICAL ASSISTANCE COMPLETION REPORT

Division: PARD/SPSO

TA No., Country and Name TA 4456-KIR: Preparing the Outer Island Growth Centers Project			Amount Approved: \$800,000		
			Revised Amount: \$800,000		
Executing Agency Ministry of Finance and Economic Development		Source of Funding TASF	Amount Undisbursed: \$47,476.46	Amount Utilized: \$752,523.54	
TA Approval Date: 2 December 2004	TA Signing Date: 11 January 2005	Fielding of First Consultants: 5 October 2005	TA Completion Date Original: 30 November 2005    Actual: 31 March 2008		
			Account Closing Date Original: 30 November 2005    Actual: 10 July 2008		

**Description.** During the Country Strategy and Programming Mission in March 2004, the Ministry of Finance and Economic Development (MFED) requested a technical assistance (TA) to prepare a feasibility study for the development of an outer island growth center at Christmas Island. To improve the rate and distribution of economic and social development and stem urban drift into the capital island of Tarawa, the Government's strategic emphasis is on promoting outer island growth centers. Christmas Island offers a unique opportunity to advance the Government's development objectives because of its large size (almost half of Kiribati's total land area), its relative proximity to Hawaii, and that Government owns all land. Christmas Island is also experiencing a rapid influx of people from Tarawa and other islands in the Gilbert Group of islands by people in search for new economic opportunities. However, land-use planning and allocation of lease plots is considerably delayed.

**Expected Impact, Outcome and Outputs.** The impact of the TA was to prepare a thorough feasibility study from which a loan fact-finding mission could be fielded. Considering the fate of a previous TA for the Outer Island Development Program, where the Government unexpectedly cancelled the scheduled loan fact-finding mission on grounds that economic development was the new focus after a new President was elected in 2003, this TA was structured in 2 distinct phases to ensure government buy-in during the process. Phase IA undertook an initial assessment of sectors and/or areas that would be economically viable drivers for development of a growth center. Before proceeding with Phase IB, a Cabinet decision had been reached on the following: (i) capitalize on the identified economic opportunities and attempt to realize the potential for economic growth in a planned and sustainable manner, (ii) create an environment that maximizes these advantages by development of the enabling environment, (iii) Government support for the private sector is necessary, (iv) an efficient public sector must be created, and (v) minimization of economic risks. Phase IB commenced on 8 February 2006 to prepare a range of conceptual investment projects needed to support economic growth and development. By 22 March 2006, the final report was submitted with recommendations to concentrate on water and sanitation, urban development, and capacity development in the ensuing feasibility study and another Cabinet paper was prepared for endorsement on 25 May 2006. Unfortunately, the Cabinet paper omitted several pertinent issues related to plot size, rent arrears, and squatter settlements—commitments to ensure that a proper feasibility study could be carried out without resting on too many assumptions—but only in July 2007 did the Government give its in-principle agreement to the issues and Phase II commenced on 10 October 2007. The complete feasibility was submitted in final draft on 26 February 2008. During a donor round-table meeting in Tarawa in the period 13-15 May 2008, staff was informed that the new Minister of Finance had informed ADB at the annual meeting in Madrid that the proposed investment project had been put on hold.

**Delivery of Inputs and Conduct of Activities.** The lack of commitment by the Government, experienced with the preparation of the Outer Island Development Project in 2003, shaped the formulation of this TA with distinct phasing and government buy-in and commitment before the following phase was implemented. Sudden unavailability of team leader and economist from the first-ranked firm was the reason to initiate negotiations with the second-ranked firm. However, as the economist from the second-ranked firm also became unavailable and could not be replaced with an equally qualified replacement, negotiations with the third-ranked firm finally produced a contract for the Phase I work. The consultant firm was re-engaged to undertake Phase II based on its good performance and output from Phase I. The 19 months delay between Phase I and Phase II was unexpected, but it was deemed necessary to obtain the required assurances and the engaged consulting firm agreed. Upon commencement of Phase II, the team leader from the first phase was luckily available again and a strong team of sector specialists formed the group. In addition, the team was strengthened by the inclusion of the former Secretary to the Cabinet to ensure close follow-up with the Government in Tarawa while the work was carried out on Christmas island, 4,000 kilometers to the east. The key consultants (team leader, hydrologist, and sanitation specialist) were all well-known in their respective fields and had

worked on Christmas island before. The final feasibility report with its many annexes of working papers is of high quality and has comprehensively addressed all the development challenges and provided pragmatic and sustainable solution to these. All have been uploaded to ADB's website through the disclosure management system on 2 July 2008.

The Ministry of Line and Phoenix Islands Development (the Ministry responsible for Christmas Island) and the Ministry of Internal and Social Affairs were the implementing agencies and a dedicated counterpart was assigned to the project. However, aside from facilitating meetings and workshops, little substantive inputs were provided by the implementing agencies. Christmas Island is considered by government employees as an outpost with few chances for career development and the staff available have generally weak skills mix and a rather laid-back working attitude. The input by the implementing agencies can therefore only be considered unsatisfactory.

The protracted implementation of the project and the general non-responsive attitude by the Government placed an unforeseen time-strain on ADB staff. The many requests for extension of the closing date, the work associated with frequent changes of consultants between Phase I and Phase II, and the continuous dialogue with the Government was very time consuming. With no air-link between Tarawa and Christmas Island, staff had to alternate the review missions between these places, but the 2 missions to Christmas Island, of 1 week duration each, were considered adequate. ADB's performance in the implementation of the project was satisfactory.

**Evaluation of Outputs and Achievement of Outcome.** The reports generated were of high quality and very comprehensive with a lot of technical working papers. The problems and challenges facing Christmas Island were well analyzed and sustainable and investment worthy solutions found to not only meet the development aspirations of the Government and the local population but at the same time preserve the unique and fragile ecology. The final report is very appropriate to formulate an investment project from. It is doubtful if the project contributed to any significant capacity development as (i) there is no real incentive for the government employees to excel, and (ii) the central Government in Tarawa has not reached an agreed vision for Christmas Island and has only allowed limited devolution for local governance.

**Overall Assessment and Rating.** The report quality and consultancy input are rated highly successful. However, the overall project assessment can only be rated as partly successful because of the Government's decision to place the ensuing investment on hold. An outright rejection of the project proposal would have given an unsuccessful rating.

**Major Lessons.** It is difficult to see what else could have been done in the formulation of the TA to ensure a better government commitment to the final investment proposal. The new Minister of Finance who was appointed in September 2007 had not been involved in the implementation and seems to belong to a rather large segment of Government officials who view any development for and on Christmas Island as unnecessary because "Christmas Island already has more and better conditions than the rest of Kiribati". Clearly missing the point that the justification for the project in the first place was to create the underpinning requirements to develop an economic growth center—the natural conditions for which do not exist in the western island group where Tarawa is located.

Dealing with a country like Kiribati that is extremely egalitarian and with an inclination toward state provision of welfare, with a less than enthusiastic approach to regional cooperation and agreements e.g., issuing of fishing licenses, and reluctance to sign any development partners agreement along the line of the Paris Declaration—perhaps, it would be more appropriate to demand a written project proposal like a detailed concept paper prior to any project consideration. Such a concept paper should naturally be Cabinet approved and thus reflect a whole-of-government commitment that cannot be changed by a single replacement of any particular minister.

**Recommendations and Follow-Up Actions.** Staff has been informed that the Secretary of Finance has been tasked to present a chronological write-up of all the approval processes pertaining to this project as there, apparently, is a broad disagreement within the Government on the outcome of this project. Many, including Secretaries, Ministers, and the President are still in favor of creating an economic growth center on Christmas Island. Staff will therefore engage in a continuing dialogue with the Secretary of Finance and also explore possibilities for part grant financing of the proposed investment project under the climate change adaptation nexus. The proposed investment amount of approximately \$10 million may also have been a contributing factor to the Minister of Finance's more than lukewarm reception of the final feasibility study.